

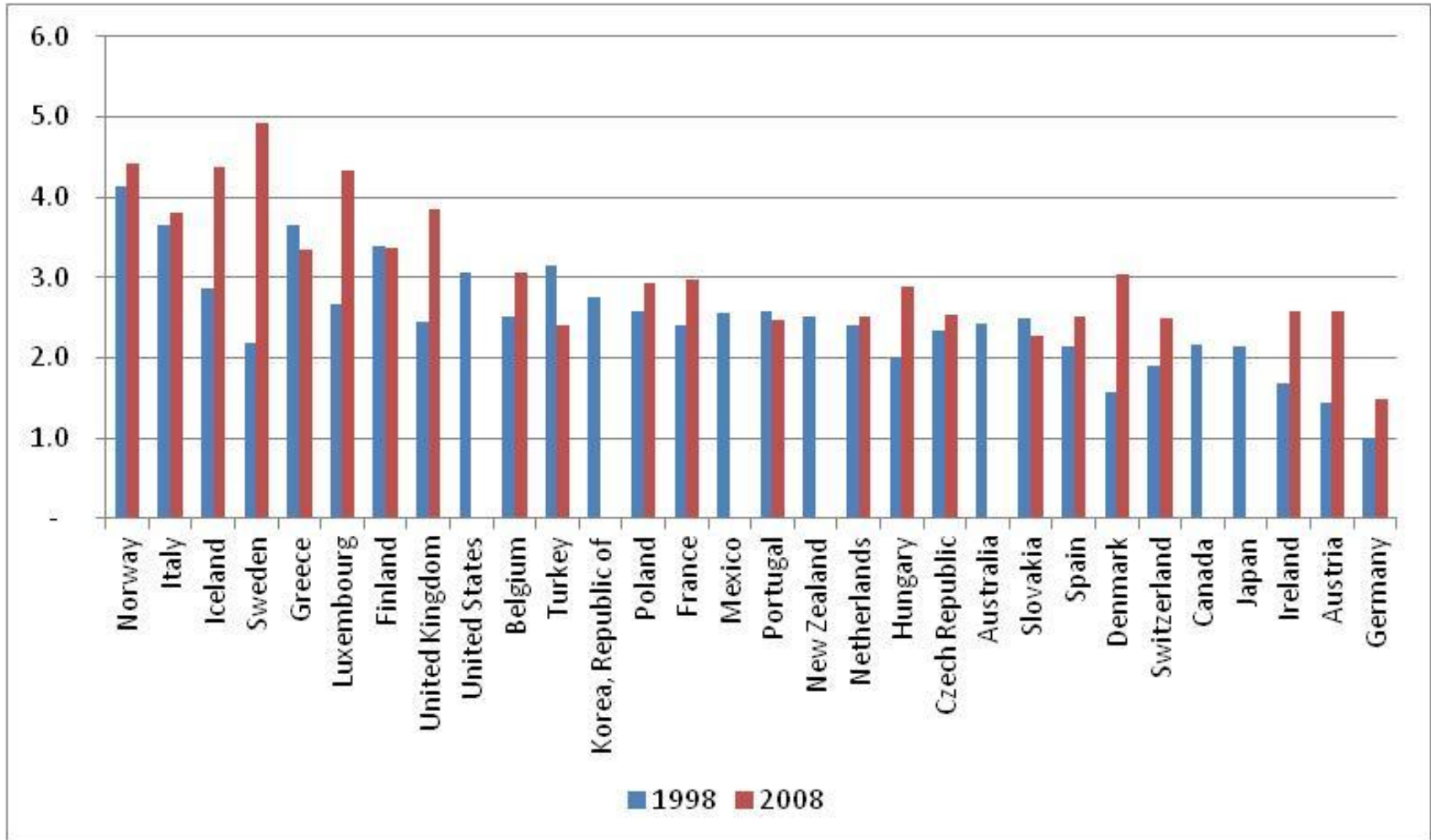


Developing internships in the Western Balkans

Skopje, 9 June 2010

Situation of youth in the labour market has been deteriorating in most economies

Youth to adults unemployment ratio
-OECD countries, 1998-2008-



Source: OECD – Job for youth review

Governments in the OECD set up strategies to adapt to the changing skills needs on the labour market

