

## CHAPTER 3

# Getting started, settling in: the transition from education to the labour market

### A. INTRODUCTION AND MAIN FINDINGS

#### 1. Introduction

Improving the transition from initial education to the labour market has long been a policy priority of OECD countries and many reforms have been enacted to facilitate this transition. At the same time, social and economic changes appear to have led to the transition becoming more difficult and prolonged. The 1996 *Employment Outlook* chapter on youth showed that participation and employment rates had declined over the past two decades, most particularly among men, while unemployment rates had also showed little improvement. The theme of a longer and more varied transition was developed further in the 1996 *Education at a Glance - Analysis*. Indeed, a wide-ranging thematic review of the transition, involving in-depth country-specific studies, is currently being undertaken at the OECD.

The aim of this chapter is to extend previous OECD analyses, by focusing specifically on the transition from school to work. Most importantly, it considers the integration of young people only *after* they have left the educational system. This is different from the large bulk of comparative analysis which tends to focus on all young people, whether or not they are in school. Such a focus does, however, preclude analysis of what youth bring with them to the labour market from the initial education system as well as the decision to leave school, even though both are important [Caspi *et al.* (forthcoming); Shavit and Müller (1998)]. The chapter analyses labour market outcomes of new school leavers with respect to jobs and unemployment, both in the very short-term or roughly one year after exiting the school system and, using longitudinal data, over the longer-term of three to six years after permanently leaving school.

Section B first sets the stage for the empirical analysis by describing some of the central attributes of education/training systems and labour market policies aimed at youth. Section C provides a detailed analysis of the initial transition to the

labour market for 16 countries. It explores whether school leavers in the 1990s have faced greater difficulty in finding jobs compared with the 1980s, and considers some of the factors underlying success or failure. Finally, Section D uses longitudinal data for seven countries to enhance our knowledge of the longer-term process of settling into the labour market, and how and whether that varies across countries and groups of young people.

#### 2. Main findings

One year after leaving education, youth in Finland, Greece, Italy, Portugal and Spain face a very high risk of unemployment, while in Austria, Germany, Luxembourg, Norway and the United States the risk is considerably lower. But, new school leavers are far from a homogeneous group and there is a very wide dispersion of outcomes according to age, gender and educational attainment.

Higher levels of initial education generally not only reduce the risk of unemployment, they also increase the chance of obtaining a full-time job with a permanent contract. That said, in many countries temporary and part-time jobs are on the rise across the board. Currently, about one-half of jobs found by new school leavers are temporary while one-third are part-time. Over the period covered in this chapter, there were moves in several countries to liberalise the possibility of using temporary contracts. Spain is the best example: currently, over 80 per cent of new school leavers in jobs are on temporary contracts. Many temporary contracts, especially in those countries where apprenticeships are important, are often combined with training.

The job prospects of new school leavers are also highly sensitive to the overall state of the labour market. The damaging effects of high and persistent unemployment are particularly evident for those with fewer educational qualifications and women. Institutional factors matter as well. The analysis suggests that co-ordinated/centralised collective bargaining structures are better contexts for new school leavers to get into employment compared

with decentralised structures, as are well-developed apprenticeship systems. Similarly, employment protection legislation that is too strict can hinder youth employment.

Viewed over the larger haul, the longitudinal data reinforce many of these findings. In all countries, less educated youth start off with poorer job prospects, although differences tend to diminish over time, especially among young men. However, cross-country differences are also evident, especially at lower levels of education where young Germans have higher, often considerably so, employment rates compared with their counterparts in Australia, Ireland, France or the United States. There is also evidence of persistent cross-country differences which show up as quite large differences in the cumulative time spent in work or unemployed. Finally, while causality is difficult to establish, starting off in the labour market as unemployed, regardless of ones' level of education, almost "guarantees" employment problems in the future. In this context, the role of temporary jobs in easing the initial transition is of some interest. While data are limited, for some youth such jobs do ultimately lead to more permanent jobs and better prospects compared to being unemployed. But there is also a downside to temporary jobs: some never make the transition to permanent jobs and some bounce back and forth between temporary contracts and unemployment. In short, for a significant minority of youth, settling into the labour market, let alone good careers, proves quite difficult.

Some interesting policy orientations and questions emerge from the analysis. One clear result is that apprenticeship/dual-type systems work best in giving non-university-bound young people a good start in the labour market. In spite of the challenges they currently face, dual systems provide an attractive model. However, establishing large-scale apprenticeship systems in countries lacking any such tradition of strong government/employer/union linkages is very difficult. Although the creation of training opportunities comparable to apprenticeship will be of importance, especially for at-risk youth, countries need to consider possibilities for developing solid programmes within their existing institutions and with the co-operation of all the main actors.

There is an important question mark concerning the use of fixed-term/temporary contracts as a route for getting youth settled into the labour market. They appear to be a useful route for some, but not for others. An urgent task for research is to investigate the reasons for this mixed record of fixed-term/temporary contracts and suggest ways of making them a better route. The challenge is to improve the chances that an initial foothold into the world of

work, even for a short period, raises long-term employment and career prospects. The analysis in this chapter has not been able to probe very deeply into these issues so any conclusion must be seen as tentative. However, trying to ensure that temporary jobs involve a training dimension may be worthwhile pursuing.

## B. THE LAUNCHING PAD: EDUCATION AND TRAINING SYSTEMS AND YOUTH LABOUR MARKET POLICIES

### 1. Schooling, youth policies and the transition from education to the labour market

Policies aimed at youth are related to the institutional links between school and the labour market and the common thread in initiatives to improve the transition has been attempts to develop more flexible paths between education/learning and employment [OECD (1996b)]. These paths can include reducing barriers between general and vocational tracks and improving opportunities to return to education after spending time in the labour market.

Educational systems, thus, play a crucial role in the transition [Shavit and Müller (1998)]. For the purposes of this chapter, they are divided into two groups with the emphasis on non-university-bound youth. One is the well-known dual system, which exists in Austria, Denmark, Germany, Luxembourg and Switzerland, where students have the choice between an academic or vocational pathway at an early stage. The latter is designed to give young people a combination of training at the workplace and school-based education.

The other group includes systems characterised by a range of relations between school and work experience. Countries such as France, Italy and Spain have systems that offer training in school, but often lack solid institutional bridges from school to work. Some other countries, *e.g.* the United States and Japan, have little in the way of vocational training at the level of initial education and only a small minority of a given youth cohort follow a vocational path. The assumption is that additional training or skills will be readily acquired upon entering the labour market. Despite the distinction presented here, it should be noted that, in almost all countries, general education is the track followed by the large majority of young people.

In the initial transition, sometimes beyond, labour market policies have come to play an important role in helping youth who exit school (government spending on youth labour market measures and the number of participants on such schemes can be found in Table J of the Statistical Annex). Meas-

ures include: training/apprenticeship programmes; active labour market programmes; policies on temporary or fixed-term contracts; and measures to lower labour costs (see Chapter 2).<sup>1</sup> The remainder of this section gives an overview of these policies.

### **Training and apprenticeship schemes**

There are four possible sources of training: the educational system; the firm; specific government-financed labour market programmes; and individually financed training. Countries differ greatly in the elements emphasized [Blossfeld (1992); Lynch (1994a, b)]. Some initial training systems are school-based and youth obtain qualifications largely on the basis of theoretical instruction. Other systems integrate the various sources of training (e.g. the dual system). Specialised schools and government-led labour market programmes are often implemented when the sources of training are considered insufficient and produce unsatisfactory outcomes.

Examples of mainly school-based systems to aid the transition are found in Denmark, Norway and Sweden (Table 3.1). They are normally organised around a package of activities, school training and workshops. Sometimes they are tailored individually, giving orientation on skills acquisition and job-search assistance. Over time, these countries have tended to combine school-based training with on-the-job training.

There are several mainly workplace-based systems. The dual system of vocational training, typically associated with Germany, but also with Austria, Denmark, Luxembourg and Switzerland, is best known and many young people in these countries go through the system. It integrates a variety of elements at an early stage of initial education: workplace training is combined with vocational schooling and, often, there are public subsidies for firms who hire apprentices. There is also a well-defined use of low training wages for youth. A crucial feature is that all the key actors – employers, unions and the government – are involved and supportive of the principles of the system. Concerning the school-based component, the government, at various levels, often provides financial support.

The dual system is often touted as key to the successful integration of non-university-bound youth. However, some critics have argued that those who do not get the diploma can face difficulties in the labour market, although this is surely also true of other systems [Blossfeld (1992); Lynch (1994b)]. It has also been argued that the youth unemployment problem in countries with a dual system is simply displaced from teenagers to young adults, though the empirical evidence in support of this assertion is not clear-cut [Franz *et al.* (1997); Blau and Kahn

(1997)]. The relative lack of second-chance opportunities for drop-outs from the system and youth who have failed is also a perennial issue, though this problem confronts all OECD countries. Finally, Blossfeld (1992) argues that the German dual system is not flexible enough to adapt quickly to current changes in the occupational structure.

Where the dual system has a long tradition, policy makers and the social partners are well aware that reforms are necessary in order to preserve and reinforce it. Some potentially adverse developments include the fact that the dual system attracts relatively declining numbers of young people, that high-quality training is sometimes perceived as too expensive by many employers under changing conditions of international competition, and that apprenticeship places tend to be offered in declining and low-skilled sectors [Bundesministerium für Bildung, Wissenschaft, Forschung und Technologie (1997); OECD (1998a)].

Denmark has a tradition of combining a system of apprenticeship and vocational education, with government-led programmes [Hummeluhr (1997); Westergård-Nielsen and Rasmussen (1997)]. The apprenticeship system is based on a three- to four-year contract with an employer and youths spend ten weeks per year in vocational school. The employer pays the apprentice a wage whose level is negotiated between national labour unions and employer federations. At the same time, subsidies are used to compensate employers who hire apprentices. In 1996, a school-based practical training programme was started for those not qualifying for an ordinary training place. More recently, a major reform has been implemented, with a package of “activation measures” aimed at unemployed youth (see below).

Despite being mainly workplace-based, the Japanese system does not have much in common with the dual system. The most distinctive feature of the Japanese model is the almost exclusive reliance on firm-based skill formation and strong school-firm links for the recruitment of those leaving education [Hashimoto (1994)].

The American training system is highly decentralised and has little formal structure [Carnevale *et al.* (1990); Ryan and Büchtemann (1996); Lynch (1994a, b); Bailey (1995)]. Post-school training decisions are taken by workers or firms and training can be formal or informal, on-the-job or off-the-job, government programmes (e.g. the Job Training Partnership Act) and private institutions. More recently, links between learning and training at school and at work have been attempted via the 1994 School-to-Work Opportunities Act. One premise underlying this legislation is the belief that excessive labour market “churning” is costly for both youth trying to

Table 3.1. **Youth training systems after leaving initial education, selected countries**

System	Countries	Basic characteristics	Comments
<b>Mainly school-based</b>			
Government funded training run by local government institutions, combined with "activation measures"	Denmark Norway Sweden	Public centres of remedial education, vocational and general training. Reallocation grants, assistance and supervision, to promote mobility into growing sectors.	<ul style="list-style-type: none"> <li>Denmark: Special school-based training for those who cannot find a place in the ordinary dual system. Remedial education, training and activation measures. Public labour market programmes work only if they are implemented in tandem with workplace training [Hummeluhr (1997)].</li> <li>Norway: Since 1994, more workplace training has been introduced in the programmes. Two years of education in school are followed by one or two years of training as apprentices in a company [Hummeluhr (1997)].</li> <li>Sweden: Municipal programmes (youth &lt; 20), since 1995.</li> </ul>
Proprietary institutions	United States	Individual autonomy on training investments (Job Training Partnership Act). No general certification of skills.	<ul style="list-style-type: none"> <li>60% of youth receive no additional formal school training. 30% of youth receive off-the-job training [Lynch (1993, 1994b)].</li> </ul>
Government funded training combined with apprenticeship contracts	Belgium France Greece Italy Portugal Spain	Public institutes of training are government-funded and provide theoretical school-based training, combined with practical training in private and public enterprises. This programme comes in tandem with packages of regulated apprenticeship contracts specific for youth, with very low (or nil) labour costs to the employer.	<ul style="list-style-type: none"> <li>Greece: The vocational training organisation (OAED) runs a 6 semester programme for youth aged 15-18. Under supervision of OAED, trainees sign contracts with enterprises.</li> <li>Italy: Programmes are planned by universities, district and public schools, training centres, local offices of the Ministry of Labour, etc. Low participation in the South.</li> <li>Spain: Training programme run by the public employment office (FIP). In 1996, 23% of unemployed youth aged &lt; 25 participated in the FIP. 62% of them found a job at the completion of the programme.</li> </ul>
<b>Mainly workplace-based</b>			
Dual system of apprenticeship	Denmark Germany Austria Luxembourg Switzerland	It is part of the initial educational system. Employers, unions and government play key roles in the training decisions and programming. Both firms and workers invest in training (the system gives incentives to both). Certification of skills. Low training wages paid. Employers' subsidy for hiring apprentices. Youth have to find apprentice slots.	<ul style="list-style-type: none"> <li>Denmark: In 1997, 40% of youth got apprenticeship training. Wages and unemployment rates of this group differ significantly from workers who did not. After introducing a subsidy to employers, the demand for apprentices increased by 7% [Westergård-Nielsen and Rasmussen (1997)].</li> <li>Germany: about 75% of youth enter formal apprenticeship or governmental training after leaving school.</li> <li>In general: Firms invest in marketable skills because there is low labour mobility, low variance of wages, high firing costs and less poaching [Harhoff and Kane (1994); Soskice (1994); Franz and Soskice (1995); OECD (1996e)].</li> </ul>
Hybrid system, with firm-specific training	Japan	Close co-ordination between schools and employers. Firms recruit youth directly from school and give them specific training. Firms are willing to give training because of the absence of poaching behaviour (low turnover). Thus, training is embedded in the production process.	<ul style="list-style-type: none"> <li>Using survey (retrospective) data from 1989: 75% of the workforce had received training; and within one year of employment 61% of workers received training [Hashimoto (1994)]. The Japanese system gives strong incentives to workers to be co-operative and productive [Hashimoto (1994)].</li> </ul>
Learning by doing	United States	Firm training is led by the firm's own initiative. Alternatively, individuals may finance their own training. High turnover and the risk of poaching can lead to low incentives for firms to invest in training.	<ul style="list-style-type: none"> <li>14% of men and 8% of women had received formal company training in 1988 by the age of 25 [Lynch (1993)]. Education is positively correlated with training [Lynch (1993, 1994a, b)]. Training increases job mobility, especially if it is not financed by employers [Lynch (1993); Veum (1997)].</li> </ul>

Sources: European Commission (1997b); Lynch (1993, 1994a, b); Ryan and Büchtemann (1996); Fay (1996); and OECD Active Labour Market Policy database.

establish careers and society at large, and that facilitating better schooling-workplace links will ultimately lead to better job matching. The most ambitious work-based training programme is youth apprenticeship, where participants spend part of the time in paid work, with the guidance of supervisors who advise them on employment issues. However, participation in this programme is low [see Bailey (1995) for a good overview].

Some European countries, especially those with mainly school-based systems, rely on employers' subsidies or tax relief conditional on work-place training, combined with special school-based training programmes. A commonly-used practice is specific training/apprenticeship contracts aimed at youth. This practice has been used to varying degrees in Belgium, France, Greece, Italy, Portugal and Spain.

### ***Temporary apprenticeship/training contracts aimed at youth***

Specific temporary or fixed-term contracts aimed at youth, with apprenticeship and training components (called "youth contracts" hereafter), are central to the debate about non-university-bound young people getting a foothold in the world of work in some OECD countries. In Scandinavian countries and those with a dual system of vocational training, however, these contracts are just a small part of the broader institutional context defining general school-to-work and training strategies. There is another group of countries, including France, Italy and Spain, that see fixed-term contracts in general, and apprenticeship and training contracts in particular, as a central policy tool to combat youth unemployment and ease the insertion of youth into the labour market. Youth contracts in these countries attempt to meet three goals: augment youth entry-level employment and experience (through hiring incentives via lower labour costs); give opportunities for solid insertion into the labour market (through incentives for transformation of the fixed-term into permanent contracts); and give training opportunities (through an obligation on the employers to train).

Table 3.2 considers only countries where these contracts seem to be a key policy tool and focuses on the most important programmes. It shows that they are designed for young job seekers, especially early school leavers. Most have a duration ranging from six months to four years. If training occurs, it is normally given in a school setting. Evaluation of the training content of these contracts is, unfortunately, very limited.

Financial incentives to hire young workers under such contracts vary across countries and are

based on the assumption that lower labour costs (via lower payroll taxes, sub-minimum wages and/or subsidies) will have a significant impact on the hiring of youth and reduce the economic burden of training on firms. In France, Italy, Portugal and Spain, firms' social security contributions are often considerably reduced. In addition, low firing costs have been introduced in Italy and Spain. This does not imply de-regulation of such contracts in terms of wage setting: wages of apprentices/trainees are set as a proportion of minimum wage in France and Spain or a proportion of the normal full wage in Italy. Moreover, subsidies to employers who hire youth with specific contracts are common in France, Greece and Portugal.

