

# NEW SERVICES, YOUTH EMPLOYMENT (NSEJ): A COMMENT FROM AUSTRIA

## 1. Introduction

The NSEJ programme was driven by two concerns facing the French economy

- A lack of services – social assistance in various forms, environmental protection and promotion, cultural and sporting activities, etc. – of the kind referred as 'social investments'.
- An unduly high level of unemployment of young people (15 to 24) – employment being short term and insecure making transition from school to work a major hurdle.

The undersupply of social investments cannot be rectified by the market because of the low or negative financial returns from such activities, initially at any rate. Thus it becomes a political/social matter for state action. The correction of the transition from school-to-work and social/labour market exclusion of youth also calls for some government-induced action. The NSEJ programme aims at dealing with both problems simultaneously.

## 2. Characteristics of the NSEJ programme

### (a) The new services

Under the programme, the development of new services is confined to three areas-education, police and 'mainstream activities' such as health, welfare, sport, culture, environment, etc. The case for these activities and their particular locations is determined by consultation with government at various levels. They are undertaken by public agencies, local government and non-profit organisations, and are of a long term nature, attracting a subsidy for 5 years.

### (b) The jobs

The jobs filled in these areas so far have a large medium to high skill content, they call for training of persons recruited into the specific skills of the positions, and are to last for 5 years. The start-up

subsidy is intended to create a long-term demand for these 'new' services such that after 5 years the services are paid for by the market, by the public sector or by public-private partnerships.

### **(c) The young labour recruited**

The programme is intended to target all young in the age group 18 to 25, school-leavers or unemployed, who are not 'over-qualified' (presumably university graduates), and 26 to under 30 year olds in case of 'employability' problems (unemployed without benefit or handicapped). The composition of those recruited by the end of August 1999 was as follows:

- 70 percent had been unemployed, 14 percent were employed on a subsidised TPE scheme, 16 percent school-leavers.
- 80 percent were 18 to 26 years old, 20 percent 26 to 29.
- 60 percent had at least passed the baccalaureate; 10 percent had even higher qualifications; and 30 percent had less than a baccalaureate.
- None was engaged in menial unskilled work.
- Their mean age was around 24.
- Women were in the majority – nearly 59 percent.
- Nearly all are employed on a full-time basis.

By the end of August 1999 (mid-term for NSJE) job creation and recruitment in the education and police sectors were nearly completed; the mainstream sectors (projects in non-profit organisations, public agencies and local authorities) have taken more time to create jobs and recruit, but have come up with very diverse jobs and on average a higher skill content and 'professionalisation' programmes than the former.

## **3. Some questions**

The above summary of the characteristics of the scheme raises a number of questions for discussion:

(a) It would be interesting to have the employment/unemployment profile of those who were recruited under the programme. Given their relatively high educational level and mean age, it is rather surprising that such a large proportion should have been unemployed. How long had they been unemployed? Were they mostly in the category of frictional unemployment, in the course of changing jobs voluntarily? Why is the activity rate of youth 15 to 24 so low (1998: 28 percent)? It may be that, following full-time schooling until the age of 18, instead of entering the labour market thereafter, a large proportion of young persons go on to tertiary education. Since drop-out rates

from tertiary education are high – NSEJ may provide an alternative to continued education. This may explain the relatively strong labour supply effect of the programme (20 percent of the NSEJ entrants had been 'inactive' as they joined – p. 17 of B&S). Are the persons entering the labour market mostly women, returning to the workforce, persons straight out of school or in education and training measures while waiting for a job?