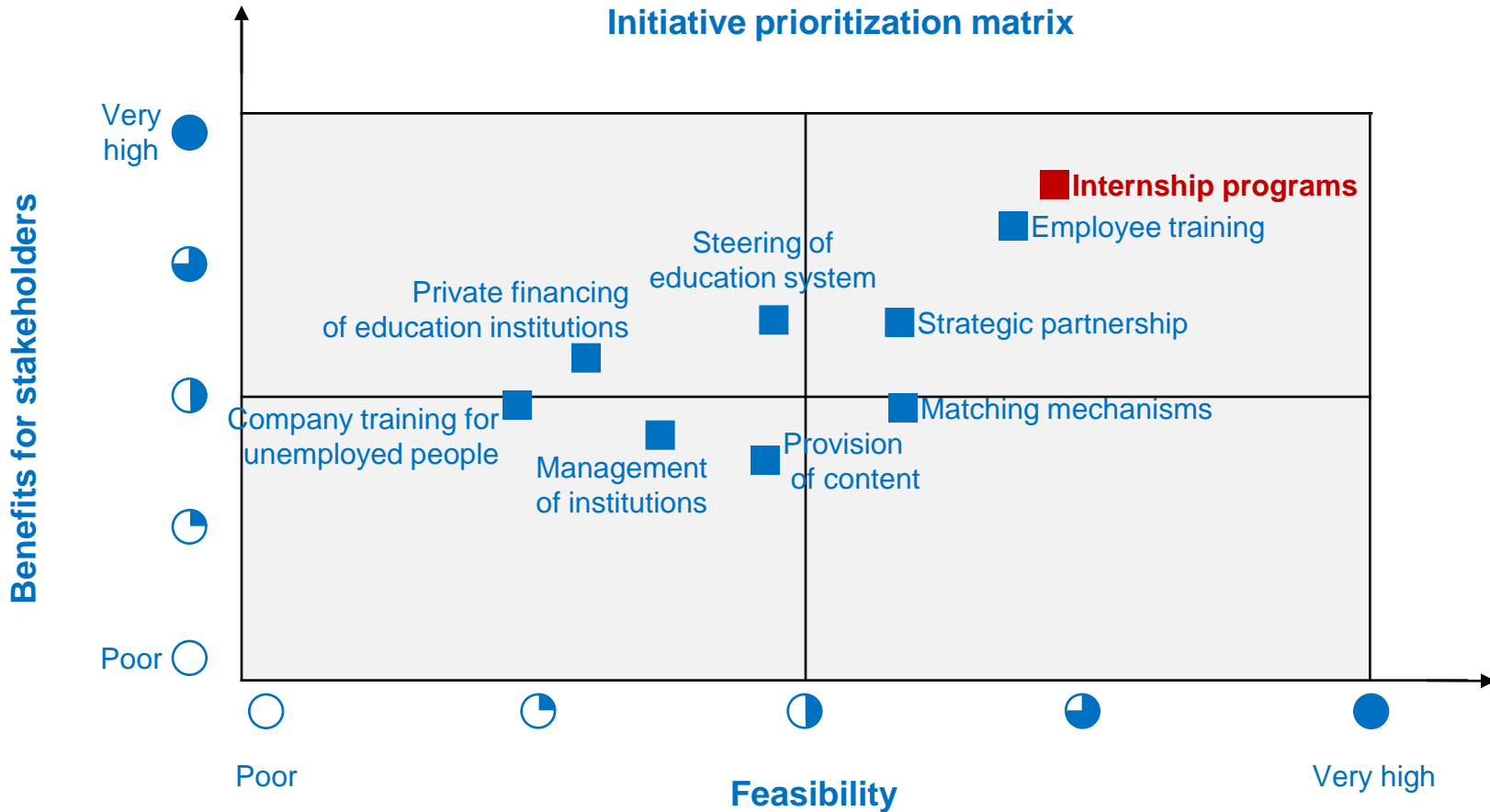
- **Skill needs are growing:**
 - In OECD countries, an increasing gap exists between workers with tertiary education and those without
 - In the Western Balkans, employers are rating the lack of skills of worker as an important constraint to their development
- **Demand for skills is evolving**
 - Technological change and focus on value-added products and services call for different skills
 - Transversal soft skills need to be developed to complement technical expertise
 - In the Western Balkans, soft skills are lacking. E. g. study by MASIT showed that 63% of ICT employers consider that staff has technical skills but lacks soft

Example: EU “New skills for new jobs” strategy

- In December 2008, the European commission launched a “New skills for new job” strategy to anticipate and match labour market needs.
- An expert group was set up to give concrete recommendations. To help meet the challenge of changing skills needs
- 3 types of recommendation were given:
 - Bridge the gap between education institutions and the labour market
 - Develop incentives to upgrade and better use skills
 - Develop the right skills of technical and soft skills