Despite these apparent incentives, the importance of these contracts varies significantly across countries. As shown in Table 3.2, in the mid-1990s youth contracts accounted for almost 25 per cent of youth employment in Italy. They accounted for only 20 per cent in Greece, 12 per cent in France and in Spain, 7 per cent in Portugal and 3 per cent in Belgium. One explanation for the low take-up of apprenticeship and training contracts in Spain (despite the large incentives attached to them) is that alternative fixed-term contracts targeted at the whole population are even more attractive to firms because they do not involve an explicit training obligation [Adam and Canziani (1998)].

Another cross-country difference with such contracts concerns the presence or absence of incentives to transform them into permanent contracts. This is of some importance for the debate on whether temporary jobs can become traps for some people who move from one such job to another interspersed by periods of unemployment [OECD (1996a)]. There are no explicit incentives in France and Greece. On the other hand, Belgium, Italy, Portugal and Spain have built-in some incentives to employers to retain workers and give them permanent contracts. Fiscal benefits, subsidies and reductions in (or exemptions from) social security contributions are offered in all four countries. In Italy and Spain, there is an explicit mandate for converting temporary into permanent contracts such that an insufficient number of conversions reduces the possibility of further hirings with youth contracts. Despite similar incentives, the proportion of conversions differs dramatically. In Italy, 56 per cent of trainee contracts and 25 per cent of apprenticeship contracts were transformed into permanent ones in 1993. In Spain, only 12 per cent of training contracts and 28 per cent of learning contracts were so converted in 1997. Considering the low proportion of employed Spanish youth on these contracts, they do not actually affect the vast majority of young

Table 3.2. **Main temporary apprenticeship/training contracts aimed at youth, selected countries**

	Description	Incentives to hire on these contracts	Importance of the contract	Incentives for renewal into ordinary contracts	Renewals into ordinary contracts
<b>Belgium</b>					
Youth Training Scheme ( <i>Stages des jeunes</i> )	Employers in the private (public) sector, in a medium/large firm must hire first-time job seekers (aged <30) and give them training, up to a target of 3% of the total number of employees. Duration: 6 months (renewable once) in the private sector; 12 months in the public sector.	The cost of training was gradually reduced for employers who pay the trainee 90% of the wage of an equivalent worker. The employers' social security contributions are also reduced.	3% of young workers aged 15-29 in 1990 and 2% in 1997 [Source: MET (1997)].	Some reduction of social security contributions.	Not known.
<b>France</b>					
Apprenticeship Contracts ( <i>Contrats d'apprentissage</i> )	Training is undertaken in specialised centres. All employers can use these contracts. There is an apprenticeship tax. Targeted on those aged 16-25 with secondary school. Duration: 1 to 3 years.	The employer does not have to take care of training. Employment subsidies. Low labour costs: <i>i</i> ) wages set at 25 to 78% of legal minimum wage (SMIC); <i>ii</i> ) lower or nil social security contributions (depending on the firms' size).	9% of young workers aged 16-25 in 1996 (Source: INSEE, DARES).	None.	In 1993, 10% of apprentices were renewed into ordinary contracts [Violla (1997)].
Skill Training Contracts ( <i>Contrats de qualification</i> )	Contracts aimed at acquiring recognised skills. The employer cannot be the State. Training undertaken in specialised centres. Targeted on those aged 16-26. Duration: 6 to 24 months.	Employment subsidies. Training is partially paid by the state. Low labour costs: <i>i</i> ) wages set at 30 to 75% of legal minimum wage (SMIC); <i>ii</i> ) lower or nil social security contributions.	3% of young workers aged 16-26 in 1996 (Source: INSEE, DARES).	None.	Not known.
<b>Greece</b>					
Apprenticeship Contracts	Training in specialised centres and working activities are combined. Targeted on those aged 15-18.	Wages set at 20 to 50% of normal full wages. 15 days of holidays. 9-months' subsidies are paid to employers.	20% of young workers aged 15-19 in 1995.	None.	Not known.

Table 3.2. **Main temporary apprenticeship/training contracts aimed at youth, selected countries** (cont.)

Description	Incentives to hire on these contracts	Importance of the contract	Incentives for renewal into ordinary contracts	Renewals into ordinary contracts	
<b>Italy</b>					
Trainee Contracts ( <i>Contratti di Formazione e Lavoro, CFL</i> )	Goals are to hire first-time job seekers and train young workers. Combination of work and training. The ultimate goal is that workers are hired on a regular basis by the firm. Targeted on the unemployed aged 15-29 with at least upper secondary education. Duration: 1 year.	Lower social security contributions, which vary from 25 to 50% reduction of the contributions paid by employers for regular employees.	5% of young workers aged 15-29 in 1995.	Fiscal benefits proportional to wages. Since 1997, reductions of social security contributions are extended for further 12 months if CFL transformed. Hirings with CFL are conditional upon renewal of at least 50% of previous CFL in the last 2 years. Automatic renewal if the activity lasts longer than the duration of the CFL. Renewal by court when employer does not comply with training requirements.	In 1993, 56% of CFL were renewed into ordinary contracts in the same firm (67% in 1992). Among those not renewed in the same firm, 13% found an ordinary contract with another firm in less than 3 months (19% in 1992).
Apprenticeship Contracts ( <i>Contratti d'Apprendistato</i> )	Targeted on the unemployed aged 16-24. Duration: 18 months to 4 years.	Reduction of social security charges (greater than those if hiring with CFL), conditional on training. Low firing costs. Wages set at 80 to 92% of normal full wage.	20% of young workers aged 15-24 in 1996.	None.	In 1993, 25% of apprenticeship contracts were renewed into ordinary ones in the same firm (35% in 1992). Among those not renewed in the same firm, 18% found an ordinary contract with another firm in less than 3 months (27% in 1992) [Source: ISFOL, using the Social Security records (INPS)].
<b>Portugal</b>					
Skill Training Contracts (STC) and Apprenticeship Contracts (AC)	STC: 16-18 year-olds, inexperienced. 19-25 year-olds unemployed and experienced or trained. AC: Administrative authorisation is required in order to use these contracts. Limited number of contracts allowed. Wages fixed by public administration. Targeted on 14-24 year-olds with completed primary studies. Duration: 4 years.	Employer subsidies, conditional on giving training. Exemptions of 50% of social security contributions.	10% of young workers aged 15-24 in 1990, and 7% in 1995.	Subsidies of 12 times the minimum wage for every young unemployed who is hired with a permanent contract. Exemption from social security contributions (during 36 months) if the employer hires youth aged 16-30 with a permanent contract.	Not known.

Table 3.2. **Main temporary apprenticeship/training contracts aimed at youth, selected countries** (cont.)

Description	Incentives to hire on these contracts	Importance of the contract	Incentives for renewal into ordinary contracts	Renewals into ordinary contracts	
<b>Spain</b>					
Training Contracts ( <i>Contratos de Formación</i> ) (Apprenticeship contracts before 1997)	Goal: Give training to school drop-outs and unskilled. Combination of working and training activities (15% of the time), and workers are not eligible for unemployment and other benefits. Targeted on those aged 16-21. Duration: 2 years.	Substantially reduced social security contributions. No severance payments. Firings cannot be referred to labour courts. Wages above statutory minimum wage except for < 18 year olds, who get a salary of 85% of the minimum wage.	10% of young workers aged < 25 in 1997 (Source: INEM).	Employer gets a 50% reduction in social security contributions for 2 years if worker is given a permanent status upon expiry of the maximum period of the contract. If no renewal, for one year the employer cannot fill the position using a fixed-term contract.	12% of apprenticeship contracts transformed into permanent ones in 1997 (Source: INEM).
Learning Contracts ( <i>Contratos de Practicas</i> )	Designed for workers who recently graduated from educational and training programmes. Targeted on those aged < 30. Duration: 2 years.	No severance payments. Firings cannot be referred to labour courts. Wages are set at 60% and 70% in the first and second year, respectively, of the wage agreed in collective bargaining. Wages cannot be lower than the minimum.	2% of young workers aged < 30 in 1997 (Source: INEM).	<i>Idem</i> (see training contracts).	28% of the contracts transformed into permanent ones in 1997 (Source: INEM).

Sources: MISEP (1996, 1997); OECD (1996d, 1997b); European Commission (1997b).

people (most young employed Spaniards are on general, non-targeted, temporary contracts).

Thus, in Italy, France and Spain youth contracts, as defined here, may serve to give entry-level employment to some fraction of the population, although many fewer Spanish youth acquire a training-based contract. However, in Italy, probably because they are aimed at skilled youth, these contracts may serve as real bridges for solid insertion into the labour market (Section D presents longitudinal evidence on these issues).

### **Direct job creation measures**

Some OECD countries also use (public sector) direct job creation schemes as a complementary policy tool in hopes of giving youth experience and contact with the labour market. Examples include France, with specific subsidised contracts, Scandinavian countries, via some labour market programmes, and programmes of subsidised jobs in the Netherlands. The French employment-solidarity contracts (CES), although not targeted only on youth, are aimed at inserting disadvantaged youth into the labour market through employing them in socially useful activities. Youth are hired on fixed-term half-time contracts for a period of 3 to 12 months. The government is the formal employer and also takes responsibility for any training costs. The wage paid on such contracts is set equal to 50 per cent of the minimum wage of a full-time worker. Other examples are "city jobs" (*Emplois ville*) and consolidated employment contracts (CEC). The former were established in 1996 and are targeted exclusively at unskilled youth aged 18-26 years living in disadvantaged areas. They provide subsidised non-market jobs for periods of up to five years. The CEC are aimed at the more disadvantaged among youth who have also participated in a CES.

A Scandinavian example of direct job creation is the 1992 Swedish *Youth Practice* programme. It provides work in the private and public sectors for youth aged 18-25 years for a maximum period of six months [Hummeluhr (1997)]. Employers are heavily subsidised to hire youth, but there are no particular incentives to retain the young worker after the six months are up. Workers are paid an allowance well below the level of prevailing wages, unless they are also entitled to unemployment benefits. The young worker has to be searching actively for a job to be eligible for the programme, and has to participate in guidance and counselling activities. A similar measure, the *Workplace Introduction Programme*, was implemented in 1995. This consists of four months of work experience followed by a job, subsidised by the state if necessary, for youth aged 20-24 years. Access

to the programme is guaranteed if the person has been unemployed for more than 100 days.

Since 1991, the Netherlands has had a programme of direct job creation, the *Youth Employment Guarantee Act*, which is implemented by municipalities and offers combined training and work experience to young unemployed aged 16-21 years and school leavers aged 21-23 years who have been unemployed for six months. The programme offers places in the public sector, non-profit sector and, in some cases, in the private sector. More recently, the Netherlands introduced the 1998 *Jobseekers Employment Act*; it too operates at the municipal level with the co-operation of the public employment service. The instruments are many, including social activation and training-to-work experience positions in private enterprises.

As with many youth programmes, the effectiveness of many direct job creation programmes as a tool to improve the transition is in doubt. In practice, they are not only costly, but they also rarely lead to integration into the regular labour market and sometimes serve to simply re-establish eligibility for unemployment benefits. However, for some disadvantaged groups, they may be the only route into a job when all other possibilities have failed.

## **2. Recent youth-specific policy developments**

In recent years, many countries have begun implementing new policies and programmes. The rationales and aims of the policies range from the simple desire to reduce youth unemployment to improving the transition from school to stable work.

Denmark introduced wide-ranging changes in its active labour market policies in 1994 and 1996, which, among other population groups, target unemployed youth [Björklund (1998); OECD (1996d, 1997c)]. The 1994 reform provided that, after six months of unemployment, an individual action plan is formulated for persons under the age of 25. Youths are offered either 18 months of education, 18 months of on-the-job training or a two-year grant to start their own enterprise. In 1996, unemployment insurance (UI) eligibility was changed for youth aged 24 years or less. A young person under the age of 25 can now receive benefits for only six months, and at only one-half of the normal compensation level. Moreover, low-skilled young workers "must" take training immediately following their first six months of unemployment.

During the 1990s, Sweden introduced a number of measures with some workplace training content. This year, a package of decentralised "activation measures" was implemented, very much in the

same vein as the Danish reform. Activation plans on a full-time basis are offered to unemployed youth aged 20-24 years. Municipalities, local employment services and these youths take the responsibility to set up the plan within 90 days. The plan can last for a maximum of one year and, when completed, active job search or full-time regular education must follow. During the "activation plan", income support is given to youth who are not eligible for unemployment benefits or social assistance.

France launched a new package of measures in 1997, the *Plan Emplois-jeunes*, both for youth aged 18-26 years and for 26-30-year-olds, provided the latter have not worked long enough to qualify for UI benefits. The plan provides for five-year non-renewable contracts in the public, para-public and non-profit sectors. The government pays 80 per cent of the minimum wage and the remainder is paid by the employer.

In 1997, Italy launched the *Treu Package* of employment promotion measures. Apart from modifications in the areas of training and apprenticeships, it includes a set of measures for unemployed youth living in disadvantaged areas (*Mezzogiorno*). They consist of direct job creation involving socially useful tasks. The programme is aimed at first-time job seekers aged 21-32 years who have been unemployed for more than 30 months and live in areas where the unemployment rate is above the national average.

New policy measures have also been started in the United Kingdom. One of the four target groups of the *New Deal* is the young unemployed aged 18-24 years. The aim is to achieve a reduction in their level of long-term unemployment and to improve their employability. For this target group, there are four options: a subsidised job with an employer (the employer gets £60/week), with at least one day per week spent in education and training; a job for six months on the Environment Taskforce, with day-release education/training; a job for six months with a voluntary sector employer, with day-release education/training; or full-time education or training on an approved course for 12 months.

The European Council agreed at the 1997 Luxembourg Jobs Summit to adopt a set of employment guidelines for Member states. One such guideline states that they must make efforts "to improve employability" of youths. The most important implication is that governments "must offer every young unemployed person either training, retraining, work experience or another employability measure within the six months of becoming unemployed". The guidelines also include "orientations", e.g. member governments "must reduce the number of young people who leave the education system early", and

they "must make sure that young people are able to adapt to technological and economic changes".

Outside of Europe, there have also been many recent policy initiatives. In 1998, Australia introduced a number of initiatives. They include the implementation of income support arrangements for youth, the *Youth Allowance*, which covers unemployed youth aged less than 21 years and full-time students under the age of 25 years. In addition, youth aged 18 or over might be assisted in undertaking full-time education, training, job search or an approved combination of the three. New so-called "mutual obligation" arrangements also are being launched. After six months of unemployment, youth aged 18-24 years will be required to combine their job-search activity with a "mutual obligation" activity, such as part-time work, voluntary work, education or training etc. Youth can make their own arrangements, with the advice of a council. Third, the 1996 training reform is attempting to develop a new apprenticeship system, involving training and paid employment while in school. Finally, the *Jobs Pathway Programme* is designed to assist the transition from school to work.

Canada has also introduced new programmes since 1997. For example, the *Youth Internship* and the *Student Summer Job Action* provide wage subsidies to employers who give work experience to unemployed and underemployed youth. The latter programme also provides loans to start summer businesses. The *Youth Service* programme provides funding to organisations who create community service projects for groups of youth at risk. Finally, the *Opportunity Strategy* is a programme that aims to give equal opportunities to participate in a changing labour market. This is to be accomplished mainly through the following measures: providing financial assistance to students; and providing help to manage student debt via interest relief or extensions of repayment periods.

## C. GETTING STARTED: LABOUR MARKET OUTCOMES ONE YEAR AFTER LEAVING EDUCATION

### 1. Introduction

A decisive event in the life of most young people is when they leave school and enter the labour market. Accordingly, this section concentrates on labour market outcomes of young people soon after leaving initial education, hereafter called new school leavers (see the Box and Annex 3.A for details on the definitions and limitations of the data). The focus is on quantity outcomes – how many among them are

### **New school leavers and the school-to-work transition as captured in labour force surveys**

New school leavers are defined as those individuals who were in initial education about one year before the survey, but who are not at the time of the survey. More precisely, the time since leaving school is close to nine to ten months in European Union countries, and about six months for Norway and the United States. Labour force surveys in about one-half of OECD countries contain questions which allow one to estimate this over-the-period flow. These data are not perfect, but they do permit analysis based on common concepts and definitions [Join-Lambert (1995)].

