

Peer Review of the Dutch Youth Unemployment Task Force: The Austrian Perspective

It is too soon to establish the success of the implementation of the youth unemployment task force in the Netherlands, as it has been put in place only in 2004. But there are grounds for believing, from the little information provided so far, that the implementation of a similar scheme in Austria could reduce unemployment and marginalisation of unskilled youth, particularly migrants and ethnic minorities.

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Youth unemployment is a challenge for developed and developing countries alike, as Kofi Annan (2000) has pointed out in his Millennium Declaration. The declaration resulted in the establishment of an international Youth Employment Network (YEN), various developing countries put up National Action Plans to promote youth employment (with the support of ILO and World Bank); while the EC (2001) responded with an initiative to reduce youth unemployment and promote long-term employment opportunities of youth in Europe. It is against this background that the Dutch Youth Unemployment Task Force should be considered. It documents the concern of a country with low unemployment rates by international standards and, by the same token, low youth unemployment rates (in 2003: total unemployment rate 3.8%, 15-24 year olds: 6.7%).

Youth in the Netherlands shares the same pattern as youth elsewhere in that their unemployment rates are about double the national average rate. The worrying development in recent years is the above-average rise in youth unemployment and a concomitant rise in long-term unemployment. As de Koning et al., point out, it is mostly migrant youth and youth with a low educational attainment level in the Netherlands that face difficulties finding sustainable employment. These are features Austria shares with the Netherlands.

In what follows, the Austrian youth unemployment situation relative to the Netherlands and the EU in 2003 is documented. This is followed by an account of the development of youth unemployment in Austria over time by gender, and a short resumé of the driving forces behind the recent above average rise in youth unemployment. The review ends with an assessment of the potential impact of a Youth Task Force modelled after the Dutch on youth employment in Austria.

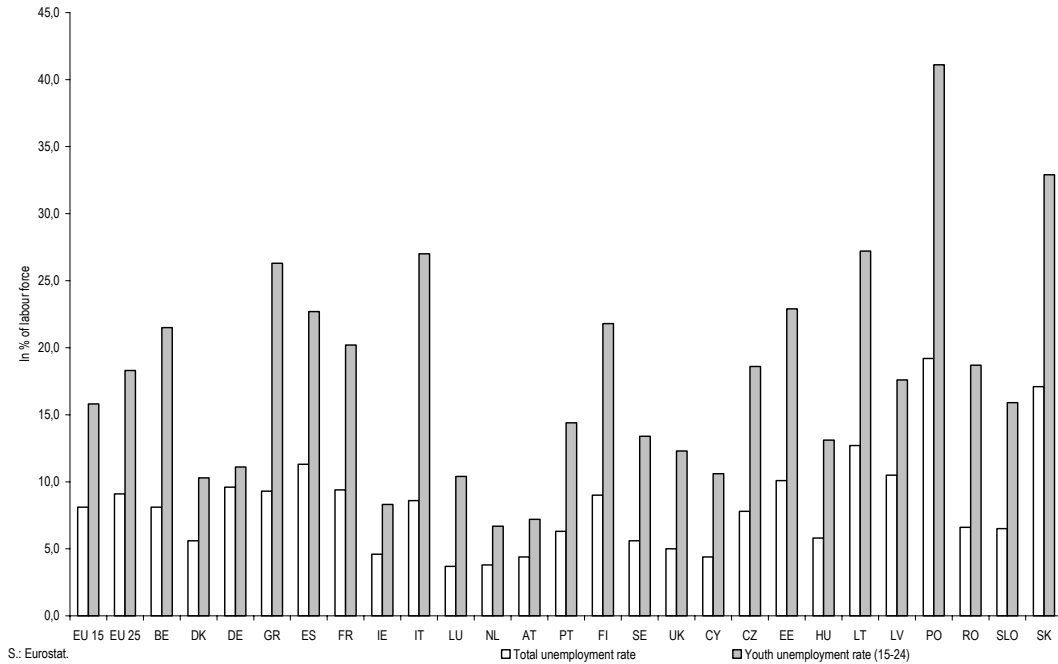
1. Austria and the Netherlands: what are the differences

In the EU(15), the labour market situation improved from the mid 1990s onwards; this resulted in a decline of the average unemployment rate from 10.1% in 1995 to 8.1% 2003, and a corresponding fall in the youth unemployment rate from 20.4% to 15.8%. Thus, youth unemployment declined together with total unemployment, leaving the differential between the two virtually unaffected, i.e., youth unemployment remained at about double the average rate. This contrasts with the experience of the new member states where youth unemployment is much higher with rates of on average at 21.9% in 2003.