During the Human Capital Working Group held in Zagreb on September 17th, various forms of collaboration between education institutions and the private sector were considered

Initiative prioritization matrix



Internships bring significant benefits to the various stakeholders, they contribute to improving the relationships between the university and the private sector and significant initiatives already exist in the Western Balkans that can be built on

The decision to focus the work of the OECD Investment Compact on internship schemes was based on feedback from the Human Capital Working Group

A project on internship development would benefit from:

- Expected improvement of skills:
 - Developing internship programmes contribute to bridging the gap between education institutions and the labour market, guides career-related choices for students and help them build a diverse set of skills
- Involvement of beneficiary countries:
 - The design of internship policy/schemes is an area where sharing of experience and actions at the regional level is highly feasible
- Resource availability:
 - Availability of best practices in the OECD and in the region:
 - Data needs are limited compared to the other possible outputs considered.
- Near-term policy impact:
 - Effecting significant policy change in this field requires relatively few steps from government, none of which have any foreseeable downside.

The work conducted on internships aims to provide guidance to Governments and stakeholders in the Western Balkans on initiatives to develop internships

Scope of the work on internships

How to develop more effective internship programmes in the Western Balkans?

1

Expected impacts of internships

2

Situation in the Western Balkans

3

Lessons from international experience

1. EXPECTED IMPACT OF INTERNSHIPS

Set up of an effective internship scheme brings benefits to students, companies and to the education system as a whole

Benefit of internship programmes

Students

- Students can obtain business related skills and experience
- Internships are efficient way to connect students with the labour market to reduce their transition time to work⁽¹⁾

Companies

- Internships give companies the opportunity to assess the quality of potential applicants over a significant period with a limited risk
- Companies can hire students that have already a significant work experience, reducing information asymmetry

Universities

- Students can confront the theoretical knowledge they get at the university with skills needed in the labour market, giving relevance check for teaching
- Internships can contribute to establish regular links between the education system and the companies

Analysis of data collected as part of the REFLEX survey can give precise indications on the benefits of internships



Main characteristics of the REFLEX survey

- Study conducted in 15 countries in the European Union and focusing on :
 - The competencies required for higher education graduates
 - The role played by higher education institutions in helping graduates develop these competencies
 - The tensions arising between graduates, higher education institutions, employers and other key players
- As part of this project, data were collected on graduates of the academic year 1999-2000, approximately five years after graduation
- About 2000 graduates were interviewed in each country
- Issues of school to work transition, over-education and skill mismatch are addressed by the survey

Study relevant work-experience acquired during studies has positive impact on transition from school to work over-education and skill mismatch



School to Work Transition

- Transition from school to work is measured as the time between graduation and the time of first employment. Average transition time was 2.1 month but reached 4 month in Spain
- Study-related work experience during studies increases the probability of finding a job just after graduation by 44%

Over-Education

- 26% of student interviewed reported over-education in their first job. Average number of years of over-education is 3 years for first job
- Study-relevant work experience during studies decreases the probability of experiencing over-education by 15%

Skill mismatch

- 21% of graduates felt that the subject they studied was irrelevant for their first job. The ratio was above 40% in the United Kingdom and in Japan
- Study relevant work experience during studies reduces the occurrence of skill mismatch by 26%

Survey of employers highlight the very positive impact these can have



Limited cost of hiring

- Internships have become one of the main avenue for students to find their first jobs. Study in the US show that 83% of employers use internships to identify potential hires.
- Internships allow employers to gauge the ability of graduates in the working environment over a significant time period

Short term support

- Interns can provide short term support to help companies cope with particular resources constraints at a limited cost
- Retribution for internships is in general limited and companies can benefit from skilled workers at a limited cost

Human capital transfer

- Internship programmes allow companies to benefit from highly skilled resources they could not afford otherwise
- Programmes such as STEP in the United Kingdom and Inov-Jovem in Portugal aim specifically at fostering innovation among SMEs through internships programmes

The development of internship programmes helps increase the links between education institutions and the private sector



Increased Relevance

- Students can confront the theoretical knowledge they get at the university with skills needed in the labour market, giving relevance check for teaching
- Conducting internships as part of their studies help students decide on the area they want to specialise in



Links with the private sector

- Setting up internships allow education institutions to build links with the private sectors
- In OECD countries, this type of links has been shown to contribute to further action (e.g. share projects, funding)



Incentive for students

- Issue of over-education may be an obstacle to willingness of students to pursue education at the tertiary level
- Improving links with the private sector could lead to increase the incentive for students to go to the university