The most important drawback of the approach adopted here is that the transition process is captured in a snapshot survey and it does not follow that the individuals in question have permanently left initial education. Young adults, more so in some countries than others, and more so for some levels of education than others, can and do return to the educational system. This seems to occur frequently in the Scandinavian countries [OECD (1996)]. Consequently, some “new school leavers”, as defined here, are not first-time entrants in the labour market, but re-entrants with some work experience. There are two separate issues here. Quite apart from apprenticeships, there are large cross-country differences in the numbers of youth combining schooling and paid employment. Combining the two is much more frequent in Anglo-Saxon countries, Denmark and the Netherlands compared with most of Continental Europe. In addition, these data can classify as new school leavers young people who had “left” education one or more times in the past, tested the job market for awhile, returned to education and are now leaving again. Finally, information at the *time* of the survey is based on the usual ILO conventions and definitions, but that for one year earlier is based on respondents’ recall and self-assessment. It is, however, unlikely that being in school or not one year before is that difficult to remember. Perhaps more problematic is the delimitation of youths’ situation into either employed, unemployed or inactive. This is particularly the case for youth participation in labour market programmes. Very few labour force surveys directly collect information on programme participation. Hence, whether programme participants are counted as employed, unemployed or inactive is not generally known.

Importantly, in these data, apprentices are never counted as being in education, but are counted as employed. Countries such as Austria, Denmark, Germany and Luxembourg where the apprenticeship system is well-established, therefore, tend to have higher employment probabilities for new school leavers, as defined here.<sup>3</sup> In these countries, the majority of youth leave the general education system and continue to improve their education in the dual system.

employed, unemployed or inactive – and not on wage/earnings outcomes (see Chapter 2).<sup>2</sup>

The questions reviewed are: How well have new school leavers fared? Do their employment and unemployment probabilities differ much across country, gender, level of educational attainment and the overall state of the labour market? Have “entry conditions” changed over time? What is the mix of part-time or full-time jobs, and permanent or temporary jobs? Do new school leavers choose to work part-time and on temporary contracts or are they accepted “*faute de mieux*”?

## **2. Profiles of new school leavers**

Data on new school leavers by gender, age and level of educational attainment have been gathered for 16 OECD countries. The age group considered refers to persons aged 16-29 years. This broad age span is used because the school-to-work transition has been progressively delayed in many countries

and now starts in the late teens and often ends after the mid-twenties.

Table 3.3 shows new school leavers as a proportion of all persons aged 16-29 years.<sup>4</sup> On average in 1995, this proportion was 10 per cent for men and 9 per cent for women. The figures for Denmark and Finland are more than twice this average, probably reflecting the fact that individuals seem to move more in and out of the initial education system in these two countries. Conversely, in Austria, Belgium, Greece (women) and Luxembourg, new school leavers represent a relatively smaller proportion of the 16-29 age group.

The proportion of less-qualified new school leavers varies a lot across countries [Barreiros and Ramprakash (1995); Freysson (1997)]. In 1996, it ranged from just over one-half in Denmark and the United Kingdom to around 15 per cent in Belgium and Greece. Apprenticeship countries appear to have more new school leavers leaving the general education system without qualifications than the

Table 3.3. **Characteristics of new school leavers among the population aged 16-29 years**

Percentages

	Proportion of the age group, 1995			Educational attainment, <sup>a</sup> 1996								
	Total	Men	Women	Total			Men			Women		
				A	B	C	A	B	C	A	B	C
Austria	5.6	6.3	4.9	31.4	56.2	12.4	35.0	54.0	11.0	28.2	58.1	13.7
Belgium	5.5	6.2	4.7	15.7	41.6	42.7	17.4	45.5	37.1	13.7	36.9	49.4
Denmark	22.2	21.0	23.5	51.8	36.4	11.8	54.3	34.7	11.0	49.4	38.2	12.4
Finland	23.7	23.5	23.9	41.3	51.4	7.3	40.7	53.3	6.0	41.9	49.4	8.7
France	8.5	9.3	7.7	25.3	43.0	31.7	30.1	43.6	26.3	19.9	42.4	37.7
Germany <sup>b</sup>	7.1	8.0	6.2	42.4	40.3	17.3	42.2	40.6	17.2	42.7	39.9	17.4
Greece	6.6	8.7	4.8	15.2	64.1	20.7	19.3	60.5	20.2	8.7	69.9	21.4
Ireland	9.7	9.5	9.8	26.5	40.9	32.6	27.9	41.3	30.8	25.0	40.5	34.5
Italy	7.5	8.3	6.7	27.6	61.5	10.9	33.5	56.7	9.8	21.2	66.8	12.0
Luxembourg	4.7	4.0	5.4	30.2	37.7	32.1	21.1	46.8	32.1	40.3	27.7	32.0
Netherlands <sup>c</sup>	9.4	10.4	8.5	37.1	48.5	14.4	32.4	51.5	16.1	43.6	44.3	12.1
Portugal	6.2	6.5	5.9	42.4	37.0	20.6	51.0	33.7	15.3	32.9	40.7	26.4
Spain	8.1	8.8	7.4	34.8	33.9	31.3	44.3	30.5	25.2	23.3	37.8	38.9
United Kingdom	10.6	10.6	10.7	52.7	26.8	20.5	55.1	25.1	19.8	50.3	28.5	21.2
United States <sup>b</sup>	8.6	8.4	8.8	27.9	27.8	44.4	29.6	29.1	41.3	26.2	26.4	47.4
<b>Unweighted average</b>	<b>9.6</b>	<b>10.0</b>	<b>9.3</b>	<b>33.5</b>	<b>43.1</b>	<b>23.4</b>	<b>35.6</b>	<b>43.1</b>	<b>21.3</b>	<b>31.2</b>	<b>43.2</b>	<b>25.7</b>

a) The level of educational attainment is not necessarily the final level achieved because individuals may return to the educational system. **A:** Less than upper secondary; **B:** Upper secondary; and **C:** University/tertiary.

b) Data refer to 1995.

c) Refers to 1994 for educational attainment.

Source: See Annex 3.A.

average, but, as emphasized in the Box, this is a quirk in the data and, in fact, many will actually get their qualifications on-the-job in the dual system. About one-third of new school leavers in France, Ireland, Luxembourg and Spain, and over 40 per cent in Belgium and the United States are classified as university/tertiary. It does not, however, follow that they have or will get degrees. For instance, in the United States in 1995, nearly 30 per cent of the population entering college after high school had never obtained any degree.

### 3. Labour force status of new school leavers

Today's transition from school to work is often described as a turbulent and uncertain period for young people [OECD (1996b); EUROSTAT (1997); Galland (1997); Urquiola *et al.* (1997)]. The state of the labour market when they leave school and seek their "first job" is often a crucial factor in determining the ease in finding a job, although there is a good deal of debate as to whether some *cohorts* are permanently at a disadvantage compared with others because of different conditions at the time of entry [OECD (1986); Korenman and Neumark (1997); Gautié (1997); Poulet (1997); INSEE (1997)]. However, as will be shown later, there is little doubt that

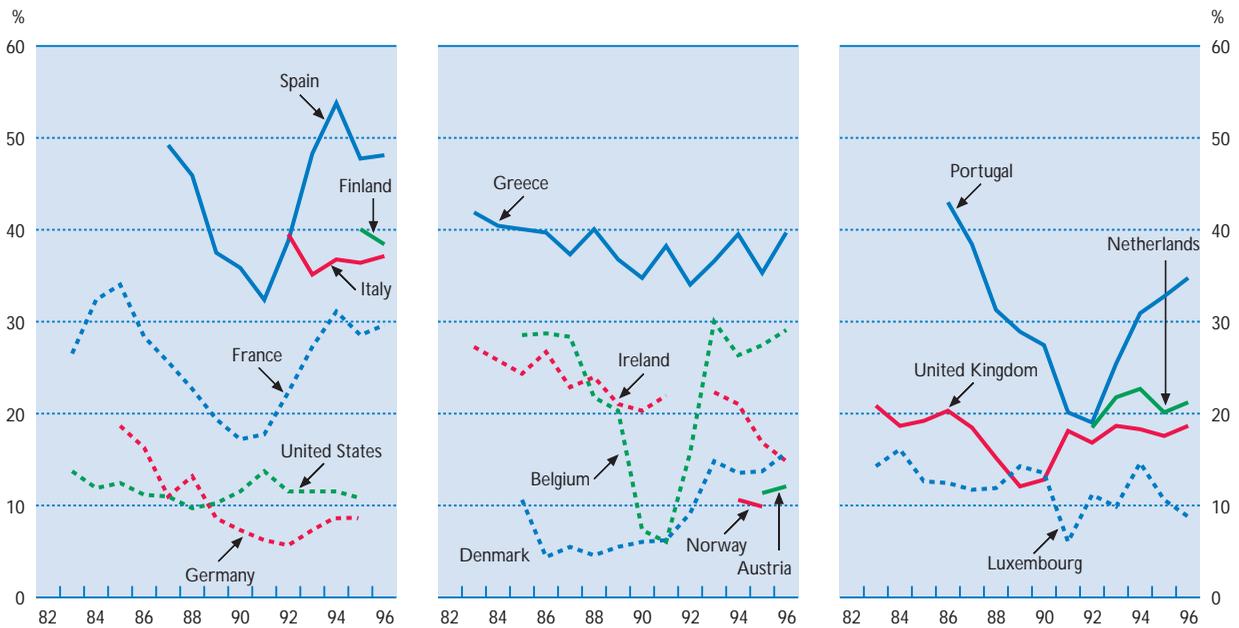
aggregate economic conditions at the time of entry affect significantly the likelihoods of employment and unemployment for new school leavers [Benoît-Guilbot *et al.* (1994); Gitter and Scheuer (1997); Williams and Collins (1997)].

Chart 3.1 shows the unemployment probability of new school leavers. This probability exhibits a "cyclical" pattern in Belgium, France, Portugal and Spain. In the majority of countries, the late 1980s was a period of declining unemployment probabilities, while the early 1990s witnessed increases. The mid-1990s can be qualified as a period of stable unemployment probabilities, with Ireland and Luxembourg the only two countries showing a strong decrease.

Probability levels differ greatly across countries. In Finland, Greece, Italy, Portugal and Spain, between one-third and one-half of new school leavers are unemployed shortly after leaving education. Austria, Germany, Luxembourg, Norway and the United States are at the opposite end with only around 10 per cent of new school leavers unemployed.

The risk of unemployment is only one indicator of adverse labour market outcomes. Another is the probability of being out of the labour force alto-

Chart 3.1.

Unemployment probabilities<sup>a</sup> for new school leavers one year after leaving education, 1983-1996

a) Unemployed new school leavers as a proportion of all new school leavers.  
Source: See Annex 3.A.

gether. In some countries, this likelihood is considerably higher than the risk of being unemployed, especially among young women. This is true in Germany, Ireland, Luxembourg and the United States. Inactivity is usually considerably higher among less qualified young women. The United States provides a striking example: in 1995, 9 per cent of all women counted as new school leavers were unemployed, while 19 per cent were inactive. Among young women who had not completed upper secondary education, the percentages were 17 and 41, respectively. These patterns could reflect discouragement over labour market prospects, though there is little direct evidence either for or against this proposition. Inactivity among less educated compared with more educated women could also reflect the fact that the former are more likely to acquire family responsibilities sooner, coupled with lack of access to good child care [Joshi and Paci (1997)]. Problems of accurate measurement of the different labour force states may also be important. There can be a thin borderline between inactivity and unemployment, making the two difficult to distinguish in labour force surveys.

Many analysts believe that employment probabilities are a better indicator of the true situation of youth on the labour market. There are, of course, borderline classification cases, such as apprenticeships and participation in some active labour market measures, which make cross-country comparisons less than perfect. Indeed, in this section, employment includes apprenticeship and labour market measures which offer a labour contract. Nevertheless, Table 3.4 and Chart 3.2, taken together, do provide a good basis to assess whether a country is performing well or poorly in integrating its new school leavers into a job. Starting with the Chart, Germany performs the best concerning the proportion of youth employed soon after having left school while Italy is at the bottom. Table 3.4 shows that four other countries do nearly as well as Germany. Three are also apprenticeship countries (Austria, Denmark and Luxembourg) and the other is the United States: between 70 and 80 per cent had a job soon after leaving school, although this level is reached in the United States only by higher educated youth. Closer to Italy, lie Finland, which went through a particularly deep recession in the early

Table 3.4. **Employment probabilities of new school leavers aged 16-29 years one year after leaving education**

	Percentages					
	1989			1996		
	Total	Men	Women	Total	Men	Women
Belgium	68.8	68.9	68.7	57.9	62.6	52.3
Denmark	86.6	90.7	82.8	71.2	72.5	70.0
France	70.0	73.3	65.8	58.3	61.8	54.3
Germany <sup>a</sup>	78.5	81.8	73.3	81.7	82.5	80.7
Greece	46.0	53.2	33.9	38.7	44.3	29.9
Ireland	52.3	53.2	51.4	66.0	67.9	64.0
Luxembourg	78.1	78.8	77.4	78.2	84.5	71.2
Portugal	59.1	67.0	49.1	50.3	53.7	46.5
Spain	44.3	51.3	33.5	37.2	42.2	31.1
United Kingdom	75.4	74.3	76.6	67.6	65.3	70.1
United States <sup>b</sup>	77.2	80.8	73.5	74.6	77.1	72.7
<b>Unweighted average of the above 11 countries</b>	<b>66.9</b>	<b>70.3</b>	<b>62.4</b>	<b>62.0</b>	<b>64.9</b>	<b>58.4</b>
Austria	..	..	..	78.6	76.2	80.7
Finland	..	..	..	37.6	39.4	35.7
Italy	..	..	..	30.0	38.5	20.6
Netherlands	..	..	..	52.5	54.0	50.9
Norway <sup>c</sup>	..	..	..	57.8	55.8	60.0
<b>Unweighted average of the above 5 countries</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>51.3</b>	<b>52.8</b>	<b>49.6</b>
<b>Unweighted average of all the above countries</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>58.6</b>	<b>61.1</b>	<b>55.7</b>

.. Data not available.

a) Data refer to 1990 and 1995. The data for 1990 refer to western Germany, while the data for 1995 refer to the whole of Germany.

b) Data refer to 1989 and 1995.

c) Data refer to 1994.

Source: See Annex 3.A.

1990s, Greece and Spain: only around one-third of new school leavers were in work in these countries.

The employment prospects of new school leavers have changed considerably (Table 3.4). Between the cyclical peak year 1989 and the mid-1990s, the probability of being employed decreased, on average, from 67 to 62 per cent.<sup>5</sup> The drop was greatest in Denmark<sup>6</sup> – although starting from a very high level – followed by Belgium and France. In these three countries, the probability fell by more than 10 percentage points, while in Greece, Portugal, Spain and the United Kingdom, the drop was between 7 and 9 percentage points. Only Germany and Ireland show rising employment probabilities.

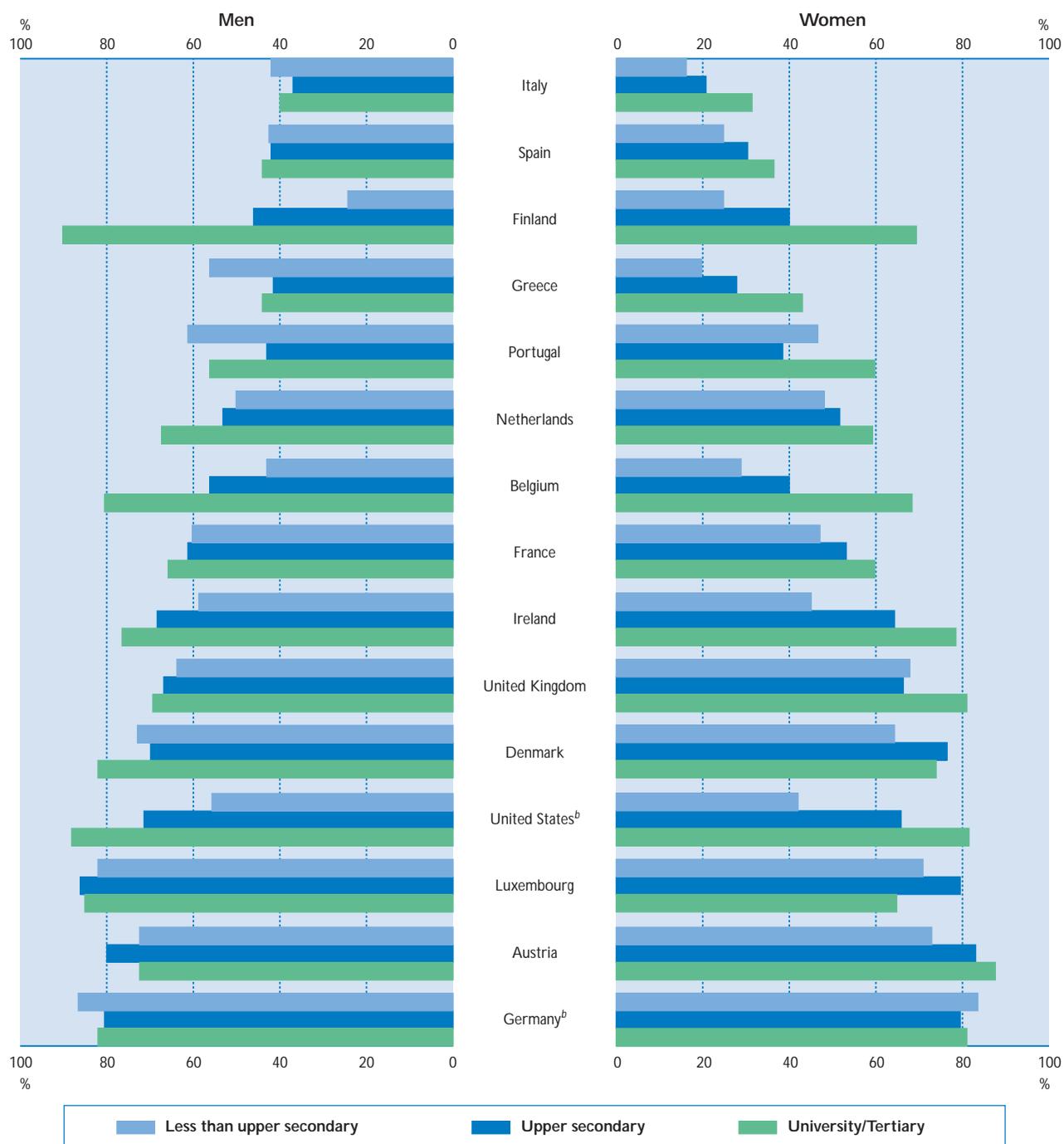
Employment prospects also differ by gender. On average in 1996, employment prospects for women one year after leaving school were lower than for men. Only Austria, Norway and the United Kingdom show higher figures for women. The countries with very poor labour market prospects for women *relative* to men are Belgium, Greece, Italy, Portugal and Spain. However, between 1989 and 1996 the situation tended to deteriorate more for men than for women, with the male-female differential narrowing in the majority of countries. Particularly large declines in male employment

probabilities compared with women were recorded in Denmark, Greece, Portugal, Spain and the United Kingdom.