(b) Another question is whether this programme could fairly be said to fall into the ALMP category. It is a kind of employment programme but distinctly different from the ones normally referred to as an ALMP. It is arguable that this is primarily a social investment programme, the employment part of which is directed at the young unemployed. This is not intended as a semantic quibble; there is a conceptual point at issue. In general ALMPs aim at providing training facilities, subsidies, short-term work experience to pave the way for a smooth (re-) entry into the first labour market, i.e. they adapt labour supply to an existing demand, although, admittedly, TPE programmes may contain some contrived demand of the welfare kind. The NSEJ scheme creates a new medium term demand, specifically intended to satisfy inadequately met social needs and to be self-sustaining, at least partly, after 5 years. It is specifically directed at creating new jobs, and so avoiding substitution and deadweight effects. If the new jobs had not been created, *ceteris paribus*, unemployment in the 15 to 24 age group would not have fallen to the extent it did, particularly from June 1997-98. This distinguishes it from the run-of-the-mill ALMP. John Martin (1998) has argued that 10 percent of subsidised jobs result in a net increase in employment. Furthermore, unlike the CES/CEC schemes, the NSEJ programme called for labour of a much higher educational level.

(c) It is surprising that the qualification structure of the young unemployed following recruitment for the programme should have remained substantially unchanged (p. 18 B&S). As noted, some 70 percent of those recruited were of baccalaureate or better standard. This would suggest that the educational/skill profile of the French 15 to 24 age group unemployed is unique; and it calls for discussion why the unemployment rate of this group is so high relative to those above this age group. John Martin (1998, p. 11) has emphasised that if "young people leave the schooling system without qualifications and a good grounding in the 3-Rs, it is well nigh impossible for labour market programmes to overcome these handicaps later on." Clearly, this problem does not apply to the French age group in question. Is it the case that, although well schooled in general education, they lack vocational skills? (See discussion on the Austrian situation in 5 below).

(d) It would also be interesting to know what skills, complementary to those recruited from the young unemployed, and in what numbers, were needed and where these came from.

#### 4. Certain issues raised by Barbier & Simonin

This very interesting paper has raised for discussion among member states, two sets of issues:

- The important qualitative findings on the operation of the programme so far;
- The international comparative perspectives.

(a) On the first issue, any evaluation must be qualified by the fact that the programme is barely half-way through to its full course. But the signs are favourable that the quantitative objective of 350,000 by 2001 can be met. Qualitatively, given the supply of relatively highly educated unemployed, there should be little doubt that the standard of recruits will be maintained. At the completion of the 5 years, it appears that many of those recruited will be retained in their present jobs, and if not, their experience and range of skills will fit them into a variety of jobs. There appears to be satisfaction with the programme from those recruited into the jobs and from employers and administrators generally. In short, it is unlikely that the new jobs and new skills created for them will turn out to be dead-end jobs or non-transferable skills.

However, it is difficult to predict what proportion of the activities will prove to be sustainable and become permanent once the state subsidy stops after 5 years. This depends partly on political considerations and on the particular range of services which were selected in the first instance. It is not possible to be clear on this issue without detailed information on the particular services and the community response to them. Some of the services may continue more or less on a user-pays basis, and others may have to be fully subsidised or be discontinued.

The Government Paper raises all these issues (Section IV) and even suggests that there may be need for European countries to consider the creation of a new legal status of companies 'with a welfare aim'. The Government Paper rightly points to the need for continuing to identify the possible emergence of further new services, facilitating the 'professionalisation' of the newly developed skills so that they meet the needs of employers in other areas, and helping the organisations to survive beyond the 5-year grant period.

However, a reasonable prognosis of the scheme is that its employment generating capacity will diminish in time unless further new services are identified and incorporated into the programme as a continuing scheme. One suspects that there is a limit to this process.

(b) On the matter of the real innovative character of the scheme raised by Barbier & Simonin (p. 20), it does not seem to be a significant matter whether the real innovative content of the new occupations is the creation of a particular set of competencies and skills, or whether the innovation consists of 'jobs demanding different skills usually not associated with one another in existing standard occupations'. The difference between these forms of innovation are subtle and, in practical terms, immaterial because those selected for the various jobs had mostly achieved the

highest level of secondary schooling, and some even beyond that. It is reasonable to assume that such persons would have an aptitude for re-skilling and multi-skilling to fit into a variety of occupations.

It is also difficult to understand why 'innovation' would consist of jobs for performance in existing occupations but 'in new locations, with new client groups and different timing'. This seems more like a reflection on the inefficient operation of the market and/or the PES in job matching rather than an innovative employment scheme. In any case, the programme calls for a degree of sensitivity of the PES to its skill matching, as noted by the authors themselves. Indeed, it would be interesting to know how the PES coped with the implementation of the programme.