Despite the benefit for the various stakeholders, international experience suggest that a number of issues need to be addressed when designing an internship program

Quality of internship experience

- Analysis of the Reflex data show that, although study-relevant work experience is beneficial for students, non-study relevant work experience is associated to longer transition, higher skill mismatch and higher level of over-education
- Monitoring the relevance of the work performed is necessary to ensure positive outcome

Capacity of private sector

- Many employers find it difficult to set up the right organisation to accommodate interns.
- Providing support to firms (and in particular SMEs) can help them design effective internship schemes

Link with the labour market

- Criticism has been raised against the fact that internships were taking permanent job-positions.
- Clear regulation needs to be defined in order to avoid inadequate use of internships by employers and keep their “experiential learning” dimension
- Internships should be limited to students, and be developed during the course of their studies.

2. INTERNSHIP IN THE WESTERN BALKANS

Surveys conducted in the Western Balkans show that internships are not uncommon but point out specific challenges

- **Data on internships are lacking** in most Western Balkans economies.
 - This makes it difficult for governments to assess the current situation and to make sound policy choices.
 - Only in Macedonia and Serbia have there been surveys, conducted with the support of USAID, to assess the extent to which employers hire interns and the main features of internship programmes.
- **Internship are not unusual in the Western Balkans**
 - The survey in Macedonia shows that, in 2008, 48% of companies hired interns
 - 71% of participating companies conducted internship programmes.
- Some aspects of these surveys illustrate shortcomings in the practice of internships
 - internships last in general less than 3 months
 - in the absence of institutional mechanisms to advertise the internship positions available, 54% of interns were hired through personal contacts and recommendations

In most economies in the Western Balkans, involvement of public authorities in the development of internships programmes has been minimal so far

- Following the impulse given by the European Union, **many economies have included a focus on employability within their youth and education strategy**
 - economies in the Western Balkans recognize the need to strengthen the link between the education system and the private sector
 - Serbia is the only economy in the region which explicitly quotes internships as being a part of its strategy to deal with youth unemployment
- **Few governments have taken concrete actions** to develop internships
 - In Macedonia, the Government has enacted a law on higher education which requires that university students conduct at least 30 days of work experience as part of their studies.
 - In Serbia and in Montenegro, specific programmes, within the framework of the active labour market policies, offer wage subsidies for graduates in their first employment. However these programmes have not been developed within the education system
 - In Montenegro and in Kosovo under UNSCR 1244, public administrations participate in pilot programmes to offer internships to students

Despite the lack of national framework, some universities are developing measures to increase internships

- In order to comply with the recommendations of the Bologna process, **many universities have started to develop links with the private sector** and to develop internship schemes.
 - Private universities in particular have usually developed strong ties with the private sector
 - Some public universities in the region (e.g. University of Tirana, St Cyril and Methodius, University of Prishtina) have long-established practice of internships
- **The University sometimes plays a role as intermediary** between students and companies.
 - In many cases, the dean of each faculty is in contact with private employers who seek to recruit a few interns
 - Some universities, in particular in Croatia and in Serbia, have set up student services that liaise with potential employers

In general, initiatives developed in specific universities critically depend on the stamina and personal connections of university management team and should be further institutionalized

Given the limited support to internships offered by governments in the Western Balkans, many initiatives have been led by the private sector and the donor community.

- **Specific internship programmes have been set up in the Western Balkans, in particular with the support of USAID:**
 - USAID is supporting internship programmes by USAID operate in Bosnia and Herzegovina, Kosovo⁽¹⁾, Macedonia, Montenegro and Serbia.
 - Programmes rely in general on relationship with one or a few specific institutions
- **Donor-funded internship programmes include several dimensions:**
 - Event to raise awareness among students and employers
 - Training for companies considering hiring interns
 - Match-making mechanisms between employers and interns
 - Additional services (training for students, counseling, etc)

Donor-funded programmes help demonstrate the usefulness of internships in the region. However, they often remain limited in scope and should be expanded

The numerous pilot internship programmes launched in the region have faced a number of barriers

Lack of social capital

- Current reliance on personal connection is detrimental for smaller universities
- Collaboration between stakeholders would need to be institutionalized

Institutional resistance

- In some institutions, university codes would need to be reformed to allow for internships, in particular outside summer break
- Internships will face resistance if they are considered sub-standard

Unclear legal framework

- None of the Western Balkan economies have a clear legal framework
- Practitioners mention that this entails a risk for potential employers