Low educational attainment is especially associated with poor prospects of quickly finding a job, though there are differences across countries. Chart 3.2 shows several patterns. First, the higher the level of initial education, the higher the employment probability, especially in Belgium, Finland, Ireland, the Netherlands and the United States. Although the “employment gap” is far from the same everywhere, this pattern suggests a “queuing for jobs”, with the more educated first in line. The gap is most pronounced in Belgium and Finland and, particularly among women, in Ireland and the United States. Other countries show a much more disparate pattern, very often with a gender differentiation. In France, Greece, Italy, Spain and the United Kingdom, there is very little difference for men, but a more pronounced difference for women. Apprenticeship countries (Austria, Denmark, Germany and Luxembourg) not only have some of the highest overall probabilities rates, but also show little dispersion by gender or by educational attainment.

Chart 3.2.

### Employment probabilities<sup>a</sup> of new school leavers one year after leaving education by educational attainment and gender, 1996



Countries are ranked in ascending order of the overall probability of being employed.

a) Employed new school leavers as a proportion of all new school leavers.

b) Data refer to 1995.

Source: See Annex 3.A.

#### 4. Entry-level jobs held by new school leavers

Getting a job is a first foothold in the transition, but the kind of job can also be important for the medium- and longer-term integration into the labour market. This subsection, therefore, considers the kinds of jobs new school leavers hold and how they have changed over the past decades. It is well known that young people in some countries are used to getting into the labour market via a succession of temporary contracts, very often on a part-time basis. Labour market programmes, including training with some remuneration, aimed at youth are also often designed to offer them what is hoped to be a stepping-stone into the labour market (see Section B for a discussion of some of these programmes). While they can also be used simply as a temporary respite from unemployment, some programmes can speed up integration into secure jobs for some young people, though others seem to go from one temporary job to another interspersed by periods of unemployment [DARES (1997); Magnac (1997); OECD (1996a)].

Table 3.5 shows that, in 1996, one-half the jobs held by new school leavers were on temporary contracts, while some 30 per cent were part-time (the two categories are not mutually exclusive). Not surprisingly, young women work part-time more frequently than do young men.

It is instructive to consider the reasons young people give for taking temporary and part-time work. A little more than one-third of temporary contracts cover a period of training. Almost the same proportion of them are involuntary, in the sense that these youth could not find permanent jobs. Involuntary temporary contracts are slightly more frequent for women compared with men. Part-time work is due more to the person undergoing school-based education or training: on average, training reasons are cited by 56 per cent of part-timers, while 20 per cent could not find a full-time job. Again, involuntary part-time work is, on average, more frequent for women than for men.

These averages conceal substantial cross-country differences. In Chart 3.3, countries are ranked in ascending order according to the proportion of temporary contracts in all jobs held by new school leavers (also see Table 3.5). In 1996, this proportion ranged from around 26 per cent in the United Kingdom to around 86 per cent in Spain. The countries where temporary contracts are largely associated with training include, not surprisingly, the "apprenticeship countries" (Austria, Denmark, Germany and Luxembourg), but also Belgium and Italy, mainly for young men.

Conditional upon being in work, the type of job varies by educational attainment, but differences

are not very pronounced. The overall average for the incidence of temporary work is 54 per cent for those who had not attained upper secondary, 51 per cent for those with upper secondary education and 46 per cent for those with some higher education. Differences by level of educational attainment are often less within, than between, countries with the exceptions of Austria, Belgium and Germany. Moreover, new school leavers with an educational level below upper secondary are more frequently on a temporary contract compared with more educated ones in only one-half of the countries.

Country differences in the incidence of part-time work are quite clear (see Chart 3.4 and Table 3.5). In 1996, the proportion of employed new school leavers working part-time ranged from 78 per cent in the Netherlands to 13 per cent in Portugal. Taking part-time work for education/training purposes is the predominate reason given by new school leavers in Denmark, Luxembourg, the Netherlands and the United Kingdom. By contrast, this reason is given by less than 35 per cent of employed new school leavers in Belgium, Greece, Spain and the United States.

Chart 3.4 also shows whether working part-time varies by level of educational attainment. Highly educated new school leavers in jobs work part-time much less frequently than lower educated ones. In 1996, the respective proportions were: 20 per cent for higher education; 33 per cent for upper secondary; and 37 per cent for less than upper secondary. Dispersion within countries is particularly pronounced in Belgium and in countries where the incidence of part-time work is high, such as Denmark, Finland, Ireland, the Netherlands and the United Kingdom.

#### 5. Summary of factors underlying the employment and unemployment probabilities facing new school leavers

The chance of youths getting started in jobs after leaving school is on average three in five, but for one-half of them, it is a temporary job and for one-third it is part-time. New school leavers are, however, far from a homogeneous group. Low educational attainment is associated with relatively poor prospects of getting integrated quickly into the labour market.

While education is important in terms of an individual's labour market prospects, it is not the only factor. OECD (1996a) highlighted the disproportionately large response of youth employment and unemployment to changes in overall unemployment and other indicators of aggregate economic activity. The purpose of this subsection is to take that analysis a bit further using regression analysis to examine

Table 3.5. **Entry-level jobs held by new school leavers aged 16-29 years one year after leaving education, 1996**

Percentages

	Men						Women					
	Temporary jobs			Part-time			Temporary jobs			Part-time		
	Total <sup>a</sup>	of which: (per cent of total)		Total <sup>a</sup>	of which: (per cent of total)		Total <sup>a</sup>	of which: (per cent of total)		Total <sup>a</sup>	of which: (per cent of total)	
		for training <sup>b</sup>	involuntary <sup>c</sup>		for training <sup>d</sup>	involuntary <sup>e</sup>		for training <sup>b</sup>	involuntary <sup>c</sup>		for training <sup>d</sup>	involuntary <sup>e</sup>
Austria	45.1	80.3	1.2	13.1	75.9	18.2	35.2	59.6	9.1	24.1	33.9	8.3
Belgium	38.8	50.2	18.0	12.8	59.1	24.6	45.6	33.2	20.1	23.2	11.5	55.5
Denmark	44.2	52.1	17.2	45.6	82.3	4.7	31.3	31.4	39.2	55.8	80.0	7.5
Finland	67.4	24.4	49.6	33.5	69.0	25.5	65.9	11.4	56.3	52.7	68.7	26.6
France	68.3	33.5	..	21.8	..	40.6	66.3	28.9	..	40.3	..	48.5
Germany <sup>f</sup>	62.8	68.0	..	16.3	69.0	5.3	69.9	71.8	..	21.1	61.9	6.1
Greece	38.0	23.2	55.3	11.5	33.8	37.5	41.9	34.5	42.4	20.1	32.3	51.0
Ireland	39.4	36.6	19.2	32.1	63.7	13.6	42.1	33.1	24.3	40.2	65.8	17.7
Italy	32.8	53.5	17.7	15.7	42.2	29.7	51.9	41.4	25.2	25.6	36.8	37.8
Luxembourg	42.5	65.1	9.6	14.8	90.4	9.6	22.5	61.7	7.1	13.6	87.6	..
Netherlands	57.3	10.9	29.3	68.8	90.9	4.5	54.7	1.7	25.7	88.7	94.6	2.3
Portugal	54.5	10.8	62.2	9.2	48.7	24.5	62.1	28.2	53.0	17.6	43.5	45.3
Spain	85.8	15.5	69.4	19.4	36.5	18.9	87.4	14.6	71.0	33.2	27.1	19.4
United Kingdom	27.3	11.7	25.9	45.3	88.4	7.1	25.7	10.0	25.3	54.1	84.0	10.2
United States <sup>f</sup>	..	..	..	21.3	19.9	18.8	..	..	..	35.3	11.8	19.7
<b>Unweighted average</b>	<b>50.3</b>	<b>38.3</b>	<b>31.2</b>	<b>24.0</b>	<b>60.7</b>	<b>17.6</b>	<b>50.2</b>	<b>33.0</b>	<b>33.2</b>	<b>34.0</b>	<b>52.0</b>	<b>22.4</b>

.. Data not available.

a) As a percentage of all jobs held.

b) Refers to a contract covering a period of training (apprentices, trainees, research assistants, etc.).

c) The person could not find a permanent job.

d) Refers to persons working part-time and undergoing school-based education or training.

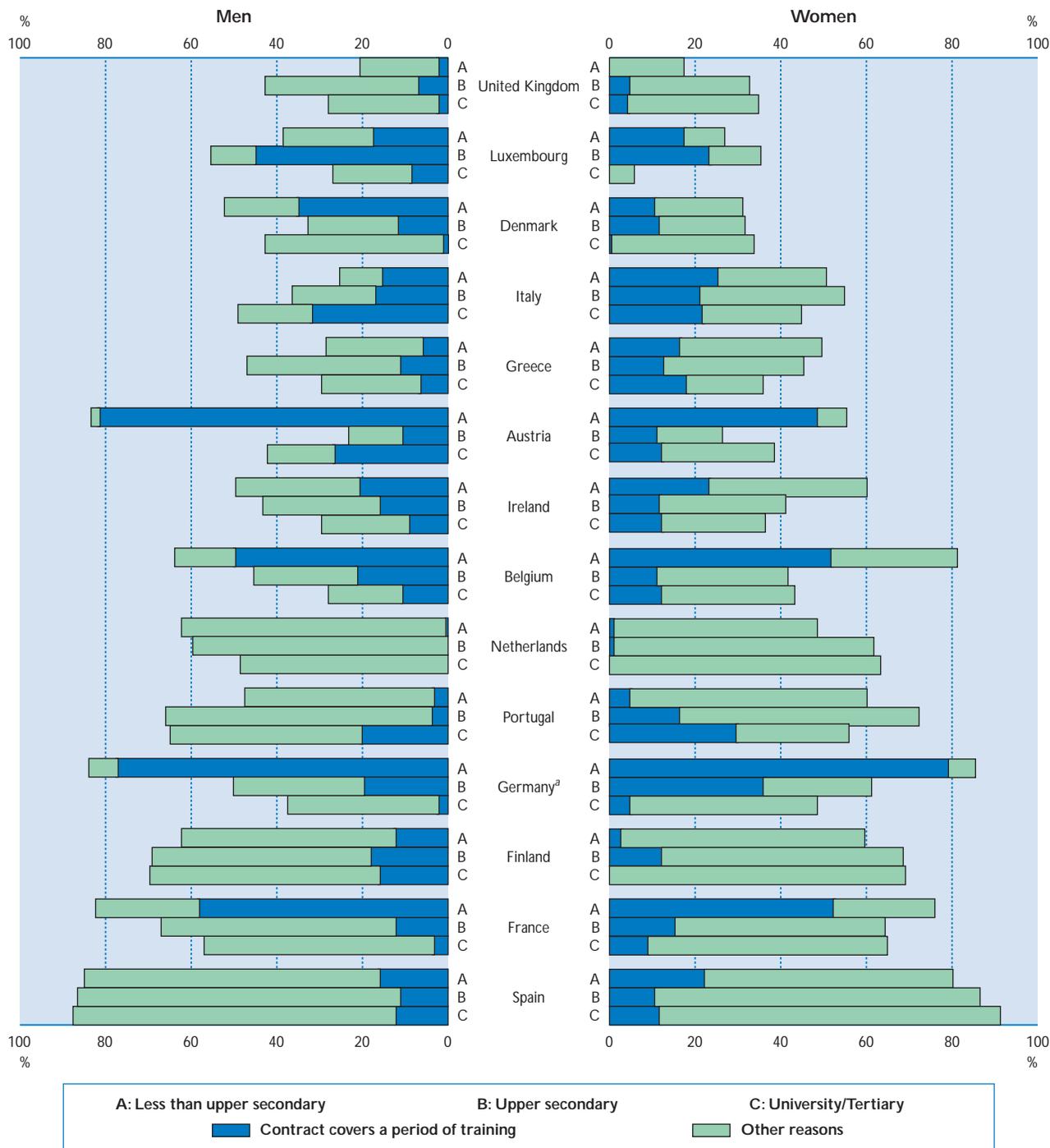
e) The person could not find a full-time job.

f) Data refer to 1995.

Source: See Annex 3.A.

Chart 3.3.

Proportion of employed persons one year after leaving education in temporary jobs by educational attainment, gender and reasons for taking a temporary job, 1996



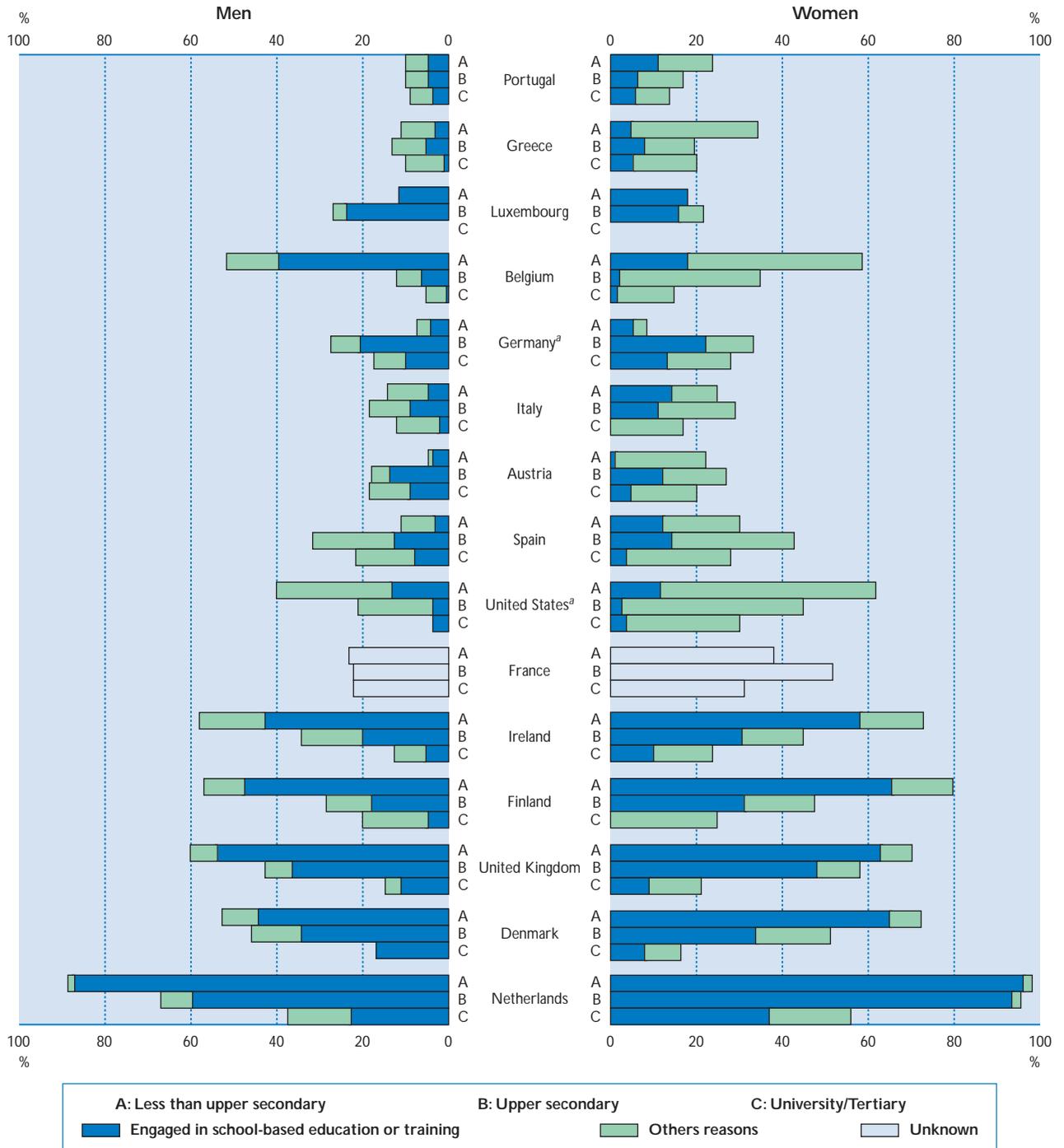
Countries are ranked in ascending order of the proportion of the employed with temporary contracts.

a) Data refer to 1995.

