



Skills and Labour Market  
to raise youth employment



## **SALM, WP2 overview report**

**Deliverable: 7 bis<sup>1</sup>**

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<sup>1</sup> Deliverable N 7 is made by each country report, this is an overview document summarizing key-findings of Delivery N7, for this reason I have numbered it 7bis.

## Introduction

In the SALM project, national teams in **Malta, Romania, Portugal, Scotland and Tuscany (Italy)** have mapped trends in youth (un)employment as well as policies and specific programmes that governments at various levels have deployed to foster youth employment. Such policy-mapping exercise is illustrated in country reports (WP2 reports) that can be found in the SALM website.

This document aims at providing a general introduction to such reports, as well as presenting, although synthetically, their most relevant results. Information included in the reports and in this overview have been collected through both document analysis and interviews with experts, policy makers, entrepreneurs, and civil society organizations active in the field of youth employment.

### *A common scenario*

Youth unemployment in Europe, included SALM countries, is not a new phenomenon or one that has been provoked by the post 2008 economic and financial crisis. Over the past fifteen years, in fact, in the European Union, member states have not been successful judging from their capacity to create jobs for young people: the EU average unemployment rate in fact has never gone below 15% in the period 2000-2013. Even if we consider the EU's diversity in this respect as some, like the Nordic countries, have fairly managed conjuncture forms of youth unemployment with a mix of activation and protection policies, while others, like Southern and Eastern European countries, have not, the overall picture does not improve much. From 2000 until 2013, for example, the countries of the Euro area have scored slightly better than the macro EU-27 region, still also in these Euro-area countries, youth unemployment rate never went below 15%.

Hence, the problem of the European labour market being particularly detrimental to the youth employment is a long lasting one. The crisis has increased the saliency of the phenomenon: in the last Quarter of 2013 the youth unemployment rate in the EU-27 rose up to 23.4% (OECD data) with countries like Spain and Greece at a scaring peak of having one every two young active people unemployed. If we translate such percentages in numbers, we see that 5.5 million young Europeans were unemployed

in 2012, a number which increases to 7.5 million if we include those who were not in employment nor in education or training, the so called NEET (European commission 2013).

But, for young people work has not only become more difficult to find compared with previous generations, it has also changed: while their parents had been socialised into a life-long single employment, regulated through a standard open-ended contract, securing social benefits and a pension, for current generations of youth, once they find a job, this will likely be one of a series. Furthermore, such series of jobs will likely be non-standard (fixed terms contracts, part-time, job sharing etc.), sometimes poorly paid and with limited social security and pension contributions. In 2012, according to EU data (European commission 2013) 42% of the youth worked on a fixed term contract while 32% were on part-time employments (a part-time that was often not the result of a choice, rather an obligation for lack of better opportunities). In Scotland, for instance, the share of temporary jobs on overall employment has increased of five times in only two decades: from 9.8% in 1992 to 50.1% in 2012 (Cook 2012: 18).

Such a change in the structure of employment implies that career paths become fragmented and that young people often stay in unemployment between one job and the other.

High youth unemployment rates and a strong dose of instability in employment paths (an instability which generates “precarious” workers, i.e. workers employed with non-standard forms of employment and with high risk of unemployment recidivism) have become key-characters of the post-fordist industrial and economic organization of European societies. Scholars have indicated the causes of massive (youth) unemployment being in the deindustrialization and automatization processes, while globalisation and the post-fordist forms of industrial production, like the just-in-time or lean production model, have been considered to account for precarity (Pugliese 1993).

According to research, deindustrialization and automatization have both massively contributed destroying jobs in the manufacture industry which absorbed high numbers of workers. The jobs lost in the manufacture industry have not been fully compensated by the creation of new employments in services or in the new technology sector. As pointed out by Kupchan (2012:64-65) while General Motors, which is valued at \$35 billion, has 77.000 employees in the US and 208.000

worldwide, Facebook, whose estimated value is \$70 billion, does employ circa 2.000 workers. Moreover, jobs in the manufacture industry which could be done with fewer qualifications have been the first to go, making individuals (young but also older ones) with fewer educational and skills resources more unemployable than others (Theborn 1986).

Moreover, in most of Western societies the employment's structure had been developed following a hierarchical societal organization having adult men at the peak of the pyramid, and young people, ethnic minorities, disabled and women at the bottom. In such societies, when jobs started disappearing, those at the bottom of the pyramid have been penalised more than those at the top. The few jobs and the few subsidies available went primarily to males as established and socially recognised bread winners (Pugliese 1993).