(b) The international comparative perspective will vary from country to country. From the account provided, NSEJ seems an admirable innovative scheme which attempts to deal with two national concerns at the same time. The comments made above are not intended to be critical; rather they call for fuller discussion and clarification of the issues raised in the papers supplied.

The French experience will obviously be of great interest to peer countries. The application of the NSEJ concept in any country will initially call for consideration the question of whether there are services of a social investment nature needed to be developed, and whether the French procedure is appropriate. So far as Austria is concerned, certain points need to be made.

## 5. The Austrian position

At a first glance one is tempted to discard the French endeavour to create jobs for youth by improving the social infrastructure as irrelevant for Austria because unemployment, including youth unemployment, is relatively low (1998 average unemployment rate: 5.5 percent versus France 11.9 percent, youth unemployment rate: 7.5 percent versus France 25.4 percent)<sup>1</sup>. The fact that youth unemployment rates are above the overall average rate, indicates, however, that some fundamental problems of youth education and labour markets are building up. The belief that unemployment problems of youth in the course of the 80s would only be transitory, i.e. resulted from the entry of the baby boom generation into the labour market, turned out to be illfounded. In the course of the 90s, the baby slump generation entered the labour market. Nevertheless, youth unemployment gained momentum in the second half of the 90s suggesting increasing frictions in the transition from school to work (*Biffi*, 1999). This issue has been addressed in the NAP in the main through measures improving employment on the lower end of the skill segment, i.e. apprenticeship training. The rationale being that the unemployment rate of the low skilled workers (educational attainment below upper secondary education) is higher than for the medium and high skill segment (university level education, *OECD*, 1998). A closer look at unemployment rates by

---

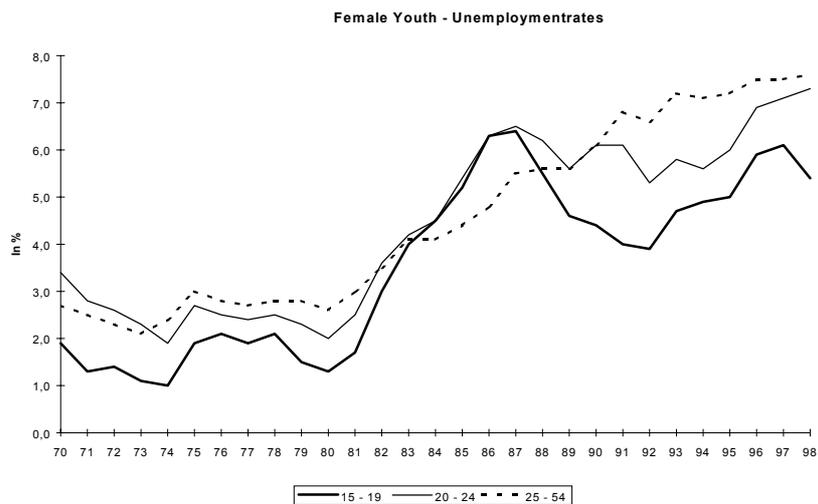
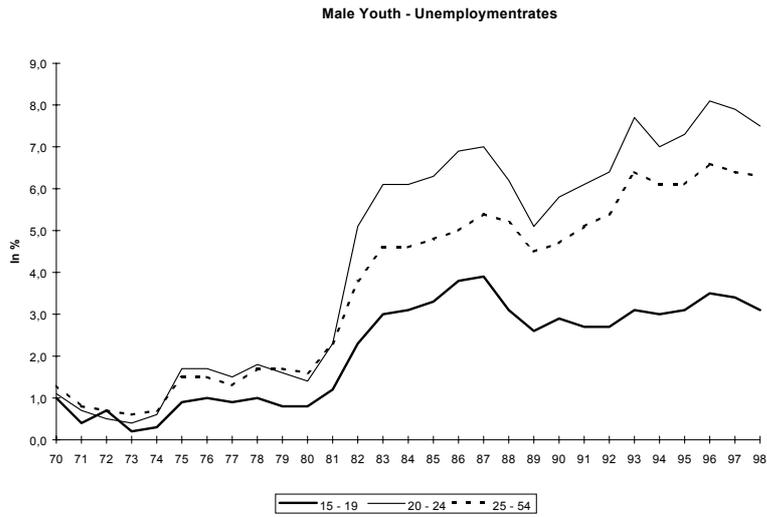
<sup>1</sup> According to the standardised unemployment rates in *OECD Employment Outlook 1999*.