Source: See Annex 3.A.

Chart 3.4.

**Proportion of employed persons one year after leaving education in part-time jobs by educational attainment, gender and reasons for taking a part-time job, 1996**



Countries are ranked in ascending order of the proportion of the employed in part-time jobs.

a) Data refer to 1995.

Source: See Annex 3.A.

a range of potential factors affecting new school leavers employment and unemployment prospects (see Annex 3.A for the definitions of all variables).

Table 3.6 shows results on employment and unemployment probabilities from a pooled cross-section, time-series model for 14 countries. The table records OLS regression coefficients on the adult unemployment rate and the level of public expenditure on youth programmes (as a per cent of GDP), and dummy variables for gender, education, age, whether or not a country has a developed apprenticeship system, and a time-invariant measure of the overall strictness of employment protection legislation (EPL).

There is little ambiguity as to the effect of the adult unemployment rate on the probability of new school leavers to be employed or unemployed. The first decreases significantly with adult unemployment while the second is positively related to adult

unemployment. The coefficient of youth ALMPs suggests that more spending is associated with lower unemployment and lower employment, but these estimates are difficult to interpret. For one thing, they take no account of possible simultaneity problems since governments are likely to change spending on ALMPs when unemployment changes. In addition, most youth measures are highly targeted on particular groups of this population and this targeting cannot be captured by a measure of overall spending. Coefficients of the dummy variables make clear that men fare significantly better in a statistical sense than women, and that school leavers with the lowest educational level are at a disadvantage versus higher educated ones, particularly concerning the probability of getting a job. Both relatively low and medium levels of EPL are associated with higher levels of employment and lower levels of unemployment compared with very strict EPL, consistent with Scarpetta (1996). Finally, coun-

Table 3.6. **Some underlying factors influencing the employment and unemployment of new school leavers one year after leaving education**<sup>a, b, c</sup>

OLS estimates

	Employment		Unemployment	
Adult unemployment rate	-1.3**	(19.1)	1.2**	(24.4)
Youth measures (% of GDP)	-6.0**	(3.4)	-2.6*	(2.0)
Gender	6.7**	(13.3)	-2.8**	(7.6)
Level of educational attainment				
Less than upper secondary	-8.7**	(10.3)	3.7**	(5.8)
Upper secondary	-7.0**	(9.5)	2.7**	(4.9)
Age				
16	2.6	(1.5)	-4.3**	(3.4)
17	4.4*	(2.6)	-2.3	(1.9)
18	5.1**	(3.1)	-1.7	(1.4)
19	5.6**	(3.4)	-0.6	(0.5)
20	6.8**	(4.1)	-1.2	(1.0)
21	8.3**	(5.1)	-1.9	(1.5)
22	9.2**	(5.6)	-2.5*	(2.0)
23	9.5**	(5.7)	-2.7*	(2.2)
24	8.5**	(5.1)	-2.2	(1.8)
25	5.3**	(3.1)	0.0	(0.0)
26	7.1**	(4.0)	-3.0*	(2.3)
27	3.0	(1.7)	0.6	(0.5)
28	3.2	(1.7)	-2.8*	(2.0)
Employment protection legislation				
Low	12.6**	(18.8)	-13.3**	(27.1)
Medium	2.5**	(3.5)	-3.0**	(5.7)
Dual system	16.3**	(21.5)	-14.2**	(25.3)
Trend	0.4**	(4.1)	-0.2**	(2.9)

a) \*\* and \* indicate significance at the 1 per cent and 5 per cent levels, respectively. T-statistics are in parentheses and in absolute values. The two dependent variables are the proportion of new school leavers employed and the proportion unemployed.

b) The reference groups for the dummy variables are women, university/tertiary education, aged 29 years, high level of strictness of employment protection legislation and not having an extensive apprenticeship system.

c) Fourteen countries are included: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Spain, the United Kingdom and the United States.

Source and definitions: See Annex 3.A.

Table 3.7. **Impact of institutions on the employment and unemployment of new school leavers one year after leaving education**<sup>a, b, c</sup>

OLS estimates

	Employment						Unemployment					
Adult unemployment rate (%)	-1.7**	(10.0)	-1.6**	(9.7)	-0.8**	(8.0)	2.1**	(18.6)	2.0**	(18.3)	1.5**	(21.0)
Youth measures (% of GDP)	-33.2**	(7.6)	-25.6**	(8.5)			19.6**	(6.7)	12.4**	(6.1)		
Net replacement rate for youth (%)	-0.1*	(2.4)					0.1**	(3.4)				
Collective bargaining structure												
Intermediate	-2.8	(1.5)	-3.4	(1.9)	2.9	(1.8)	-4.1**	(3.3)	-3.4**	(2.8)	-6.9**	(6.3)
Centralised/co-ordinated	7.7**	(2.6)	5.4	(1.9)	12.3**	(5.5)	-11.1**	(5.5)	-8.9**	(4.7)	-13.7**	(8.9)
Collective bargaining coverage (%)	0.4**	(4.9)	0.2**	(4.4)	0.0	(0.5)	-0.3**	(6.0)	-0.2**	(5.0)	-0.1**	(3.0)
Trade union density (%)	-0.1*	(2.0)	-0.2**	(4.2)	-0.3**	(9.4)	0.1*	(2.6)	0.1**	(5.4)	0.2**	(10.3)
Employment protection												
Low	32.7**	(12.1)	29.1**	(12.9)	26.8**	(13.7)	-23.0**	(12.6)	-19.6**	(12.9)	-20.6**	(15.2)
Medium	13.4**	(5.9)	14.8**	(6.8)	18.7**	(10.4)	-0.9	(0.6)	-2.3	(1.5)	-5.2**	(4.2)
Dual system	7.5**	(2.8)	10.5**	(4.3)	15.2**	(6.7)	-0.1	(0.1)	-3.0	(1.8)	-4.6**	(2.9)
Trend	0.9**	(6.1)	0.9**	(5.9)	0.8**	(7.0)	-0.3**	(2.9)	-0.3*	(2.6)	-0.4**	(5.3)

a) \*\* and \* indicate significance at the 1 per cent and 5 per cent levels, respectively. T-statistics are in parentheses and in absolute values. The dependent variables are as in Table 3.6. The equations also include dummy variables for age, gender and educational attainment.

b) The reference groups for the dummy variables shown are decentralised/un-coordinated collective bargaining structure, high level of strictness of employment protection legislation and not having an extensive apprenticeship system.

c) Because of data availability, the regressions include only Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, the United Kingdom and the United States.

Source and definitions: See Annex 3.A.

tries with strong apprenticeship systems show significantly higher employment and lower unemployment probabilities.

A wider range of institutional factors are considered in Table 3.7. The list includes measures of the structure of collective bargaining, trade union density, collective bargaining coverage rates and a time-invariant measure of net unemployment benefit replacement rates for youth, in addition to the other variables used in Table 3.6. This specification is motivated by the debate on the causes of high and persistent unemployment [see, for example, Alogoskoufis *et al.* (1995); Bertola and Rogerson (1995); Esping-Andersen (1998); Layard *et al.* (1991); Nickell (1997); Scarpetta (1996)]. However, data limitations restrict this analysis to just nine countries.

The results show that collective bargaining structures matter, with more centralised/co-ordinated countries “outperforming” more decentralised ones in terms of delivering better labour market outcomes for new school leavers in the short-term. There is also little evidence, consistent with OECD (1997*d*), that intermediate systems do worse than decentralised ones; in fact, the results suggest they do better with respect to unemployment. The results for EPL and apprenticeship systems are similar to those shown in Table 3.6. Although the coefficients are quite small, higher levels of collective bargaining coverage are associated with higher employment and lower unemployment, while the opposite pattern is estimated for trade union density.

#### D. SETTLING IN: A LONGER-TERM VIEW OF THE TRANSITION

##### 1. Introduction

The previous section took a short-run perspective to youth insertion into the labour market. The purpose of this section is to extend that analysis by following youth over time using longitudinal data for Australia, France, Germany, Ireland, Italy, Spain and the United States (see Annex 3.B).

The main questions addressed are: What are individuals’ employment and unemployment experiences over a three to six-year period after “permanently” leaving initial education? How does that experience vary across countries and levels of educational attainment? How much time do youths spend employed and is there any evidence of “persistence” in labour force status?

Before taking up these questions, some background on the methods used in this section is necessary. For each country-specific data set, with the

exception of Italy, youths in education were followed over successive interviews to determine when they were no longer in school, including apprenticeship programmes. Once that point was determined, those individuals were then followed over successive interviews to ensure that they were “permanently” out of school (the Irish data, however, are based largely on retrospective information). Thus, this analysis is based on dating “entrance into the labour market” as the first interview in which individuals no longer report any additional education. All the data sets allow retrospective reconstruction of individuals’ labour market history month-by-month. However, unless otherwise noted, all calculations here refer to labour force status at the *time* of each survey. It was also necessary that individuals be in the sample continuously and provide responses to all labour force and schooling questions. This raises the problem of sample attrition and, on average, individuals with less educational qualifications are more likely to have been non-respondents. It can probably be assumed that they are also more likely to have greater difficulty in the labour market.

The different data sets preclude any uniformity in the timing of permanent entry. For example, the Australian data refer to labour market entry between 1989-1990, while the timing for American youth ranges between 1981-1988. No formal attempt has been made to determine whether or not the year of entering the labour market had any lasting impact on these young people, although visual inspection of the German and American data found little evidence for the proposition. Finally, this section measures the evolution of certain labour market outcomes from the date of permanent entry to the labour market. This puts individuals in a similar time frame with a similar exposure to the labour market. Another possibility would consider people at a given age and measure cumulative experience obtained by each age [Pergamit (1995)].

##### 2. Incidence of employment and unemployment – the first three-five years after permanently leaving education

Tables 3.8 and 3.9 record the evolution of employment and unemployment rates for this select group of permanent school leavers. Concerning employment, three tendencies are apparent. First, with the exception of Germany, there are large differences in *first-year* employment rates by educational attainment, with rates going from low to high as qualifications increase. American youth with less than an upper secondary education (*i.e.* high school dropouts) have quite low employment rates.<sup>7</sup> Blau and Kahn (1997) find similar American-German

Table 3.8. **Employment rates<sup>a</sup> over the first three to five years after leaving initial education by gender and educational attainment**

	Men			Women		
	First year	Third year	Fifth year	First year	Third year	Fifth year
<b>Less than upper secondary</b>						
Australia	65.1	65.9	75.9	55.4	45.5	39.2
France <sup>b</sup>	77.5	81.3	78.1	68.3	73.0	69.0
<i>of which: in subsidised jobs</i>	25.0	16.3	7.2	30.6	24.0	10.0
Germany	87.5	91.9	88.5	73.7	79.2	72.6
Ireland	75.9	81.0	78.4	62.7	64.9	61.2
United States	49.5	64.8	79.8	31.6	31.9	39.3
<b>Upper secondary</b>						
Australia	74.9	74.9	82.5	78.2	75.4	74.2
France	..	..	..	..	..	..
Germany	88.2	96.3	95.0	83.6	89.9	86.0
Ireland	68.1	90.3	87.1	62.0	87.6	88.5
United States	71.6	77.7	85.9	61.1	68.0	71.1
<b>University/tertiary</b>						
Australia	78.2	84.0	87.0	79.0	77.6	77.6
France <sup>c</sup>	80.4	94.4	95.5	77.6	91.2	91.2
Germany	85.9	87.7	99.7	75.4	82.7	86.9
Ireland	73.7	83.6	..	78.6	94.0	..
United States	87.1	94.7	95.4	81.0	86.9	81.8

.. Data not available.

a) Defined as the percentage of the sample with a job.

b) Subsidised jobs refers to *Travaux d'utilité collective*, *Contrats emploi solidarité*, *Contrats d'adaptation* and *Contrats de qualification*. Time spent in obligatory national service is excluded.

c) Data refer to the first, third and fourth year after leaving initial education at the university/tertiary level.

Source: See Annex 3.B.

Table 3.9. **Unemployment rates<sup>a</sup> over the first three to five years after leaving initial education by gender and educational attainment**

	Men			Women		
	First year	Third year	Fifth year	First year	Third year	Fifth year
<b>Less than upper secondary</b>						
Australia	30.5	29.7	19.6	28.7	23.9	21.6
France	15.4	16.7	20.2	23.5	21.0	24.0
Germany	11.7	7.7	13.0	15.5	8.9	16.9
Ireland	22.4	18.7	21.4	30.9	25.6	25.7
United States	42.2	29.4	14.9	47.9	34.6	28.1
<b>Upper secondary</b>						
Australia	22.6	22.6	14.8	16.0	13.8	9.9
France	..	..	..	..	..	..
Germany	9.8	1.8	3.7	9.0	5.9	5.9
Ireland	17.4	6.8	11.3	19.7	6.7	5.4
United States	20.5	15.8	8.6	21.5	14.4	11.0
<b>University/tertiary</b>						
Australia	21.2	14.5	9.5	17.0	13.3	10.5
France	14.4	4.4	3.8	17.2	5.4	5.3
Germany	4.9	12.3	3.7	17.9	0.6	0.0
Ireland	9.2	7.5	..	8.5	7.5	..
United States	10.0	3.5	2.6	9.7	5.7	4.2

.. Data not available.

a) Defined as the percentage of the labour force who are unemployed.

Notes and source: See Table 3.8.

differences over the 1980s and 1990s using synthetic cohorts aged 18-29 and 25-36 years old. Second, there are gender differences. Women's employment rates are lower than men's, with the absolute differences generally greater at lower levels of educational attainment (the exception is Irish women with some university/tertiary education). This gap is particularly pronounced in Australia and the United States. Finally, though much more so among young men, the rates tend to rise over time and the absolute gap between those with less and more education does narrow. However, differences do persist: five years after entering the labour market, between 13 and 25 per cent of young men at the lower end of the education scale are not employed compared with only 1 to 13 per cent of those with some university/tertiary education.

France is an interesting case because it is the one country for which the data set contains information on participation in subsidised jobs and, as emphasized in Section B, such measures add an important dimension to understanding youth labour markets. The first year after leaving school one-third or more of young French persons without even the general *Baccalauréat* were employed in subsidised jobs. Other research shows that fully one-half of this cohort went through at least one programme [Werquin (1997)]. Although employment rates for this group of school leavers change little over time, recourse to programmes declines dramatically, while integration into jobs with a permanent contract tends to increase, though fully one-third never obtained such a contract. Not surprisingly, French research has shown that programmes close to regular employment, e.g. *contrats de qualification*, have a higher probability of leading to regular jobs [DARES (1997)].

Some of the tendencies observed with employment are mirrored in unemployment rates (Table 3.7). The latter, as in cross-section data, decline as educational qualifications increase. But, there are again large differences across countries, which are more pronounced at lower levels of education. Finally, unemployment rates tend to decline over time among less-educated youths, except in France, Ireland and Germany.

Thus far, only labour market experience after leaving school has been considered. In some countries where the apprenticeship system is of little importance, one topic for debate on improving the school-to-work transition has centred on the role of employment opportunities while in school [Ruhm (1997)]. Research has focused on both the direct effects of acquiring work experience while in school and the indirect effects of working on final educational attainment. Ruhm (1997), for example, argues that, in the United States, there is a positive and

long-term impact from such in-school work experience, though it varies a lot across different groups. For example, among those who work in the later stages of high school and do not go on to higher education, the impact is positive and considerably larger compared with persons moving on to university. He also finds that working while in school is more prevalent the more *advantaged* ones' family background, a finding not replicated in British research [Dustmann *et al.* (1996)].