The combination of deindustrialization and automatization with globalisation has further changed labour markets with jobs in the manufacture sector being increasingly outplaced from developed to developing countries where production had become cheaper due to the billions of low wage workers available through the global economy (Alpert, Hockett and Roubini 2011). This phenomenon contributed reducing jobs (and wages) in developed countries which, in the attempt to keep their competitiveness in the global arena, have enhanced changes in their labour markets through new regulation, or better, through de-regulation. Such changes have aimed at making first and foremost labour markets more flexible: employment regulation (job protection) was in fact considered too strict and as such detrimental for employment creation.

Changing industrial relations has been another tool states have used to become more attractive for new production and investment. Bargaining with unions, and more in general social dialogue, were considered procedures which did not fit with the purposes and functioning of the new, just-in-time, model of industrial production in the global economy (Baccaro and Howell 2010, Baglioni and Brandl 2011). Such dramatic changes in European countries have not proved really successful though in terms of youth employment, or at least not in the majority of European countries (as mentioned earlier, some have done better than others).

Thus, issues of youth employment have become a massive concern for society, politics and business. Policy makers at national, sub-national and supranational (EU) levels have approached the issue not only by promoting the changes mentioned

earlier, but also with a different—according to country—combination of policies. In the SALM project, teams have done a sort of a mapping exercise which allows to understand what are the key-policies in place to raise youth employment. The next section illustrates the key findings emerging from such comparative policy-mapping.

## **Policies to raise youth employment in SALM countries**

### ***Challenges to youth employment: the supply and the demand side***

We can present youth employment policies as governmental answers to specific challenges raised at both the supply and demand-side.

On the supply side, the most salient challenges to youth employment are made by:

- young people demotivation and disengagement (due to lack of work opportunities) which keeps them away from actively seeking a job or even from re-engaging with studying;
- early school leaving;
- poor education/professional training;
- social class bias and similar socio-cultural features (ethnic minorities, migrants, women) or issues of physical and intellectual capability (disabled people).

On the demand side, the most salient challenges to youth employment are made by:

- economic circumstances limiting the capacities of the private and public sector to create jobs;
- lack of entrepreneurial skills and capabilities;
- employers' perception of young people's lack of work readiness (young people see often as overeducated but under-skilled, included soft skills);
- business preference for flexible and non-standard working contracts.

### ***Challenges to youth employment on the supply-side and governments responses thereto***

On the supply-side, a key challenge to youth employment has become the increasing share of disengaged or demotivated young people. This lack of motivation and engagement can be due to not having real job opportunities but also to established patterns of exclusion based on class cleavages (youth of working class origin having less opportunities to receive a good education and qualification level and as such to enter the labour market than those of upper classes) and specific cultural-traditional features (women, migrants, disabled and ethnic minorities, like the Roma, being all offered less opportunities than respectively men, native, and able people).

Disengagement and deprivation, at their turn, are often at the origin of two other relevant challenges to youth employment on the supply-side: early school leaving and a poor educational capital (which includes scarce skills or lack of skills demanded by employers in a specific area-country).

SALM countries' governments aim to contrast such challenges on the supply side by adopting various policy tools: the Portuguese government, for example, has placed its focus on promoting more and better education through reducing early school leaving from education and training systems and through increasing graduates' numbers in higher education. However, the Portuguese government has also paid attention to systems of qualification (skills and certification mechanisms; more trainings in association with company-organizational development; working at company managerial levels) and quality-sustainability of work (adjustment of trainings to needs of requalification; job creation and entrepreneurship; employability of disadvantaged groups). In this policy line, the Portuguese program "*Impulso Jovem*" included the possibility to create professional paid internships (open to 18-35 old enrolled in the employment institute) made by meal allowances, monthly scholarship, work accident insurance, and transport subsidies for young disabled people.

But other SALM countries governments too have emphasized the importance of improving education and education-employment transition mechanisms: for example, the Scottish government has developed the policy program called "*Opportunities for All*" which focuses on 16-19 year-olds who are not in work, education nor training and as such are at greatest risk of becoming long term unemployed. The program aims at

engaging such young people in learning and training to keep them 'employable'. To secure an effective implementation of the program, the Government has committed to: a) prioritize 16-19 year-olds in the 46,000 training places offered in each of the next four years; b) prioritize provision in Scotland's colleges for 16-19 year-olds; c) protect the quality and quantity of higher education without asking students to pay high fees; d) support local authorities in their Activity Agreements which provide a set of learning activities to re-engage young people; e) maintain the Education Maintenance Allowance for young people in need to secure they remain in education; f) provide careers support services also through social media; g) use the My Work Coach programme to support young people at risk of disengagement.