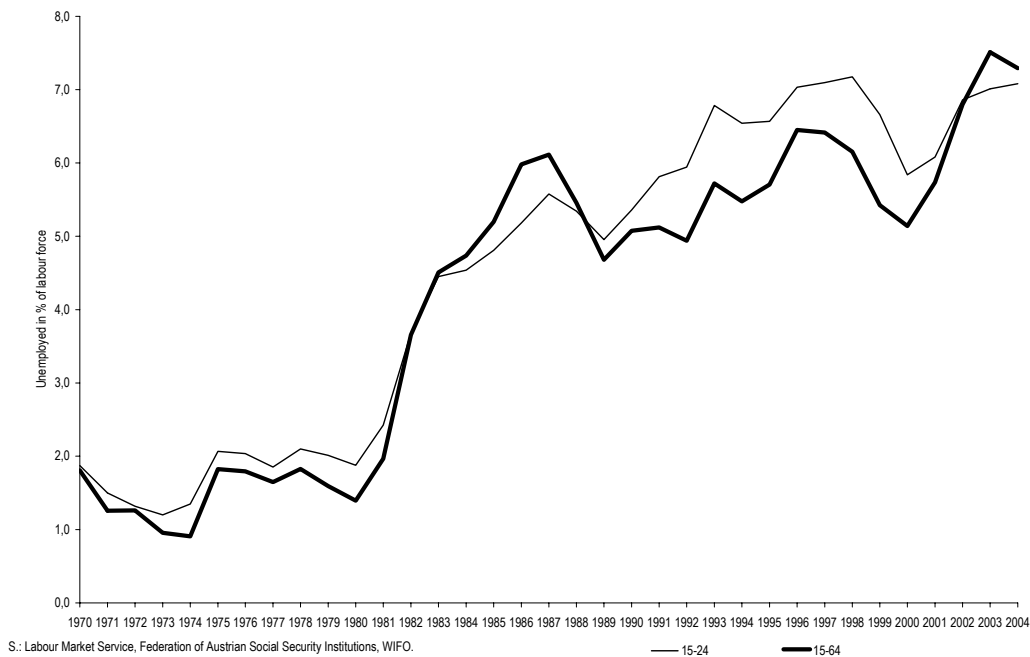
Austria has one of the lowest unemployment rates in the EU(25); with 4.4% in 2003, it was number 3, *ex aequo* with Cyprus, after Luxembourg (3.7%) and Netherlands (3.8%). These figures do not exactly match those of de Koning et al., a result of the different data sources

(EUROSTAT versus OECD as to the international comparisons). Youth unemployment is higher, but with a rate of 7.2%, only the Netherlands can boast a lower rate, namely 6.7%. Luxembourg and Cyprus have significantly higher rates than their average unemployment rates, namely 10.4% and 10.6% respectively.

Graph 1: Average unemployment rate and youth unemployment (15-24) in the EU(25): 2003



Graph 2: Youth unemployment rate relative to total unemployment rate (registered unemployed in % of registered unemployed plus employees)



It is clear from the statistics that within the EU, the Netherlands and Austria are least affected by youth labour market problems. So why should there be concern about youth unemployment in particular? The answer lies in the structure of youth unemployment that is of concern both in the Netherlands and Austria, reflected in a growing number of long-term unemployed and the concentration within it of migrant youth (in Holland ethnic minority groups) and school drop-outs. Austrian youth, in addition, as will be explained later, is experiencing greater difficulty in finding suitable employment after finishing apprenticeship education.

As in the case of the Netherlands, two sources of data on unemployment apply, the harmonised EU-labour force survey (household survey) and the unemployment register of the public employment service (Arbeitsmarktservice). The unemployment register tends to underestimate youth unemployment, particularly in the case of school drop-outs and migrant youth, in the forefront Turkish girls (Biffl, 2004).