There are numerous analytical complexities in considering the impact of school-work combinations on *long-term success rates* in integrating into employment and constructing good careers. A very simple illustrative approach is adopted here. Data are available on employment while in school in both the German and American longitudinal datasets. The text table below shows employment rates in both the first and fifth year after leaving school for individuals who did and did not work in paid employment during their last year in education (the proportion of the samples working their last year in school was almost 80 per cent in Germany and 53 per cent in the United States):

**Employment rates**

	First year	Fifth year
Worked last year in school		
Germany	87.3	87.9
United States	87.1	87.7
Did not work last year in school		
Germany	64.7	84.6
United States	67.3	75.0

There are quite large differences, of the order of 20 percentage points or more, in the first year after leaving education. However, they are much less pronounced, only 3 percentage points in Germany and almost 13 percentage points in the United States, after five years in the labour market. The interesting question is why German youths who were not working their last year in school caught up much faster with those who were working than was the case for young Americans. The difference may well point to a more structural set of institutions for integrating young people more quickly into the labour market in Germany via a range of well-known and accepted standards of certification and assessment of youths' abilities, whereas in the United States early "hands on" work experience of any kind is the main signal employers have in assessing young people's work habits or abilities. However, much more comparative work is necessary before reaching any firm conclusions.

### 3. Time spent in work

The evolution of employment and unemployment rates over time is only one part of the picture of how well or poorly youth become integrated into the labour market. The total amount of time spent in jobs or job-seeking, and whether or not there is persistence in status are also important elements in any judgement about getting a firm foothold in the world of work.

Table 3.10 shows the average time spent in employment. The figures are calculated conditional upon whether these youths were employed, unemployed or not in the labour force in their first year in the labour market. The closer the values are to one, the closer are these youths to having been continuously in work at the moment of each of the three to six annual interviews [the Irish data, however, refer to the total time spent employed over a 36- (university/tertiary) and a 60-month period].

The overall results are clear. Irrespective of education or gender, getting a job in the first year after school is associated with a greatly increased likelihood of being employed at the moment of each subsequent annual interview compared with youth starting off without a job. To some degree, this "persistence" is also higher among the more educated, though the difference is small. The table also shows calculations for full- and part-time employment. In general, though the differences are often small, part-time working tends to mean less stable employment histories compared with working in a full-time job.

In terms of these youth cohorts overall, the figures in columns one and six of Table 3.10 should be combined with the very large cross-country differences in employment rates in Table 3.8. Thus, while youth who do start the transition in a job spend a similar cumulated amount of time in employment in all countries, this covers a significantly larger proportion of youth, especially those

Table 3.10. **Average cumulative time employed over the first three to six years after leaving initial education by gender and educational attainment conditional upon labour force status in the first year<sup>a</sup>**

	Proportion of time									
	Men					Women				
	Employed the first year			Unemployed the first year	Not in labour force the first year	Employed the first year			Unemployed the first year	Not in labour force the first year
Total	Full-time	Part-time	Total			Full-time	Part-time			
<b>Less than upper secondary</b>										
Australia	0.78	0.78	0.63	0.40	0.36	0.79	0.85	0.54	0.20	0.08
France <sup>b</sup>	0.86	..	..	0.50	0.61	0.79	..	..	0.49	0.42
of which: in subsidised jobs	0.17	..	..	0.15	0.11	0.22	..	..	0.14	0.13
Germany	0.93	0.94	0.80	0.56	0.37	0.88	0.88	0.93	0.49	0.47
Ireland <sup>c</sup>	0.88	..	..	0.38	0.62	0.83	..	..	0.23	0.20
United States	0.86	0.87	0.81	0.50	0.37	0.64	0.75	0.51	0.23	0.19
<b>Upper secondary</b>										
Australia	0.83	0.85	0.76	0.51	0.56	0.84	0.87	0.76	0.42	0.40
France	..	..	..	..	..	..	..	..	..	..
Germany	0.98	0.98	0.99	0.58	0.37	0.88	0.92	0.81	0.67	0.66
Ireland <sup>c</sup>	0.90	..	..	0.60	0.64	0.89	..	..	0.59	0.65
United States	0.89	0.90	0.88	0.55	0.42	0.84	0.86	0.79	0.44	0.36
<b>University/tertiary</b>										
Australia	0.89	0.91	0.75	0.53	0.33	0.84	0.85	0.75	0.56	0.41
France	0.96	..	..	0.62	0.54	0.94	..	..	0.61	0.43
Germany	0.96	0.96	0.99	0.80	0.71	0.92	0.91	0.95	0.78	0.18
Ireland <sup>c</sup>	0.92	..	..	<sup>d</sup>	<sup>d</sup>	0.90	..	..	<sup>d</sup>	<sup>d</sup>
United States	0.97	0.97	0.93	0.69	0.65	0.92	0.93	0.85	0.56	0.45

.. Data not available.

a) The figures refer to the per cent of time employed over a four-year interview period for Australia and France (university/tertiary), a five-year interview period for Germany and the United States, and a six-year interview period for France (less than upper secondary). Labour force status is determined at the time of each annual survey. The first year is included in the average cumulative time.

b) Time spent in subsidised jobs is included, while time in obligatory national service is excluded.

c) The figures refer to the per cent of months spent mainly in employment over a five-year period (less than upper secondary and upper secondary) and over a three-year period (university/tertiary). The data are based on retrospectively constructing annual work histories.

d) The sample size is too small for reliable estimates.

Source: See Table 3.8.

with fewer educational qualifications, in Germany, France, and to some extent Ireland, compared with the other countries.

Starting off unemployed or not in the labour force leads in all five countries to significantly less cumulated time in employment. There are, however, some cross-country and cross-education differences. Whether the experience of unemployment itself causes further unemployment – the so-called “scarring” hypothesis – has been the subject of considerable debate and some empirical research. Although the evidence is not conclusive, the balance seems to lean towards some evidence of a scarring effect [Franz *et al.* (1997); Gardecki and Neumark (1997); Werquin *et al.* (1997)]. Though the data in Table 3.10 cannot be used to prove rigorously that early problems in finding a job *cause* later problems, they do point in this direction.

Another dimension of persistence is shown in Table 3.11. It records the *distribution* of employment and unemployment. Very few young men, regardless of educational background, were never employed. However, the distribution shows large cross-country differences. At the lower end of educational attainment, over 85 per cent of German men and over 75 per cent of German women were in work during at least four of the annual surveys (these figures are obtained by adding the proportion employed for four and five periods). This compares with 70 per cent for Irish men and 50 per cent for Irish women, and 69 per cent for French men and 63 per cent for French women. The equivalent proportions are much lower for young men and women in Australia and the United States with less than upper secondary education. As educational attainment increases, these cross-country differences diminish among both genders. Results are, not surprisingly, similar for time spent unemployed. Multiple “periods” of unemployment are far more prevalent among American, Australian and French youth. In all countries, the likelihood of being unemployed at any of the survey dates declines with educational attainment.

A useful summary measure which highlights these large differences is to compute how much of this five-year period is spent in employment on average. For men with less than upper secondary education in both Australia and the United States, only about two-thirds of the period was spent in work compared with almost 90 per cent in Germany. Moreover, in the first two countries the distribution is highly unequal, with roughly one-half of the total time spent in employment being accounted for by just one-third of these youths. In France, where a six-year period is considered, men with less than upper secondary education spent only half of the total period in employment. The distribution is also

highly unequal, with one-half of the total time in employment being accounted for by a little more than one-quarter of these French youth.

The experience of unemployment, although very different across countries, is rather concentrated. Taking the same group as above (men with less than upper secondary education), roughly one-third of the total time spent in unemployment is accounted for by 8 per cent of those with some unemployment in Australia and the United States; the equivalent fraction is 4 per cent in Germany and 5 per cent in France.

#### 4. Transitions in and out of temporary jobs and the time spent in them

One of the debates on the integration of youth into jobs concentrates on the role of temporary contracts. The question is whether they provide youths with a stepping-stone to more stable employment. This subsection analyses this issue in two ways. First, it considers flows into and out of these jobs. Second, as is in the previous subsection, it examines the time spent in temporary jobs and compares this with youth starting off in permanent jobs or unemployed.

The longitudinal data used covers only France, Italy and Spain, and there are considerable problems of data comparability to keep in mind. For example, the Italian and Spanish data refer to all youths leaving education, while the French data refer to low-skilled youth with less than an upper secondary education. The time over which individuals are observed also differs. It is a six-year period for France and Italy, but just 15 months for Spain. Finally, the Italian data cover only wage and salary workers. Tables 3.12 and 3.13 show the information on the labour force status transition matrix and the average cumulative time spent in work or unemployment, respectively.

The most interesting results of this exercise are as follows. Taking Table 3.12 first shows that low-skilled French youth employed on a temporary contract during their first year out of school are both less likely to be in a job six years later and, if working, less likely to have a permanent contract compared with those who started in a permanent job. That said, over 60 per cent of these youths who found a temporary job after leaving school were in a permanent one six years later. Moreover, they tend to do better, defined as having a permanent job, than those who started on a labour market programme, and they do considerably better than the unemployed.

The results for Spain and Italy are somewhat different. In Spain, the likelihood of being employed

Table 3.11a. **Distribution of time spent employed over the first three to six years since leaving initial education by gender and educational attainment**

Percentages

	Men						Women							
	Total	Never employed	Employed					Total	Never employed	Employed				
			One period	Two periods	Three periods	Four periods	Five periods			One period	Two periods	Three periods	Four periods	Five periods
<b>Less than upper secondary</b>														
Australia <sup>a</sup>	100	8.3	7.4	14.8	16.7	15.7	37.1	100	37.3	12.7	6.9	4.9	7.8	30.4
France <sup>b</sup>	100	2.9	6.1	9.7	12.4	21.6	47.4	100	5.4	9.1	10.5	11.9	15.4	47.7
Germany <sup>a</sup>	100	1.5	2.5	1.7	7.2	20.8	66.3	100	7.9	2.4	6.3	4.7	33.4	45.3
Ireland <sup>c</sup>	100	6.5	3.8	5.9	13.2	15.2	55.4	100	16.9	7.8	9.6	14.2	8.4	43.1
United States <sup>a</sup>	100	7.8	8.8	12.1	18.6	21.9	30.9	100	29.1	25.3	12.8	15.9	10.6	6.4
<b>Upper secondary</b>														
Australia <sup>a</sup>	100	4.4	5.0	6.3	15.0	16.9	52.4	100	6.4	5.6	6.0	10.3	18.9	52.8
France	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Germany <sup>a</sup>	100	0.0	2.0	2.2	2.7	12.1	81.1	100	0.7	1.9	7.7	5.8	20.8	63.1
Ireland <sup>c</sup>	100	2.1	2.3	4.4	9.4	28.4	53.4	100	2.4	2.5	4.6	9.4	30.2	50.9
United States <sup>a</sup>	100	2.9	5.4	8.3	12.9	22.1	48.4	100	8.4	9.4	13.3	13.4	19.9	35.5
<b>University/tertiary</b>														
Australia <sup>a</sup>	100	5.2	3.9	3.9	7.8	13.0	66.2	100	2.0	11.2	8.4	13.3	13.3	51.8
France <sup>d</sup>	100	6.7	4.9	18.7	38.1	31.6	..	100	3.6	3.7	7.4	21.6	63.7	..
Germany <sup>a</sup>	100	0.0	0.0	0.0	4.5	25.2	70.2	100	5.2	2.1	0.0	9.0	27.8	55.9
Ireland <sup>e</sup>	100	12.3	5.3	16.2	66.2	..	..	100	1.7	3.0	15.5	79.8	..	..
United States <sup>a</sup>	100	0.5	0.7	1.8	3.5	17.2	76.3	100	3.1	2.7	5.4	9.9	18.7	60.2

.. Data not available.

a) Data refer to the first five-year interview period since leaving education.

b) Data refer to the first six-year interview period since leaving education. The column "five periods" reports values for five to six periods. Especially for men, these figures are underestimates of those with three or more periods employed because those going directly into obligatory national service are excluded.

c) Data refer to the first five years since leaving education.

d) Data refer to the first four-year interview period since leaving education. Especially for men, these figures are underestimates of those with three or more periods employed because those going directly into obligatory national service are excluded.

e) Data refer to the first three years since leaving education.

Source: See Table 3.8.

Table 3.11b. **Distribution of time spent unemployed over the first three to six years since leaving initial education by gender and educational attainment**

Percentages														
Men							Women							
Total	Never unemployed	Unemployed					Total	Never unemployed	Unemployed					
		One period	Two periods	Three periods	Four periods	Five periods			One period	Two periods	Three periods	Four periods	Five periods	
<b>Less than upper secondary</b>														
Australia <sup>a</sup>	100	39.8	18.5	16.7	16.7	2.8	5.5	100	65.7	14.7	11.8	2.0	2.9	2.9
France <sup>b</sup>	100	52.3	23.1	12.4	7.7	2.7	1.8	100	37.2	23.5	15.8	13.3	6.4	3.9
Germany <sup>a</sup>	100	71.8	16.4	6.4	1.7	3.7	0.0	100	72.9	18.1	4.2	2.7	2.0	0.2
Ireland <sup>c</sup>	100	58.7	12.6	12.8	5.9	3.8	6.2	100	60.2	10.4	8.9	4.9	5.2	10.4
United States <sup>a</sup>	100	38.0	28.5	19.9	6.1	5.1	2.3	100	43.6	31.2	16.1	6.1	2.1	1.0
<b>Upper secondary</b>														
Australia <sup>a</sup>	100	58.1	15.0	13.8	4.4	5.0	3.7	100	68.2	14.2	6.4	3.0	2.6	5.6
France	..	..	..	..	..	..	..	..	..	..	..	..	..	..
Germany <sup>a</sup>	100	85.1	9.6	3.6	1.5	0.2	0.0	100	79.4	15.4	4.1	0.6	0.0	0.6
Ireland <sup>c</sup>	100	70.6	18.5	5.8	2.0	1.9	1.2	100	76.0	16.8	3.7	2.0	0.9	0.6
United States <sup>a</sup>	100	58.3	22.7	12.8	4.3	1.7	0.2	100	62.0	23.4	9.8	3.6	0.8	0.4
<b>University/tertiary</b>														
Australia <sup>a</sup>	100	68.8	13.0	7.8	5.2	3.9	1.3	100	62.9	21.7	7.7	5.6	2.1	0.0
France <sup>d</sup>	100	83.9	12.7	2.4	0.8	0.3	..	100	77.4	16.5	4.3	1.3	0.5	..
Germany <sup>a</sup>	100	79.5	20.5	0.0	0.0	0.0	0.0	100	81.6	17.9	0.5	0.0	0.0	0.0
Ireland <sup>e</sup>	100	82.2	13.1	0.0	4.7	..	..	100	89.5	7.8	1.8	0.9	..	..
United States <sup>a</sup>	100	82.2	14.6	2.0	0.6	0.4	0.2	100	80.3	14.8	3.3	1.4	0.1	0.0

.. Data not available.

a) Data refer to the first five-year interview period since leaving education.

b) Data refer to the first six-year interview period since leaving education. The column "five periods" reports values for five to six periods. Especially for men, these figures are underestimates of those with three or more periods unemployed because those going directly into obligatory national service are excluded.

c) Data refer to the first five years since leaving education.

d) Data refer to the first four-year interview period since leaving education. Especially for men, these figures are underestimates of those with three or more periods unemployed because those going directly into obligatory national service are excluded.

e) Data refer to the first three years since leaving education.

Source: See Table 3.8.

Table 3.12. **Labour force status of youth after leaving initial education distributed by their status *t* years later, by type of contract and gender<sup>a</sup>**

Percentages

Status at first interview	Status <i>t</i> years after leaving school											
	Men						Women					
	Total	Employed (all)	Permanent	Fixed-term	Unemployed	Not in the labour force	Total	Employed (all)	Permanent	Fixed-term	Unemployed	Not in the labour force
<b>France, less than upper secondary education<sup>b</sup></b>												
Employed (all)	100	83.2	71.6	11.6	8.2	8.7	100	71.3	64.5	6.8	18.6	10.1
Permanent	100	89.6	81.9	7.7	5.6	4.9	100	88.2	78.9	9.3	9.1	2.7
Fixed-term	100	77.8	62.5	15.3	9.7	12.6	100	64.8	59.9	4.9	24.1	11.1
Subsidised jobs	100	69.4	55.7	13.7	21.4	9.3	100	57.4	48.9	8.5	24.6	17.9
Unemployed	100	52.8	42.3	10.5	30.8	16.4	100	51.5	44.5	7.0	21.1	27.4
<b>Italy<sup>c</sup></b>												
Employed (all)	100	54.6	46.9	7.3	..	..	100	52.9	45.1	4.7	..	..
Permanent	100	48.7	45.1	3.2	..	..	100	47.7	42.7	2.8	..	..
Fixed-term	100	63.1	49.3	13.4	..	..	100	61.4	50.1	8.1	..	..
<b>Spain<sup>d</sup></b>												
Employed (all)	100	52.5	21.7	24.0	21.7	25.8	100	54.0	14.7	28.8	28.2	17.8
Permanent	100	43.4	17.2	19.2	22.2	34.4	100	52.6	19.3	21.1	33.3	14.1
Fixed-term	100	43.1	15.6	21.1	23.9	33.0	100	51.4	8.1	33.8	39.7	8.9
Unemployed	100	50.0	21.8	17.3	33.6	16.4	100	47.7	20.2	19.3	34.9	17.4

.. Data not available.

a) The data for France and Italy refer to labour force status at the starting date and six years later. The data for Spain refer to the starting date and five quarters later.

b) All employed in France refers only to wage and salary workers with either a permanent or temporary contract. There may be a small number of persons counted as not in the labour force who are in subsidised jobs, in self-employment or are unpaid family workers.

c) Italian figures are taken from the social security records. Therefore, non-dependent employment, the unemployed and certain types of public employment are not included.

d) All employed in Spain includes the self-employed, unpaid family workers and employment where the contractual arrangement is not known.