education shows, however, that the duration of unemployment is particularly high for persons with general upper secondary education, i.e. for persons who have a baccalaureate with no vocational orientation in the curriculum. The baccalaureate from the general education branch of upper secondary education (AHS) is, like the English A-levels, a transition stage of education; students are expected to continue with further, specialised education, and not enter the life of work. General education baccalaureates have not been devised for the world of work but for the provision of a large gamut of skills, which allow the access to different faculties of tertiary education. In contrast, baccalaureates from upper secondary schools with a vocational orientation (BHS) prepare for the labour market; they provide the skills for specific segments of tertiary education only (natural and engineering science, business science), and for certain skills needed on the labour market. Perhaps the larger diversity of baccalaureates in Austria compared to France, in particular the relatively high share of baccalaureates with vocational orientation, may explain the comparatively low Austrian youth unemployment rate. Another distinguishing factor of the Austrian education system is the high share of 16 year-olds entering apprenticeship training<sup>2</sup>. Apprentices are counted among the employed, which explains the high activity rate of 15 to 19 year olds. The dual character of apprenticeship training (part-time school and part-time work) facilitates the transition from school to work; after apprenticeship training youth enters the labour market in search of a permanent job. As a result unemployment rates are higher for 20 to 24 year olds than for teenagers.

---

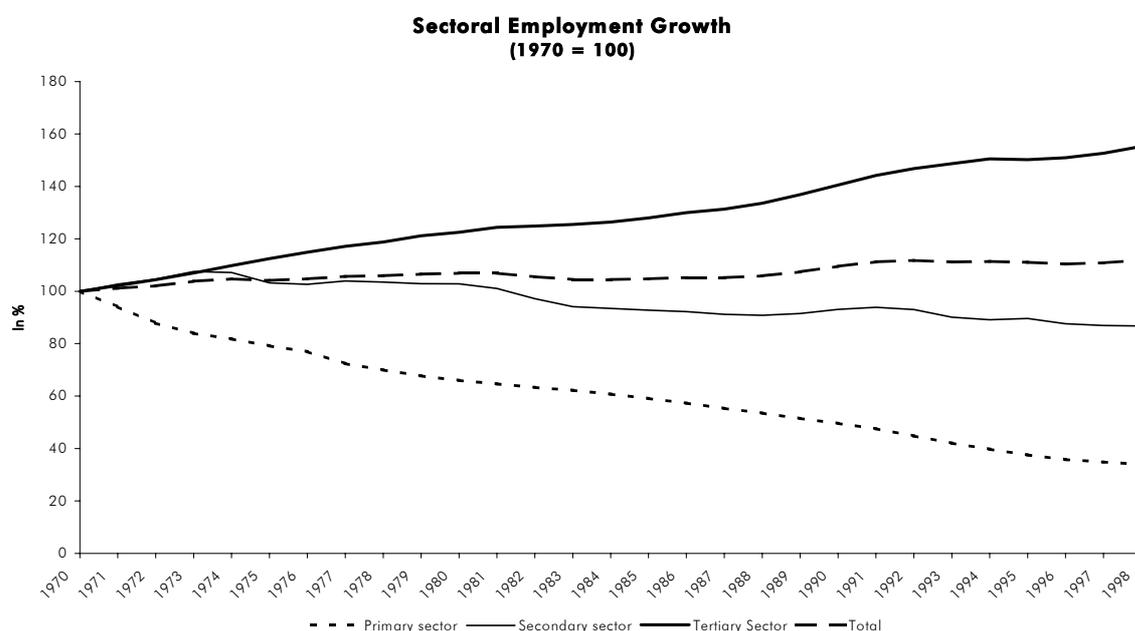
<sup>2</sup> The OECD Economic Outlook 1999 (p. 149) points towards the importance of a combination of work and education for a smooth transition from school to work. The combination may be informal, as in some English-speaking countries which have a highly developed youth part-time labour market (USA, UK, Canada, Australia), or formal, as in countries with a long established dual system of apprenticeship (Germany, Austria, Denmark, Switzerland).