The government of Malta has put education and skills development issues at the core of its National Youth Employment Strategy, in fact, for the Mediterranean country the most relevant challenge to youth employment does not come from lack of available jobs but rather from young people's lack of skills. Thus, Maltese policies focus on: supporting school completion; encouraging educational attainment and formal validation; facilitating re-integration of disengaged youth. As an evidence that Malta's approach to solve youth employment problems comes the sharp decline in its NEET rate, which has decreased from 27.4% in 2000 to 10.6% in 2011.

The regional government of Tuscany, in Italy, has aimed at improving its work on keeping young people engaged with study as well as with early working experiences. Its *Giovani Sì* program is focused on the right to study, high professional training connected with the demand side, hiring subsidies, subsidies for self employment, contribution for buying-renting homes (all connected with "Youth on the Move"). But the regional government has also worked to improve the organization and functioning job services (in conjunction with business and employers). Finally, the Tuscany region has also developed policies to contrast precarity and young workers shifting from fixed term to open ended contracts.

Governments have to face also youth employment challenges affecting particular groups or segments of the society like immigrants or ethnic minorities. Romania has a specific policy focus aiming at improving the condition of young Roma and disabled people which both suffer strong forms of social and economic exclusion. Roma's employment rate was at 36% in 2011 against the national average at 58%, with even lower figures for Roma women (27% employment rate). The few Roma people in work are mainly employed in poorly qualified or unqualified work. The greatest need for

Roma people and in particular for young Roma is to secure access to education, but they also suffer from widespread discrimination. But they would also need access to counselling programs and trainings conducive to jobs outside the agriculture sector. In a very similar situation are Romanian disabled people: only 12.7% of those aged 18-55 had a job in 2011. The needs on this front are related to the creation of job opportunities in which young disabled people can properly work.

### ***Demand-side challenges to youth employment and governments responses thereto***

The most relevant challenge facing youth employment on the demand-side is the difficulty faced by employers, both public and private, in creating new jobs due to the economic circumstances and simultaneous public budget cuts. As put it by the Scottish Government Youth Employment Unit when interviewed for SALM, the most important creator of jobs is the private sector, thus policy should firstly support employers in their capacities to create new posts. In this sense, all SALM countries' governments have used various tools: fiscal policy advantages for companies hiring young people or unemployed; salary compensations (with governments paying part of the salary for a certain fixed amount of time of newly recruited employees); agreements on wages.

As an example of such policies among SALM countries, the Portuguese government support for hiring (a reimbursement given to employers for the social security fees paid for a young employee registered with the employment institute for a maximum period of 18 months, with a fixed amount of no more than 200 € per month per employee). Similarly, the same government has also created the *Estimulo 2013* policy through which employers are reimbursed 50% of the monthly salary of a newly recruited young person for 6 months, if a fixed term contract is offered, or for 18 months, for an open ended contract.

Moreover, governments also support the creation of new jobs through self-employment or the promotion of entrepreneurship among young people with ad hoc funding, including micro-credit programs which are available in several SALM countries namely Portugal, Tuscany and Scotland. In Portugal, for example, a specific policy aims to foster self-employment or entrepreneurship among young unemployed with high qualifications by offering them technical and financial assistance.

Policies to raise youth employment in the SALM countries emphasize also the role of the third sector or the social economy in the creation of new jobs. In Portugal, the role of non-profit organizations in the delivery and management of social services is considered strategic by the government which has included various policy tools in its national strategy aiming at developing social enterprises: like the micro-credit programme, which is developed with the support of the Cooperative Antonio Sergio for the Social Economy–CASES). Similarly, in both Scotland and Tuscany, youth employment policies consider the third sector a key-sector where young unemployed can find a satisfying form of employment. Among the SALM countries only in Romania the third sector is considered scarcely attractive for young people due to its very low salaries and the limited capacity to intervene in policy implementation.