Source: See Annex 3.B.

Table 3.13. **Average cumulative time spent in employment or unemployment over the first five quarters to six years after leaving initial education conditional on status the first year<sup>a</sup>**

Proportion of time

Status at first interview	Men					Women				
	Employment (all)	Permanent	Fixed-term	Other employment	Unemployment	Employment (all)	Permanent	Fixed-term	Other employment	Unemployment
<b>France, less than upper secondary education<sup>b</sup></b>										
Employed (all)	0.75	..	..	..	0.09	0.78	..	..	..	0.13
Permanent	0.83	0.77	0.06	..	0.06	0.90	0.79	0.11	..	0.06
Fixed-term	0.70	0.36	0.34	..	0.12	0.72	0.39	0.33	..	0.17
Subsidised jobs	0.41	0.32	0.09	..	0.14	0.37	0.28	0.09	..	0.22
Unemployed	0.32	0.22	0.10	..	0.43	0.34	0.25	0.09	..	0.44
<b>Italy<sup>c</sup></b>										
Employed (all)	..	0.38	0.11	..	..	..	0.43	0.08	..	..
Permanent	0.59	0.47	0.10	..	..	0.58	0.49	0.05	..	..
Fixed term	0.57	0.33	0.21	..	..	0.72	0.43	0.25	..	..
<b>Spain<sup>d</sup></b>										
Employed (all)	0.65	0.25	0.28	0.12	0.17	0.68	0.24	0.30	0.14	0.20
Permanent	0.63	0.40	0.17	0.06	0.16	0.70	0.44	0.16	0.10	0.19
Fixed-term	0.66	0.17	0.42	0.07	0.18	0.64	0.13	0.44	0.07	0.22
Unemployed	0.41	0.14	0.19	0.08	0.41	0.45	0.17	0.19	0.09	0.42

.. Data not available.

Notes and source: See Table 3.12.

at both dates differs little by type of contract. However, unlike the case of France, the probability of moving from a temporary to a permanent contract is not particularly high, especially among women. Indeed, many youth, who started in permanent jobs, were 15 months later in temporary ones. Italy is altogether different: starting off with a fixed-term contract is actually associated with a higher probability of being employed six years later compared with those on a permanent contract. There are two likely reasons for this. First, these Italian fixed-term contracts are designed for a rather select group of skilled youth. Second, as shown in Section B, there is a legal requirement on firms that they must transform at least one-half of these contracts into permanent ones.

To a very great degree, these differences also show-up in differences in the amount of time spent in employment (Table 3.13). Thus, in France the low-skilled who start off with fixed-term contracts spend considerably less time in any job and more time unemployed compared with low-skilled youths who started off in permanent jobs. In Spain, there is little difference between the two groups, each spends about the same time in work and out of work. But, both fare much better than the unemployed.

## 5. Summary

The longitudinal data reveal important national differences in how well the transition “works”. This is especially true among individuals who do not go to university. It is clear that German youth are more quickly integrated into work. They have higher rates of employment and are much more likely to have been in work “continuously” over the period. Young Australians and Americans are much more likely to experience more time out of work, particularly in their initial transition years. France and Ireland tend to lie in-between. These differences cannot be simply ascribed to attributes of the German apprenticeship system – the really large differences show-up among youth with low levels of qualifications. What may underlie these differences is an open question. In all countries, however, getting into a job quickly is important. While causality cannot be proven, the lack of success early on is quite clearly associated with continued problems of finding and holding down a job. In this context, the role of temporary contracts is complicated. Looked at solely from the standpoint of employment *per se*, starting off with a fixed-term contract seems, on average, clearly preferable to unemployment. From a comparative perspective, whether such jobs are stepping-stones to permanent employment is less clear. However, the results for less educated French youths is instructive. Quite a large proportion who left school to a

temporary job had, six years later, made the jump to a permanent one. They had, however, also spent considerably more time out of work during those six years compared with those who began with a permanent contract. Whether their longer term career trajectories have been scarred as a result, remains an open, but important, question.

## E. CONCLUSIONS

The evidence presented in this chapter suggests that the transition from school to work is a turbulent and uncertain period for young people, even if many of them start on the right track. The latter are lucky enough to have a higher level of education or to enter the labour market in a good year. These conditions are necessary, but often not sufficient, for a successful transition as the longitudinal data analysis in Section D shows clearly.

“Starting off” in the labour market as unemployed is the case, on average, for one new school leaver in four in the 16 OECD countries for which data are available. Judging from the longitudinal analysis, such a start foreshadows reduced future employment prospects for men and women and for all educational groups. However, there is a wide variation across countries in the probability of starting off as unemployed and it is unlikely that the differences can be explained solely in terms of the educational attainment youths bring to the labour market.

The damaging effects of persistence in unemployment and inactivity in the first years of the transition process are particularly worrying. Nonetheless, the proportion of youth employed does rise over time, especially among men, in all educational groups. Unemployment is also rather concentrated among a relatively small group of young people, even though in some countries, like Australia and the United States, the experience of unemployment in the early years is more widespread than in other countries. Augmenting the quality of initial education and, especially, reducing early exits from education clearly must remain of prime importance in tackling such problems.

But greater success in these objectives, on their own, will not be sufficient. Tackling overall high and persistent unemployment is an essential part of any “youth-oriented” policy package, but will also not be sufficient. In addition, the large cross-country differences evident in the data point towards the important role of labour market institutions in aiding the integration process, including “systems” of apprenticeships, collective bargaining, the strictness of employment protection legislation and youth labour market policies. The debate on the appropri-

ate policies to tackle the problems faced by youth in making the transition to the job market needs, in many countries, to be more focused as to objectives. Should they simply seek to “maximise” short-run employment opportunities? Should they rather be geared to promoting institutional arrangements to assist youth to get into stable employment more

quickly? Two key points need to be addressed. First, it is important to study further the roles of these institutions in some detail, especially in a cross-country perspective. Secondly, however, the aim is not to simply transfer “institutions”, which, in any case, poses numerous problems, but to learn from different country experiences.

## Notes

1. In reality, youth measures are often a combination of active and passive (*i.e.* income-support) policies. The policy mix varies across countries, but the general tendency has been to try to reduce the importance of passive measures in favour of active policies. Moreover, passive measures are becoming more integrated with active measures. For example, youth (unemployment) allowances in Scandinavian countries are often included in packages of “activation policies”.
2. Wage/earnings outcomes of new school leavers are not available from most of the labour force survey data sources used in Section C. They are, however, available in some national labour force surveys. For example, a recent study using the French labour force survey has argued that young people starting work in 1995 faced more difficult conditions than those who entered the labour market at the beginning of the decade [Ponthieux (1997)]. The differences include not only rising unemployment, job insecurity and an increase in part-time work, but also lower average wages, even though those starting work in 1995 were generally more highly qualified than their predecessors.
3. In these countries, apprentices also have a high probability of ultimately being hired with a regular contract by the firm where they were apprentices. In most countries, an apprenticeship system, despite efforts, is hardly well established. Since 1987, apprenticeships have been extended to all diploma levels in France. These kinds of contracts have generated interest in new segments of services, such as financial institutions, consulting firms, hotel chains, and mass marketing firms [Simon-Zarca (1996)]. However, in 1993, 27 per cent of all apprenticeship contracts were terminated before completion. Among those who completed the apprenticeship, only 30 per cent were hired by the employer where they were apprentices, and only 10 per cent obtained a regular contract [Viaila (1997)].
4. Although not shown here, in most countries by far the highest incidence of school leaving occurs between the ages of 18-22 years. This has shifted towards the higher end of this age group as school staying-on rates have generally increased [OECD (1996a)].
5. Similar results, not presented here, are found if one considers employment probabilities by single year of age. For example, the employment probabilities for 19- and 23-year-old school leavers were 59 and 66 per cent, respectively, in 1989 compared with 54 and 61 per cent in 1996. Viewed over the entire 16-29 age group, the probability of being in a job tends to increase with age while unemployment probabilities by age are rather constant.
6. Since 1996, Denmark has developed a broad range of “activation policies” for unemployed youth, which are considered by the European Commission as best practices [see Section B and European Commission (1997a)]. Therefore, more up-to-date data might show a different picture.
7. American youth with less than upper secondary education comprise 9 per cent of the sample, whereas they account for 18 and 22 per cent of the samples in Germany and Australia, respectively. Calculating employment rates for the bottom quintile of educational qualifications would reduce those differences, but they would still remain substantial.

## ANNEX 3.A

## Definitions, data sources and regression specifications for the analysis in Section C

### 1. Definitions

Data have been gathered by single year of age for young people aged 16-29 for 16 OECD countries. With the exception of Norway, the data are from labour force surveys. The flow measure, “new school leavers”, refers to individuals classified as being in initial education or training at time T-1 who were classified as not being in initial education one year later, or at the time of the survey. More precisely, most labour force surveys are conducted in the Spring whereas students tend to leave school in June. Thus, the time since leaving school is close to nine to ten months. The exceptions are Norway and the United States, where the time period is about six months.

New school leavers comprise a subgroup of any particular age group. Hence, analysis of their insertion into the labour market within the first year after leaving the education system does not correspond to the more traditional analysis of young people’s labour force status. One example makes the distinction clear. In Belgium for 1995, new school leavers aged 16-24, as defined here, made up 8 per cent of all persons aged 16-24. This is because many youth, particularly teenagers, remained in school at both points in time, and because others had left the education system a number of years prior to the survey or had moved into and out of the education system several times. The recorded labour force status of the two “groups” is not the same. The probability of these new school leavers having a job in 1995 was 58 per cent whereas, as shown in Table C of the Statistical Annex, the employment rate of all Belgian youth aged 15-24 was just 27 per cent.

There are clear benefits of focusing on the subgroup of new school leavers as opposed to the more traditional focus on all youth *per se*. This focus permits one to analyse more precisely the ease or difficulty faced by young people in making their initial transition from education to the labour market. The short-term or over-the-year definition applied here enables such an analysis to be undertaken, unencumbered by the mixing together of youth still in education and of youth who had “permanently” left education many years ago.

There are certain limits to the data and analysis to bear in mind. While the data are based on common concepts, definitions and methods, the information is still limited to labour market outcomes about one year after exiting the initial schooling system. It does not follow that the data capture only those who have “permanently” left the education system. Some of those counted as having left education may well return at a later date and, indeed, many OECD countries have systems in place designed to

foster opportunities to return to full-time education as well as to undertake part-time continuing education and training. Aspects of the longer-term and more permanent process of insertion into the labour market are reviewed in Section D, which uses longitudinal data to trace out the first three to six years of labour market experience. In addition, it is important not to confuse the idea of new school leavers used here with that of new entrants to the labour market. As previous work has shown, some young people work or search for a job while also attending school, a combination that differs a lot across countries [OECD (1996a)]. Thus, being a new school leaver is not always the same as having no prior work experience.

### 2. Data sources

#### *European Union countries*

The data were provided by EUROSTAT on the basis of each country’s regular labour force survey. Data are available for all the EU countries except Sweden. The periods covered vary by country. The information is based on persons who were students in initial education or training or were conscripts in compulsory military or community service in the previous year and were not in initial education or training at the time of the survey. Initial education and training refer to schooling which takes place during or immediately after compulsory schooling or which is interrupted only by compulsory military or community service. Importantly, apprenticeships are not considered as being in initial education or training in these data.

The usual information on labour force status at the time of the survey has been supplemented by more detailed data on those counted as employed. In particular, data are available on whether the job is a full-or part-time one and whether it is temporary or permanent. Information on the reasons for part-time work and temporary contracts is also available. However, it should be borne in mind that the definitions of part-time work and temporary contracts are not uniform across countries [OECD (1996a, 1997d)]. Data are also analysed on new school leavers by their recorded level of educational attainment at the time of leaving the education system, although such data are only available from 1992 forward. Educational attainment is defined as: less than upper secondary (ISCED 0-2); upper secondary (ISCED 3); and university/tertiary (ISCED 5-7) [see OECD (1997a) for the country-specific definitions of these ISCED levels].

## Norway

Data for 1993 and 1994 were provided by Statistics Norway on the basis of registration information which shows detailed labour force and schooling status in November of persons who completed initial education in May or June. In order to arrive at a definition of new school leavers more or less comparable to that for other countries, adjustments were made to these data. Persons who had left education in May or June, but in November were counted as in ordinary education or as combining education and part-time employment were considered to be still in the educational system. Persons counted as combining education and full-time employment were considered to be part of the new school leaver group. Persons counted as being on government measures were treated as follows: 42 per cent were counted as still being in some form of education – this is the group in qualifications programmes who, in the Norwegian labour force survey, would be counted as inactive and in education. The remainder were considered as new school leavers. Finally, all registered unemployed were counted as new school leavers.

The labour force status of new school leavers was based on the following definitions: Employed refers to persons in regular employment, 36 per cent of those on government measures (an estimate of those in subsidised jobs), and all persons in education, but working full-time. Unemployed refers to persons registered as unemployed and 22 per cent of those on government measures (an estimate of how they would be classified in the labour force survey). Not in the labour force is a residual of “others” from the registration data, including persons in military service and unpaid household workers. Data on educational attainment were not considered sufficiently robust to be included in the analysis.

## United States

Data have been calculated from the October supplement to the Current Population Survey on school enrolment and cover the period 1983-1995. In this supplement, respondents are asked if they are currently enrolled in school and if they were also enrolled one year ago. New school leavers are defined as persons enrolled one year ago who were not enrolled at the time of the survey. Besides the usual information on labour force status at the time of the survey, data have been assembled on part-time and full-time work. Part-time employment is defined in this chapter as persons who usually work less than 35 hours per week. In addition, information on the reasons for part-time work is available. Educational attainment is defined as follows: less than upper secondary (up to and including the 12th grade, but without having completed high school); upper secondary (high school graduate); and university/tertiary (some college, but no degree; Associate's degree in college; Bachelor's degree in college; Master's degree; Professional school degree; and Doctorate degree).

## 3. Estimating the employment and unemployment probabilities of school leavers by pooling cross-section and time-series data

As is clear from the preceding description, the data contain both a cross-section and a time-series component. This has been taken advantage of by, for each country and for all countries together, pooling the data to greatly expand the number of observations available (see Table 3.A.1). OECD (1996a) provides more information on this procedure. The econometric method employed throughout is that of pooling both dimensions. All equations were estimated by OLS (ordinary least squares) using SAS software.

The dependent variables of interest are the probability of being employed and the probability of being unemployed for new school leavers. Two specifications are tested, the first for the 16 countries included in the database, except Norway and Luxembourg, the second for 9 countries (Belgium, Denmark, France, Germany, Italy, the Netherlands, Spain, the United Kingdom and the United States), for which all of the institutional variables are available.

### Specification for 14 countries

The independent variables are the adult unemployment rate as a proxy for the cycle, public spending on youth labour market measures as a per cent of GDP and a set of socio-demographic dummy variables – gender, educational attainment, and age – designed to “control” for omitted variables specific to each cross-section unit. The equation also includes two, time-invariant, variables designed to account for two features of the institutional environment: a measure of the strictness of employment

Table 3.A.1. Details of data files used in regressions

	Years	Number of years	Number of observations <sup>a</sup>
Austria	1995-1996	2	168
Belgium	1985-1996	12	616
Denmark	1985-1996	12	616
Finland	1995-1996	2	168
France	1983-1996	14	672
Germany <sup>b</sup>	1985-1995	11	532
Greece	1983-1996	14	672
Ireland	1983-1991 and 1993-1996	13	588
Italy	1992-1996	5	420
Netherlands	1992-1996	5	420
Portugal	1986-1996	11	588
Spain	1987-1996	10	560
United Kingdom	1983-1996	14	672
United States	1983-1995	13	1 092
<b>All</b>			<b>7 784</b>

a) In every country and year, data are available for 14 single years of age, gender and three levels of educational attainment (1992 forward only for EU countries).

b) Data refer to the whole of Germany from 1991 onward.

protection legislation; and a variable indicating the presence of a well-established apprenticeship system. The equation is:

$$Y_{it} = \alpha_1 + \beta_1(Ua_{it}) + \beta_2(Ym_{it}) + \beta_3(Gender_{it}) + \beta_4(Educ_{it}) + \beta_5(Age_{it}) + \beta_6(EPL_i) + \beta_7(DUAL_i) + \beta_8T + \varepsilon_{it}$$

where:

$Ua_{it}$  = adult unemployment rate of country  $i$  at time  $t$ ;

$Ym_{it}$  = youth measures as a per cent of GDP of country  $i$  at time  $t$ ;

$Gender_{it}$  = (1,0) gender dummy;

$Educ_{it}$  = (1,0) level of educational attainment dummy;

$Age_{it}$  = (1,0) age dummy;

$EPL_i$  = time-invariant (1,0) employment protection dummy;

$DUAL_i$  = time-invariant (1,0) apprenticeship dummy;

$T$  = time trend; and

$\varepsilon_{it}$  = stochastic error term.