Table 1: Labour force status of 15-24 year olds by gender and nationality 1995 und 2002

	Microcensus 1995					Microcensus 2002				
	Employed	Unem- ployed	Household	School	Other	Employed	Unem- ployed	Household	School	Other
	In %									
Total										
Austria	47.8	2.4	2.2	45.4	2.1	43.3	2.8	1.5	50.6	1.7
Former Yugoslavia	46.8	7.3	15.1	26.3	4.4	49.2	7.5	3.5	36.2	3.5
Turkey	54.0	4.7	8.5	27.5	5.2	53.5	3.5	15.8	25.4	1.8
Other	25.2	2.9	3.6	57.6	10.8	18.8	2.9	5.8	68.8	3.8
All nationalities	47.6	2.6	2.7	44.7	2.4	42.9	3.0	1.9	50.4	1.8
Foreigners	44.1	5.2	9.7	34.6	6.3	38.0	4.8	7.1	46.8	3.3
Men										
Austria	53.9	3.0	0.1	41.3	1.7	49.9	3.1	0.1	44.7	2.1
Former Yugoslavia	61.1	10.5	0.0	24.2	4.2	53.5	8.8	0.0	32.5	5.3
Turkey	66.0	4.7	0.0	24.5	4.7	66.1	3.4	0.0	28.8	1.7
Other	25.7	4.3	0.0	55.7	14.3	20.4	3.5	0.0	70.8	5.3
All nationalities	53.9	3.2	0.1	40.7	2.1	49.5	3.3	0.1	44.8	2.3
Foreigners	53.9	6.6	0.0	32.5	7.0	43.0	5.6	0.0	46.9	4.5
Women										
Austria	41.4	1.9	4.5	49.8	2.4	36.2	2.5	3.0	57.0	1.3
Former Yugoslavia	34.5	4.5	28.2	28.2	4.5	43.5	5.9	8.2	41.2	1.2
Turkey	41.9	4.8	17.1	30.5	5.7	40.0	3.6	32.7	21.8	1.8
Other	24.6	1.4	7.2	59.4	7.2	16.8	2.1	12.6	66.3	2.1
All nationalities	40.9	2.0	5.5	48.9	2.6	35.9	2.6	3.8	56.3	1.4
Foreigners	34.9	3.9	19.0	36.6	5.6	31.9	3.8	15.7	46.8	1.7

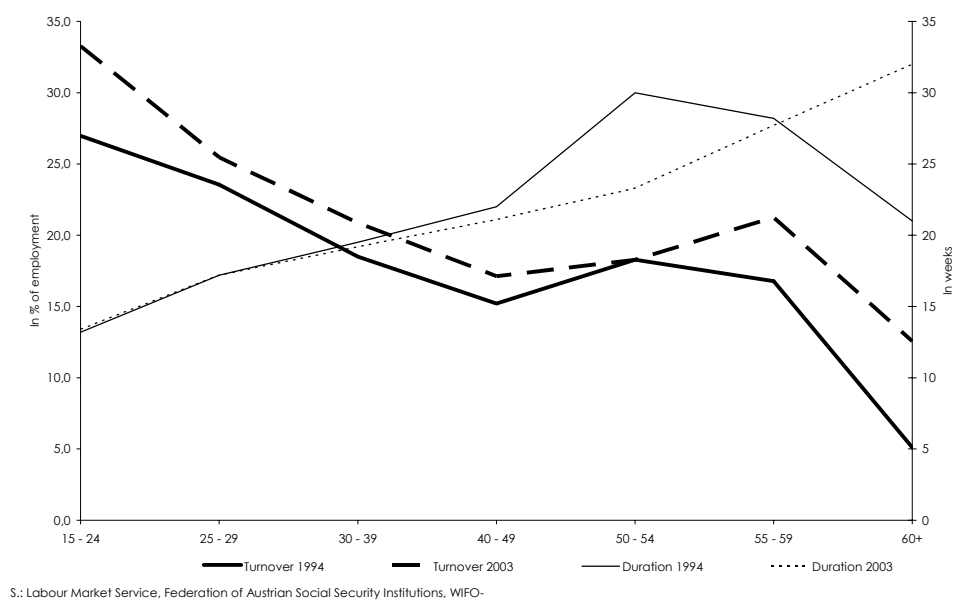
S: Microcensus 1995 and 2002, WIFO-Calculations.