Limited private sector capacity

- SMEs represent a large share of employers in the Western Balkans
- SMEs have limited resources and knowledge on how to deal with interns

Concern over the quality

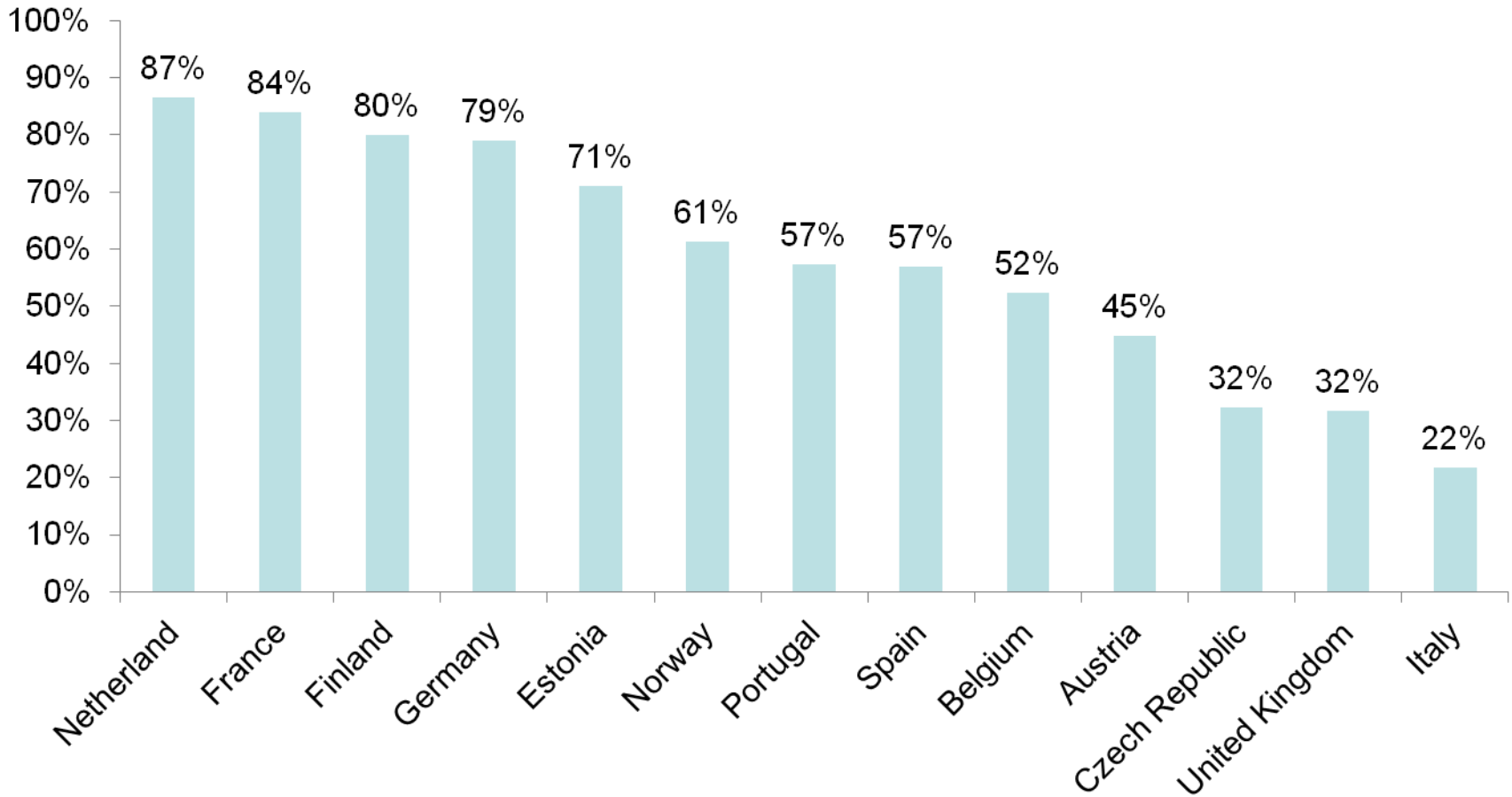
- In most economies where internships have been developed, concern over quality have been raised
- This may limit the willingness of universities and student to participate

Internship programmes developed in OECD countries show that public policy can help overcome these barriers