*Employment protection legislation (EPL).* Countries are grouped into three categories: low, medium and high strictness of EPL. The criterion used to define the groups is the following. Take the standard deviation of the OECD index presented in column two of Table 6.7 (Panel B) of OECD (1994), and calculate the confidence intervals around the mean (at a 95 per cent significance level). Then three EPL groups can be formed, according to whether countries fall within, above or below, the confidence interval. The groups are:

Low EPL: Denmark, Ireland, the United Kingdom and the United States

Medium EPL: Austria, Belgium, Finland, France, Greece and the Netherlands

High EPL (reference group): Germany, Italy, Spain and Portugal

*Dual apprenticeship countries (DUAL).* Austria, Denmark and Germany are classified as DUAL countries.

### **Specification with a full range of institutional variables for nine countries**

The specification of the second regression includes a larger set of institutional variables in addition to the adult unemployment rate, public spending on youth labour market measures and socio-demographic dummies. Since this information is not available for all the countries of the dataset, only nine countries are included.

*Youth net replacement rate.* This variable indicates, for 1995, the unemployment benefit entitlements of young unemployed single people, in their first month of unemployment, assuming that waiting periods are met. The rate

is estimated at two-thirds of the average production worker level, including social assistance and housing benefits, and is net of taxation [OECD (1998b), Table 3.7].

*Collective bargaining structure.* Three dummies are created to capture the level of co-ordination and centralisation of collective bargaining over three different time periods. The reference group is those countries with a decentralised and uncoordinated bargaining structure. The distribution of countries across the three levels changes over time [OECD (1997d), Chapter 3].

Until 1989:	Co-ordinated/centralised:	Denmark and Germany
	Intermediate:	Belgium and the Netherlands
	Uncoordinated/decentralised:	France, Italy, Spain, the United Kingdom and the United States
1990 to 1993:	Co-ordinated/centralised:	Germany
	Intermediate:	Belgium, Denmark, France and the Netherlands
	Uncoordinated/decentralised:	Italy, Spain, the United Kingdom and the United States
From 1994:	Co-ordinated/centralised:	Germany and Italy
	Intermediate:	Belgium, Denmark, France and the Netherlands
	Uncoordinated/decentralised:	Spain, the United Kingdom and the United States

*Collective bargaining coverage:* Proportion of workers who are covered by collective bargaining agreements in 1980, 1990 and 1994 [OECD (1997d), Table 3.3].

*Trade union density:* Proportion of workers belonging to trade unions in 1980, 1990 and 1994 [OECD (1997d), Table 3.3].

*Employment protection legislation (EPL).* Countries are grouped in three categories: low, medium and high EPL based on the same method as above. The groups are:

Low EPL: Denmark, the United Kingdom and the United States

Medium EPL: Belgium, France and the Netherlands

High EPL: Germany, Italy and Spain

*Dual apprenticeship countries (DUAL).* Defined as above.

$$Y_{it} = \alpha_1 + \beta_1(Gender_{it}) + \beta_2(Educ_{it}) + \beta_3(Age_{it}) + \beta_4(Ua_{it}) + \beta_5(Ym_{it}) + \beta_6(Youth\ net\ replacement\ rate_i) + \beta_7(Collective\ bargaining\ structure_{it}) + \beta_8(Collective\ bargaining\ coverage_{it}) + \beta_9(Trade\ union\ density_{it}) + \beta_{10}(EPL_i) + \beta_{11}(DUAL_i) + \beta_{12}T + \varepsilon_{it}$$

## ANNEX 3.B

## Definitions and data sources for the longitudinal analysis in Section D

## 1. Overview of definitions

Section D analyses the longer term labour market integration of young people after having permanently left the initial education system and, therefore, requires longitudinal data. While an overview of the country-specific data is provided below, the use of longitudinal data raises several data quality concerns that deserve mention.

The first is analytical and concerns the dating of labour market entry. Such dating is inherently ambiguous because young people can garner work experience while in education and because some youth will return to education after a period in the labour market. A natural starting point is to regard entry into the labour market as the first year in which a young person is observed in panel data to have “permanently” left the education system, including apprenticeships. That is, “permanent exit” from the education is defined as when they are observed as being out of education for the duration of the panel observations. For purposes of the analysis in this chapter, that is generally taken as a three- to six-year period during which respondents report no additional education. Hence, the sample consists of youth in education at time T and who had left education at time T+1 or the next interview and were never recorded as having returned to education over the period.

For a variety of reasons, some individuals in a panel dataset will be lost from the sample over time. This can effect the representiveness of the remaining sample. The German data provide fairly sophisticated probability weights designed to correct for sample attrition bias and are used for all the calculations. For the United States, the weights for the end-point year have been used. In principle, one could attempt to recompute all individual weights based upon persons for whom complete information is available in order to deal with this problem. This was not feasible. The data for Australia, France, Ireland, Italy and Spain are unweighted. A check of several of the calculations used in this chapter suggested that this made no qualitative difference to the percentages shown.

A final form of general sample restriction must be noted. To be included in the analysis, valid information was required for all variables of interest – age, gender, educational attainment, schooling status and employment status – for all years. Individuals missing information on one or more of these variables for even one wave were dropped from the analysis. Detailed analysis of this form of attrition suggests that it is more important among persons with fewer initial educational qualifications, *i.e.* those most likely to have more difficulties in constructing suc-

cessful labour market careers. For example, in the data for the United States, 783 persons with less than an upper secondary education were identified as leavers from the education system, but about 40 per cent of them are excluded from the analysis because of missing data over the full five-year period. This compares with an exclusion rate of only about 20 per cent for persons with university/tertiary education.

Finally, the periods covered differ across the countries. The Australian data refer to 1989-1994, France to 1989-1994 for those with less than upper secondary education and 1988-1991 for those with university/tertiary education, Germany to 1984-1995, Ireland to the 1992 follow-up survey of 1985/1986 school leavers, and the United States to 1979-1993. This may be of some importance because the timing of permanently leaving education and entering the labour market will tend to be dissimilar across countries, as well as across groups of youth classified by their final educational attainment. Since business cycle and other economic conditions change over time and differ across countries, this could affect the comparability of the results.

## 2. Data sources

**Australia**

The data are based on the Australian Youth Survey, 1989-1994, and were calculated by Matthew Gray of the Australian National University. This panel is based on annual interviews with a cohort of youth aged 16-19 in 1989, with a new sample of 16-year-olds added each year from 1990-1994. Information for this survey – questionnaires, user’s guides and data definitions – are available from the Social Science Data Archives, Research School of Social Sciences, The Australian National University, Canberra, ACT.

New leavers from the initial education system are defined as follows: First, it is determined if individuals in the sample are in education at the time of the survey. Being in education refers to persons saying they were still in secondary school or were engaged full-time in any post-secondary education, which can include apprenticeships or traineeships as well as tertiary and university-level education. This group is then followed until they have left the education system and remain so for the remaining years.

The definitions of the final level of initial educational attainment are as follows: Less than upper secondary refers to pre-primary, primary and lower secondary, with the latter referring to year ten or less. Upper secondary

refers to having completed years 11 and 12. University/tertiary refers all other post-secondary education.

The definitions of labour force status are as follows: Employed persons are those working at the time of the survey or who had a job, but were not at work due to circumstances such as sickness or holidays. Unemployed persons are those not working, but who had searched for work at some point during the four weeks prior to the survey. Not in the labour force is the residual. Part-time employment refers to person who worked less than 30 hours during the reference week. Data on permanent and fixed-term contracts were not available for the analysis.

### France

The data were provided by Patrick Werquin of the *Centre d'Études et de Recherches sur les Qualifications* (CEREQ). For those with less than upper secondary education, a representative sample of those who left school during the 1988-1989 school year is used. Less than upper secondary can include *bacheliers professionnels*, *bacheliers technologiques* and persons who went through an apprenticeship training centre (*Centre de formation d'apprentis*), but excludes the *baccalauréat général*. These persons, subject to the fact that there is attrition of the sample, were interviewed in each year from 1990, usually during the month of December. All data for 1989 were gathered retrospectively. For those counted in this chapter as university/tertiary education, the data are based on a survey carried out by a mail questionnaire in 1991 of a sample of persons who had left the French "*Enseignement supérieur*" in 1988. There are two other important points concerning this sample. First, it only includes those who obtained degrees and excludes some specific types of higher education. Second, during the period covered for this group, there was little in the way of labour market programmes for them to enter and no attempt is made to distinguish programmes from other forms of employment. In addition, France has a community or military service obligation for men in particular, though there are exemptions. Therefore, a considerable proportion of men spent some time in military service over the time periods covered. In this chapter, military service is excluded from all calculations, although labour market activity prior to and after leaving national service is included in all calculations except those shown in Tables 3.11-3.13.

Labour force classification is based on individuals responses to a question concerning their situation at the time of the interview. Employment refers to having a job irrespective of the type of contract, including certain remunerated labour market programmes listed in Table 3.8. Permanent contracts refer to those with an indefinite duration (CDI). Fixed-term contracts refer to those with a fixed duration (CDD), although there is scope for their renewal. Unemployment refers to the response *au chômage*, while not in the labour force is a residual.

### Germany

Data are based on the German Socio-Economic Panel survey from 1984-1995 and refer only to western Germany. This panel covers the whole population aged 16 and over

with interviews conducted once a year. The sample is renewed each year with a new cohort and, thus, is representative of the population each year. For detailed information on this survey, see the *German Socio-Economic Panel User Handbook*, German Institute of Economic Research, Berlin.

New leavers from the initial education system are defined as follows: First, all persons aged 16-30 are selected and it is determined if they are in education. Being in education means that, at the time of the survey, respondents said they were in general education, college, vocational school, apprenticeship, trade school, receiving training in health care or in civil service training. Going to night school is excluded. This group is then followed until it is determined that they have left the education system and remain so for at least five consecutive years. Not being in education at the time of the survey means that they were not in education at all or that they were following a further education course, career training, going to a specialised school such as a master apprenticeship or were following other further career training. These latter categories are considered to be apart from the formal initial educational system and, rather, represent individual labour market career trajectory.

The definitions of the final level of initial educational attainment are as follows: Less than upper secondary refers to a school-leaving degree corresponding to *hauptschulabschluss*, *realschulabschluss*, *anderer abschluss* or *kein abschluss*. Upper secondary refers to a school leaving degree corresponding to *fachhochschule* or *abitur*, or a vocational degree corresponding to *lehre*, *berufsfachschule* or *sonstige ausbildung*. University/tertiary education refers to a vocational degree corresponding to *schule gesuntheitswesen*, *fachschule* or *beamtenausbildung*, or a completed college education corresponding to *fachhochschule* or *universitat*.

The definitions of labour market status are as follows: Employed refers to persons who were in gainful employment at the time of the survey and were not registered as unemployed. Gainful employment refers to being in full-time employment, having a regular part-time job, currently following career training or retraining within a company, and occasionally/irregularly employed. Unemployed are those not in gainful employment as defined above and who are registered as unemployed at the time of the survey. Not in the labour force are those not in gainful employment and not registered as unemployed. Part-time employment refers to persons in wage or salary jobs who said they worked less than 30 hours a week. It was not possible to use the data available on temporary or permanent contracts.

### Ireland

The data are based on the Irish 1992 follow-up survey of school leavers in 1985/1986 and were supplied by Damian Hannan of the Economic and Social Research Institute. The data presented in this chapter are based on respondents' recall of their labour market history between the time of leaving education and the 1992 survey.

In all instances, educational attainment refers to the level of education achieved at the end of the initial period of full-time education. Less than upper secondary refers

to having received a junior certificate or less. Upper secondary refers to the senior cycle of secondary education which comprises two years of a Leaving Certificate programme preceded by an optional transition year. It can also encompass one to two years of post-leaving certificate education, apprenticeship training and private business schools. University/tertiary includes all primary and bachelor degree programmes and above.

For Tables 3.8, 3.9, 3.11a and 3.11b, labour force status refers to one month during each year since leaving full-time education. Employed refers to having any kind of paid job and unemployed includes participation on a small number of government schemes. For Table 3.10, the entire three to five year retrospective history has been used based on respondents filling out their activity over the 36-60 months since leaving full-time education. Information on the nature of the employment contract was not available for the analysis undertaken here.

### Italy

The data in Tables 3.12 and 3.13 are drawn from the Italian social security records (INPS, *Istituto Nazionale di Previdenza Sociale*), and cover the period 1987 to 1992. Data were provided by Claudio Malpede of *Ricerche e Progetti* at Turin.

The data cover only dependent employees. Although the entire private sector is covered, public sector coverage is incomplete. The database consists of one record for each individual employment spell. Individuals enter the sample as soon as they enter their first job. Thus, unemployed first-job seekers are not observed. Note that the data does not contain information on education qualifications or age of entry in the labour market.

A random sub-sample has been used for the analysis. Sample selection was made using scale 1:90, based on the date of birth. The sample includes only youth aged less than 30, who entered the work force in 1987. The definition of permanent school leavers as defined for other countries has not been used for Italy because the characteristics of the data do not make it possible. However, the sub-sample includes only young people who were not in education during the period analysed.

### Spain

Figures for Spain in Tables 3.12 and 3.13 are drawn from matched files of the labour force survey, EPA (*Encuesta de la Población Activa*). This is a quarterly survey with a rotating sample with one-sixth of the sample replaced every quarter. Thus, individuals are observed for no more than six quarters.

For the purposes of this chapter, the sample selection was the following: Individuals under the age of 30 who were interviewed for the first time in the first quarter of 1995 or later, who responded to six consecutive interviews, who were students in the first interview, and who were not students in the subsequent five interviews were selected. Individuals who joined the military service after leaving school are not included. This selection is as close as possible to the definition of "permanent school leavers" described earlier in this annex.

Labour force status is based on the time of each quarterly survey. Employed persons are those who worked for pay or profit during the reference week. The fixed-term or permanent nature of the contract is based on responses as to whether the person has a temporary contract or job. Unemployment refers to persons without a job who actively looked for work during the four weeks prior to the survey.

### United States

The data come from the National Longitudinal Survey of Youth, an annual survey of a cohort of youth aged 14-21 in 1978. The data analysed refer to the period 1979-1993. For detailed information on this survey see *NLS Users' Guide, 1995*, Center for Human Resource Research, Ohio State University, Columbus, Ohio, June 1995.

New leavers from the initial education system are defined as follows: Being in education refers to enrolment status as of 1 May of the survey year (note that this does not necessarily correspond to the actual time of the interview). Enrolled in education refers to those who said they were enrolled in high school or enrolled in college (college encompassed university and community colleges). This group was then followed until it was determined that they were no longer enrolled in education and remained so for at least five consecutive years. Not enrolled in education refers to those who said they were not enrolled as of 1 May of the survey year. A second definition was also constructed. Final educational attainment in years of schooling given in the 1993 survey was first calculated. Then the year of "labour market entry" was defined as:  $(AGE_{1993} - YEARS\ of\ EDUCATION_{1993-6}) + 1$ . The figure in brackets corresponds to a traditional human capital formulation. Calculations on labour market status were done for both definitions with very similar results. Results using the first definition are reported in the chapter as it is felt to give a more accurate rendition of the actual time of permanent entry into the labour market from the education system.

The definitions of final level of educational attainment are as follows: Less than upper secondary refers to the highest grade completed as of 1 May of the survey year as 1-11 and no grade completed (persons with 12 years education, but no high school diploma are classified as having less than an upper secondary education). Upper secondary refers to having completed 12 years of education and having received a high school diploma. University/tertiary refers to having completed some college or university.

The definitions of labour force status are as follows: The analysis uses the Current Population Survey-based employment status recode and refers to status during the week of the survey. Employed refers to persons working or with a job, but not at work during the reference week. Unemployed refers to persons without a job and looking for work. Not in the labour force refers to persons neither working or looking for work who said they were keeping house, going to school, unable to work or other. The armed forces are excluded from the analysis. Part-time employment is defined as usually working less than 30 hours per week. No information is available on the type of employment contract.

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