Graph: Development of youth unemployment in Austria

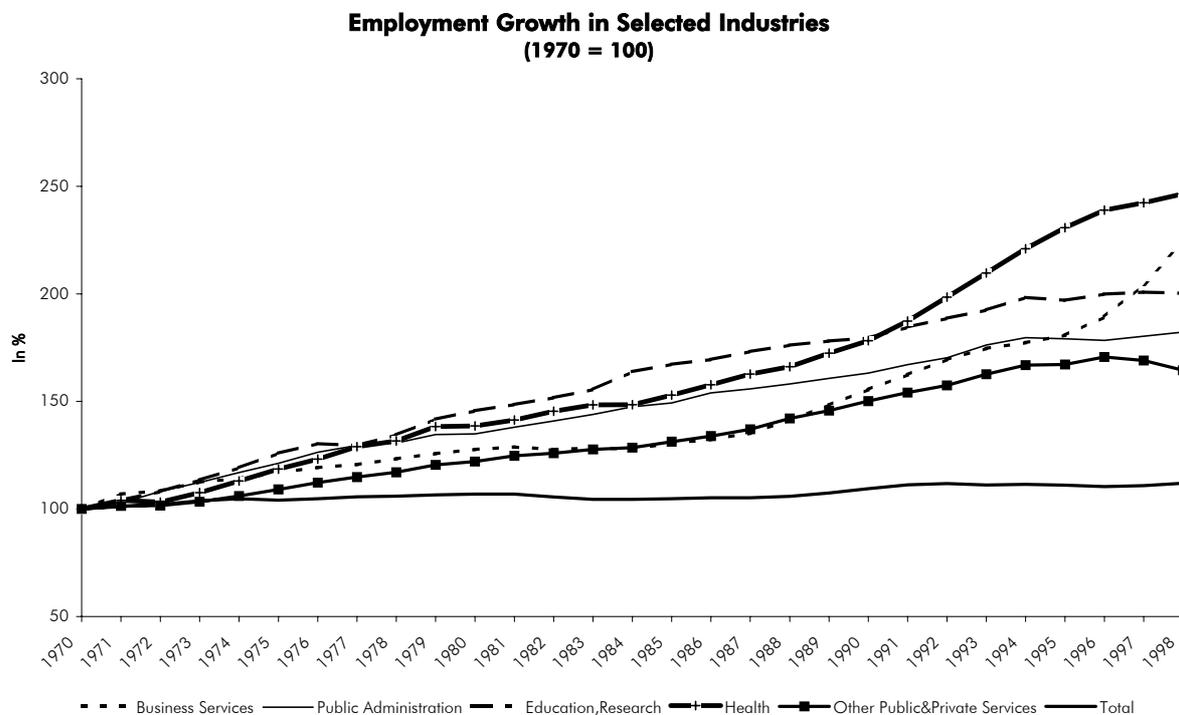


**Moreover**, the second pillar of NSEJ, the creation of certain innovative services, deserves close attention in Austria, as the services sector is small by international comparison, in particular with respect to health, social and cultural services. While countries like the Netherlands, Luxembourg, Sweden, UK, Denmark have 70 percent and more of their employees in services, the figure for Austria is 64 percent (EU-Labour Force Survey), which is considerably less than in France (69 percent). Employment growth in the tertiary sector has been pronounced in the course of the 70s and 80s in Austria, but lost momentum in the 90s. The growth dynamics in the 70s and 80s emanated from the public sector, in particular from increased investment in educational and health services, the former mainly as a result of the baby boom generation entering the school system. The only private sector services with growth rates similar to the public sector, were business services. Employment growth in business services gained momentum in the course of the 90s not just as a result of the general trend towards a new division of labour between the secondary and tertiary sector but also as a result of deregulation of former quasi-public services (banking and insurance, telecom). The decline of employment growth in services in the course of the 90s is in the main the result of a reduced capacity on the part of the public sector to create employment, in particular in education, local government and social services.