3. LESSONS FROM INTERNATIONAL EXPERIENCE

Well-developed internship programmes exist in most OECD countries

Share of student who completed internships as part of their studies



Source: Reflex data

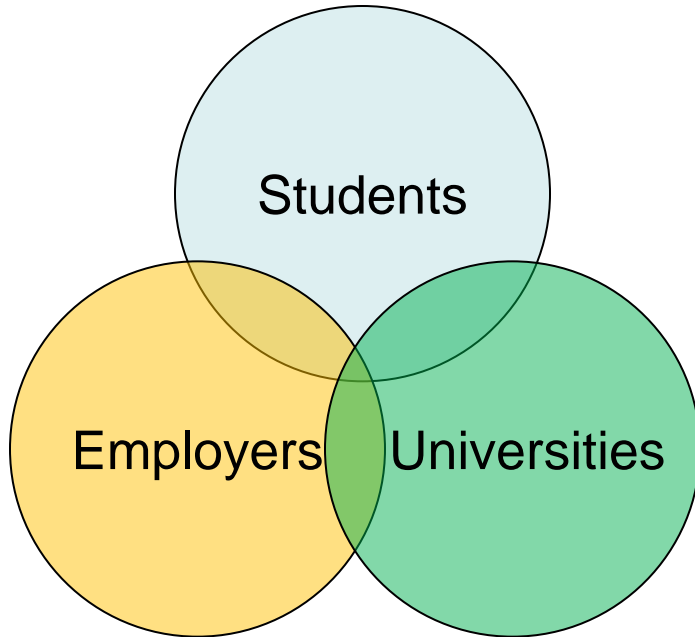
Two models of work experience during studies coexist in in OECD countries

	Regulated Model	Unregulated model
Labour market context	<ul style="list-style-type: none"> • Low employment rate of youth during their studies • High unemployment of youth compared to general population 	<ul style="list-style-type: none"> • High employment rate for youth, in particular during studies • Limited unemployment
Form of experience	<ul style="list-style-type: none"> • Specific form of employment regulated by ad-hoc code • Strong ties with education institution 	<ul style="list-style-type: none"> • General short term employment contract
Legal framework	<ul style="list-style-type: none"> • Specific status of internships to allow short term employment of students under specific conditions 	<ul style="list-style-type: none"> • Limited need to adapt labour laws as flexible regulation already apply • Guidelines can be set up
Role of Education institutions	<ul style="list-style-type: none"> • Liaise students and companies • Monitor the work performed • Assess, together with the private partners the outcome of the internship 	<ul style="list-style-type: none"> • Facilitate the matching process (e.g. through career centres) • Provide flexible teaching arrangements
Example of countries	<ul style="list-style-type: none"> • France, Portugal 	<ul style="list-style-type: none"> • United Kingdom, United States, Australia

Lack of social capital: Policy makers can have a strong impact on building a common approach to internships

Internship programmes requires interactions...

...that governments can help develop



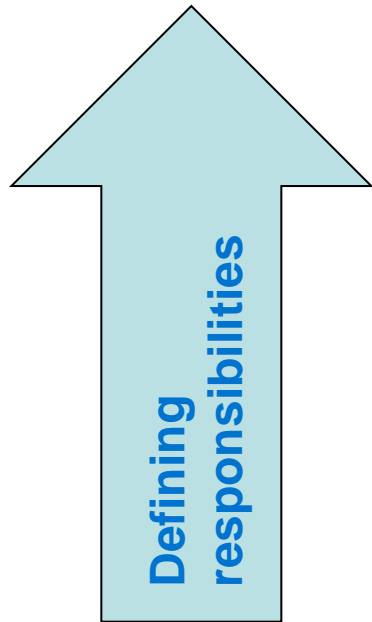
- Few universities have regular interactions with the business sector
- Students have limited understanding of the requirements of employers
- SMEs do not have the time and resources to pro-actively contact universities

- In Romania and in France, Government has set up shared approach with representative bodies of universities, employers, students and key ministry
 - Meeting has resulted in concrete commitment to further develop internships
 - In France, agreement on standards resulted in a law
 - In Romania, the government has provided support to a matching programme
- In Canada, sector council have been set up
 - Members include representatives from business, labour, education, other professional groups, and government
 - Among other tasks, sector council manage the internship programme set up by the Government

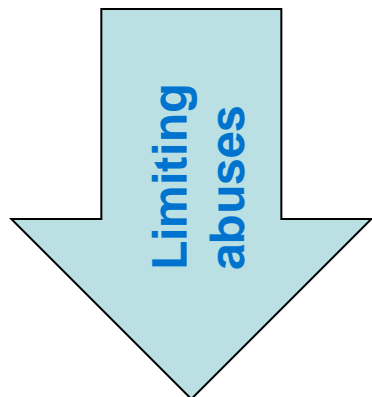
Institutional resistance: Publicizing results and monitoring outcome of internships can help raise awareness and build consensus