As can be seen from table 1, the proportion of youth (15-24), who are unemployed, increased between 1995 and 2002 from 2.6% to 3%. The increase applied to both Austrian and migrant youth, except Turks. In the case of Turkish male youth, a rise in their educational attainment occurred, thus improving their short and long-term employment opportunities. This was not the case for Turkish girls where the explanation lies in their early exit into the household sector. It should also be noted that youth in general, prolong their period of education, while foregoing current employment and so improving their employment opportunities over the life cycle. Thus, the proportion of youth in employment decreased from 47.6% in 1995 to 42.9% in 2002, and the proportion in school increased from 44.7 to 50.4%.

The proportion of long-term unemployed (unemployed with a duration of unemployment of 12 months or more in % of the unemployed) is relatively low in Austria in comparison with other EU

countries (2003: 25% of all unemployed), and youth unemployment even more so (2003: 28.2% of 15-24 year old were longer than 6 months unemployed, after 26.7% 2000) as a result of transition from school to work and their outsider status. Graph 3 indicates that not only the turnover of youth unemployment has increased between the mid-1990s and 2003 but also their duration of unemployment spells, particularly for 20-24 year olds.

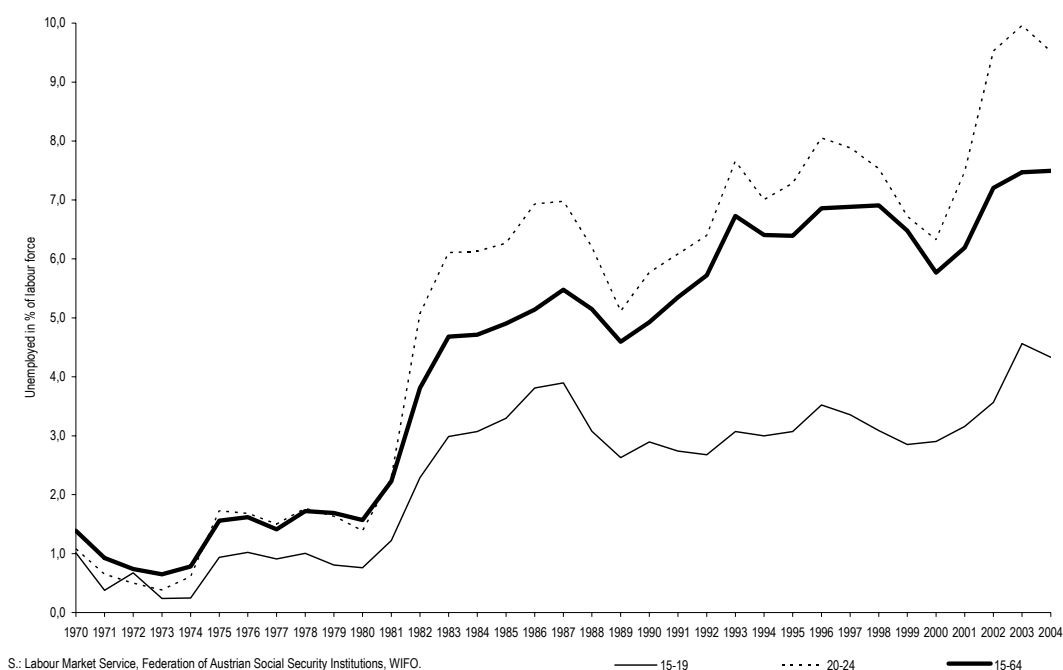
Graph 3: Turnover and duration of unemployment (turnover = unemployment spells in % of employment, spell duration in weeks)