Graph: Sectoral employment growth (1970=100)



Graph: Employment growth in selected industries (1970=100)



## 6. The role of TPEs in Austrian active labour market policies

Austria spends little on active labour market policies by comparison with other EU countries: in 1998 the total expenditure on active labour market policies amounted to 0.4 percent of GDP (OECD, 1999), compared to 1.4 percent of GDP in France. Admittedly, unemployment rates are lower in Austria than in France, but even in countries with similar levels of unemployment as Austria, e.g. Denmark (ALMP: 1.9 percent of GDP) and Netherlands (ALMP: 1.8 percent of GDP), active labour market policies play an important role in the adaptation of labour supply to new requirements and in the creation or subsidisation of labour demand. TPEs in Austria have never grown significantly beyond their development stage in the 80s. Their ingredients are similar to the measures in France, e.g. employment projects for the socio-economically handicapped (comparable to the French CES/CEC) and subsidised employment comparable to the German ABM (Arbeitsbeschaffungsmaßnahmen). However, although total expenditure on subsidised employment amounted to 0.07 percent of GDP in 1998 in Austria, the number of persons finding employment through this route does not reach 0.5 percent of the labour force. This is in stark contrast to countries like France (1997: 0.5 percent of GDP, participant inflow 4.5 percent of the labour force) or Germany (1998: 0.4 percent of GDP, participant inflow 2.1 percent of the labour force). *Prima facie*, there appears to be ample room for improvement in Austria.

## 7. Concluding remarks

The NSEJ programme has placed a most interesting government expenditure/welfare/labour market policy item on the EU agenda which should stimulate discussion. Austria is in a similar position as France in that increasing investment in social infrastructure is called for as a result of demographic and socio-economic change (ageing population, changing role of women in a post-industrial society, transformation of the division of labour between men and women in market and non-market work etc.), which result in an increased diversity of needs, which the market can, by its very nature, not be expected to fully satisfy. The French institutional co-operation and co-ordination of locally defined needs, which can be as diverse as social and natural environmental protections schemes (rural or urban 'sensitive' issues), cultural heritage schemes, social assistance and sports, could serve as an example of how to develop the Territorial Employment Pacts in Austria beyond their current narrowly defined labour market policy objectives. The schemes should not only be directed towards the integration of youth into the labour market but target the local labour surplus, which may be very diverse (prime-age women, youth or older workers). Older workers have been disadvantaged in the labour market of the 1990s, and are finding it more difficult to gain re-employment and access to training once thrown onto the external labour market in the wake of economic restructuring, micro-economic reform and downsizing. At the same time youth has not been able to improve its labour market performance, either in terms of wages or employment-to-population ratios, in spite of declining youth cohorts. Given the increase of the number of older persons relative to the working age group, it is reasonable to expect that the fit and more able older persons could take over the task of caring for the disabled ones in need of care. Youth, on the other hand, could be directed to 'new' and innovative services of the kind undertaken in France, which would increase their long-term job prospects.

## References

- Biffi, Gudrun, 1999, *Zukunft der Arbeit – Beschäftigungssituation der Jugendlichen*, Europäische Beschäftigungspolitik in der Arbeitswelt 2000, Arbeitsgemeinschaft für wissenschaftliche Wirtschaftspolitik (Ed.), ÖGB Verlag, Vienna.
- Martin, John P., 1998, *What works among Active Labour Market Policies: Evidence from OECD Countries' Experiences*, Labour Market and Social Policy Occasional Papers, OECD, Paris.
- OECD, 1998, *Education at a Glance*, Paris.
- OECD, 1999, *Economic Outlook*, Paris.
- OECD, 1999, *Employment Outlook*, Paris.