- **Demonstrating the benefit of successful program can help gain buy-in**
 - Pilot on specific curriculum/schools: Programmes in France have first started in business and engineering schools before being gradually implemented throughout all the curricula
 - Event raising awareness: At the first stage, event such as the ones organised in Serbia by USAID can help address the concerns of the various stakeholders
- **Statistical assessment of the benefit and cost of existing internship programmes need to be done to allow for evaluation and re-engineering of programmes**
 - In Canada, the Human Resources and Social Development department assess satisfaction, outcome and impact on employment for the various programmes
 - In France the center for research on skills and employment (CEREQ) collects data on employment statistics for graduates 3 years after graduation reviewing in particular data on internships
- **Measures to impose that internships be done as part of specific degree can be considered** (e.g. engineering degree in France, applied degree in the Netherlands).
 - Such requirements need to be approached carefully so as not to penalize students when external labour market conditions are poor

Unclear legal framework: Developing regulations on internship programmes can help enhance the quality of the programmes while limiting potential abuses



- In France, a Memorandum of Understanding defining the various rights and obligations of the parties has been set up
 - This framework set up a duty for the university to assess the quality of the internships
 - Employers need to nominate a mentor to help the intern
- In the Netherlands, a standard internship agreement has been developed
 - Model was defined by the Association of Universities in the Netherlands (VSNU), the Netherlands Association of Universities of Applied Sciences (HBO-raad) and Nuffic
 - Employers are required to use this agreement

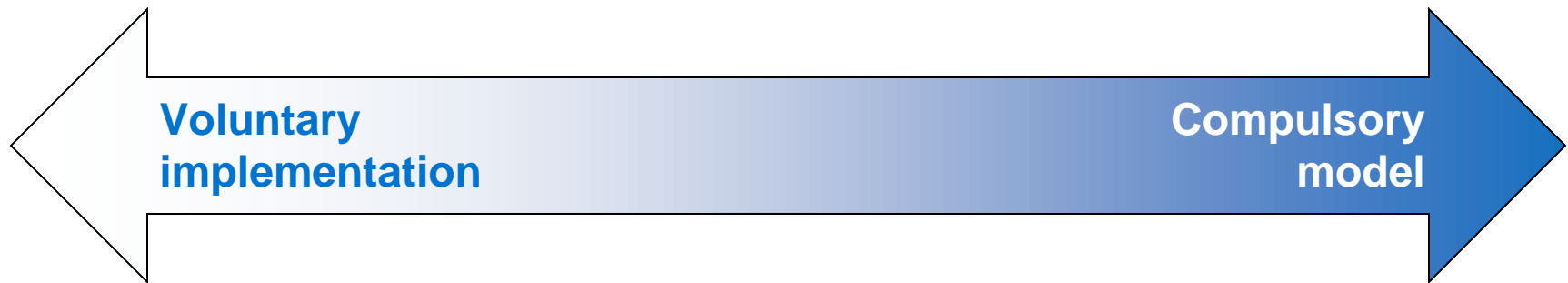


- Many countries where internship programmes are common place are concerned over the replacement of permanent positions by interns
- In the United States, 6 guidelines have been set up to differentiate internships from employment, focusing on learning outcome for the intern and the type of tasks implemented

Limited capacity of the private sector: Programmes have been designed by government to help companies, and in particular SMEs, develop internships

- **Training**
 - In several countries (France and Switzerland for example), specific guides on how to set up an internship schemes has been set up for companies
- **Adapted minimum wages regulation**
 - In many countries, internships are not considered as employment contracts (e.g. France, the Netherlands). They are therefore not subject to regulation on minimum wage.
 - In the United States, exemption to minimum wage regulation is dependent on the criteria set up by the federal governments
 - Concern on the equality of access to internships
- **Wage subsidies schemes**
 - In Romania, the Government covers part of the wages of interns to help companies develop internship programmes
 - In the United Kingdom government as part of its response to the financial crisis, is providing £13.6 millions to fund 8,500 graduate internships in SMEs
 - In Portugal and in Canada, a similar schemes is providing assistance to graduates in innovative industry
 - Potential important costs of such a schemes make careful monitoring necessary

Concern over quality: Various mechanisms have been considered to develop high-quality of internships