While job creation remains a difficult goal for private companies, another challenge to youth employment comes from companies preferring hiring under fixed terms contracts which allow them to adjust their workforce to cycles of production. However, as mentioned earlier in the report, the diffusion of atypical contracts among young people creates several problems, ranging from low wages to lack of capacity to plan and shift to an autonomous life. In the SALM countries, and in particular in Portugal and Tuscany, governments have adopted policies aiming at pushing employers to prefer open ended contracts to fixed terms ones by providing ad hoc fiscal incentives and social security benefits. Thus, such policies may represent the beginning of a u-turn approach to youth employment that has, since decades, considered flexibility the privileged way for young people to enter the labour market.

Another very significant challenge comes from the employers belief that young people are too often not ready for work: according to employers, young people often lack (especially soft) skills which make them good employees. The cost associated with the time every new young employee needs to develop such skills is considered too high by companies which prefer hiring experienced workers. To contrast such a challenge, governments have elaborated policies which aim at reassuring employers about the 'fit for work' character of young people. For example, to encourage employers recruiting young people, the Scottish government has designed, through Skills Development Scotland, an employer-led *Certificate for Work Readiness*, in partnerships with the Scottish Qualifications Authority and employers. Such a document certifies the work readiness of 16-19 year-olds which occurs through

offering young people enrolled in the program some work experience (at least 192 hours). Similarly, the government of Malta has developed the *Job Experience Scheme*: funded through the ESF, the program aims giving young people a working experience. The results of this program are considered to be positive: 85% of attendees completed the program and 36% found a job after it. The same government has then elaborated the Active Youth Scheme to develop job experience through social enterprises. The program offers 30 hours work a week with a salary equals to 75% of the minimum wage. 119 youth used the scheme between 2008 and 2009.

To conclude, despite the different contexts, countries included in the SALM project present very similar policies to tackle youth unemployment on both its supply and demand side aspects. The next SALM project research step investigates how such youth employment policies can be effectively implemented by fostering job creation in two specific sectors: care services and senior tourism. These sectors have been chosen as in all SALM countries, like in most of the other European countries, demographic (ageing—although intended in two contrasting meanings: larger cohorts of non-self sufficient individuals but also larger cohorts of persons active until later age), economic (economic stagnation and public deficit) and general societal changes (end of extended families, more women in employment, geographical mobility), all these changes suggest that there will be an increase in demand of both care and senior leisure activities. An initial overview of these sectors' capacities to create youth employment has though unveiled that: a) not all countries have comparable capacity to develop jobs in the two sectors of care services and senior tourism due to specific economic and policy-administrative configurations; b) qualifications of young people interested in working in both sectors need to be better organized (companies consider young people not adequate to deliver care services for lack of both soft and strong skills); c) policies should assume an integrated approach (local development, welfare state etc.. should be integrated) as otherwise the policy impact would be minimal.

SALM country reports, which can be found in the same webpage where this summary report is located, provide the evidence about the convergence of youth employment policies among our five European countries/regions while more specific information about the job creation for young people in both care services and senior tourism will be provided in following ad hoc reports.

**Table 1: Challenges and solutions to youth employment: the demand and the supply sides (an overview)**

	<b>Supply-side</b>	<b>Demand-side</b>
<b>Challenges</b>	<ul style="list-style-type: none"> <li>• Disengagement due to long term unemployment and under-employment and biographical circumstances</li> <li>• Early school leaving</li> <li>• Lack of education and/or skills</li> <li>• Lack of work experience</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of opportunities for job creation</li> <li>• If new jobs are created, permanent positions are avoided in favour of atypical or fixed term contracts</li> <li>• According to employers, young people are not ‘ready for work’, better to hire experienced workers</li> <li>• Young people are overeducated but under-skilled</li> </ul>
<b>Examples of Policies</b>	<ul style="list-style-type: none"> <li>• Impulso Jovem (Portugal)</li> <li>• Opportunities for All (Scotland)</li> <li>• Certification for Work Readiness (Scotland)</li> <li>• Job Experience Scheme (Malta)</li> <li>• Giovani Sì (Tuscany)</li> </ul>	<ul style="list-style-type: none"> <li>• Fiscal advantages (PT, Tuscany)</li> <li>• Salary compensations (PT, Tuscany, Malta)</li> <li>• Estimulo 13 (Portugal)</li> <li>• Micro-credit (PT, Scotland, Tuscany)</li> <li>• Third sector–social economy (PT, Scotland, Tuscany)</li> <li>• Work readiness programs (Malta, Portugal, Scotland)</li> </ul>

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