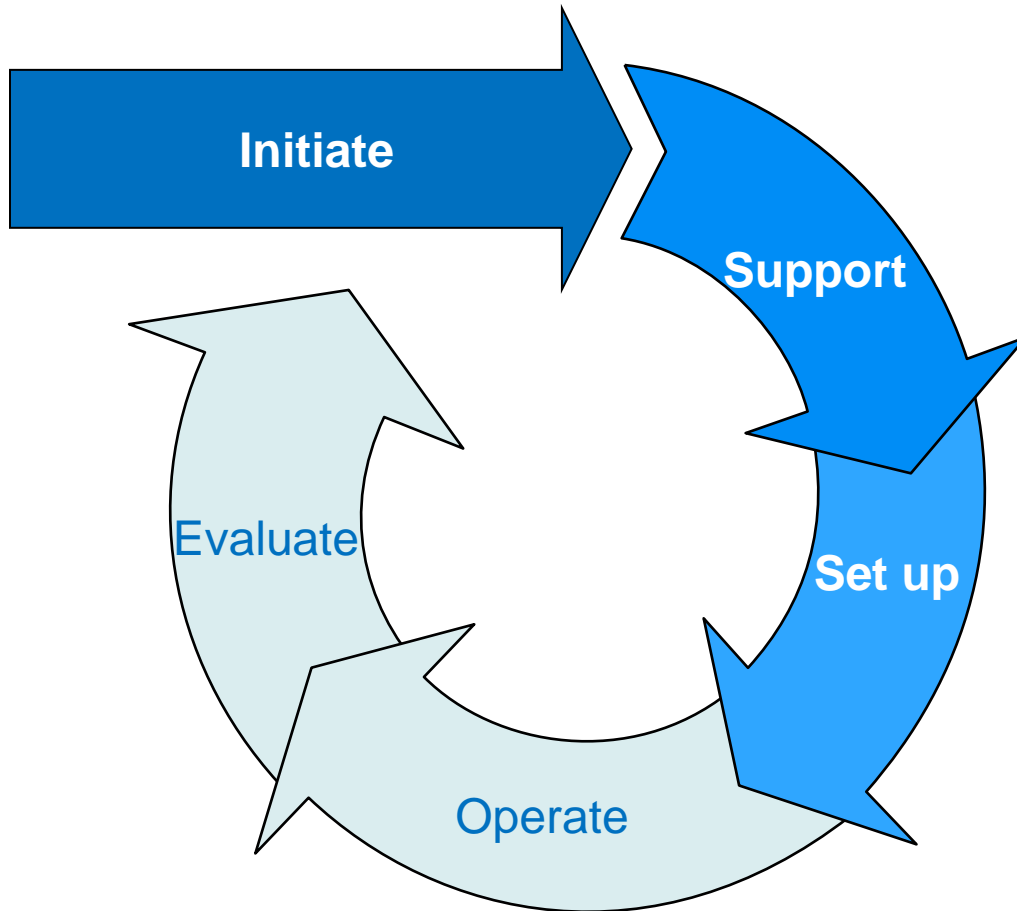


- In the United Kingdom, report is advocating implementing “quality stamps” on the internship models
- Similar private initiative on market based approach exist, for example in the US (www.internshiprating.com) and in Canada
- In Macedonia, USAID is considering having interns rate the quality of the internship model
- In France, internship contract is signed by the university, the employer and the student
- University is required to ensure that the quality of the internship is adequate

CONCLUSIONS AND RECOMMENDATIONS

Most Western Balkan economies are in the earlier stages of development of internship programmes

Internship program development process



- **Government in the Western Balkans should take measures to kick-start a national approach to internships**
 - Event(s) aiming at building social capital and raising awareness could be organised
 - Review and where necessary adapt the legal framework
 - Support mechanisms to increase participation should be considered (e.g. guide for companies and students, targeted subsidies)

Next steps for Governments in the Western Balkans

- **Build social capital and establish a common approach to internships**
 - Organizing a roundtable to launch internship programmes can be an effective way to build social capital
 - Participants to the meeting should include representatives of employers organisations, representative of universities, labour unions and students
 - Such a meeting should build on the existing initiatives at the national level and include them in a broader framework
 - A meeting would raise awareness and show commitment to take concrete action
- **Review regulation**
 - Karanovic and Nikolic have reviewed the legal framework for internships
 - Some adjustments may be needed to further develop internships and allow better monitoring
- **Support mechanisms**
 - When Active Labour Market policies for youth are in place (e.g. Serbia, Montenegro, Macedonia), the opportunity to expand those instruments for internship should be considered
 - Some relatively inexpensive measures such as the development of specific guides could be considered on how to set up a internship schemes for companies and SMEs