2. Rapid deterioration of Austrian youth labour market since 2000

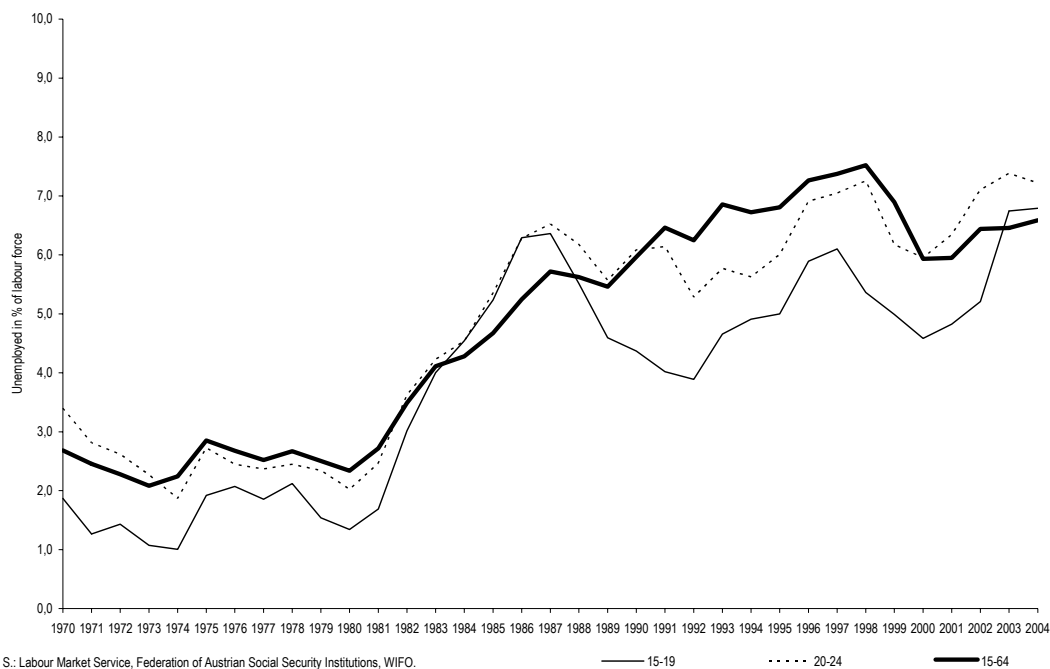
Austrian youth unemployment has a different age profile from most other EU countries. It is lower than average for the 15-19 year olds and significantly above the average for 20-24 year olds. This is the result of the important role of apprenticeship education in upper secondary education. Apprentices are counted amongst the employed while they are learning (dual education). This explains the relatively high activity rate (and employment base of the unemployment rate), particularly amongst young men who enter apprenticeship education to a larger extent than girls. Their unemployment rate remained below the average for men until today, quite in contrast to the development of unemployment of 15-19 year old girls. The unemployment rate of the latter has been rising since 2000 more strongly than for any other age group, thus raising the rate above the female average. Teenage girls have only once before had an above average unemployment rate, i.e., in the early 1980s, as the babyboomers entered the labour market. In contrast, 20-24 year old men and women face increasing difficulties in finding adequate employment, showing up in above average unemployment rates and a disproportionate rise in recent years. (Graphs 4 and 5)

Graph 4: Youth unemployment rate relative to total unemployment rate: men (registered unemployed in % of registered unemployed plus employees)



Austria has a strong vocational orientation of upper secondary education, in particular a large proportion of youth with an applied education and training baccalaureate (HAK, HTL), which facilitates transition from school to work. This partly explains why youth unemployment does not arise to the same extent as elsewhere. On the other hand, the recent rise in youth unemployment suggests that structural problems are building up, particularly with reference to apprenticeship education. After finishing the apprenticeship, a large proportion leaves their jobs with the training enterprise and enter the labour market. Since the mid 1990s, these have increasingly become unemployed. Youth unemployment in Germany and Switzerland exhibits a similar age profile.

Graph 5: Youth unemployment rate relative to total unemployment rate: women (registered unemployed in % of registered unemployed plus employees)



Youth unemployment has declined from the mid-1990s to 2000, the peak of the business cycle and increased in the following period of economic decline more than proportionately, particularly for 20-24 year olds and female teenagers. It is usual for youth unemployment to exhibit more pronounced cyclical fluctuations than adults – a result of their role as outsiders with limited firm specific skills and the workings of seniority rules (LIFO). In 2003, however, youth unemployment continued to rise significantly while total unemployment growth started to level off in the wake of the economic upswing which set in at the end of 2002.

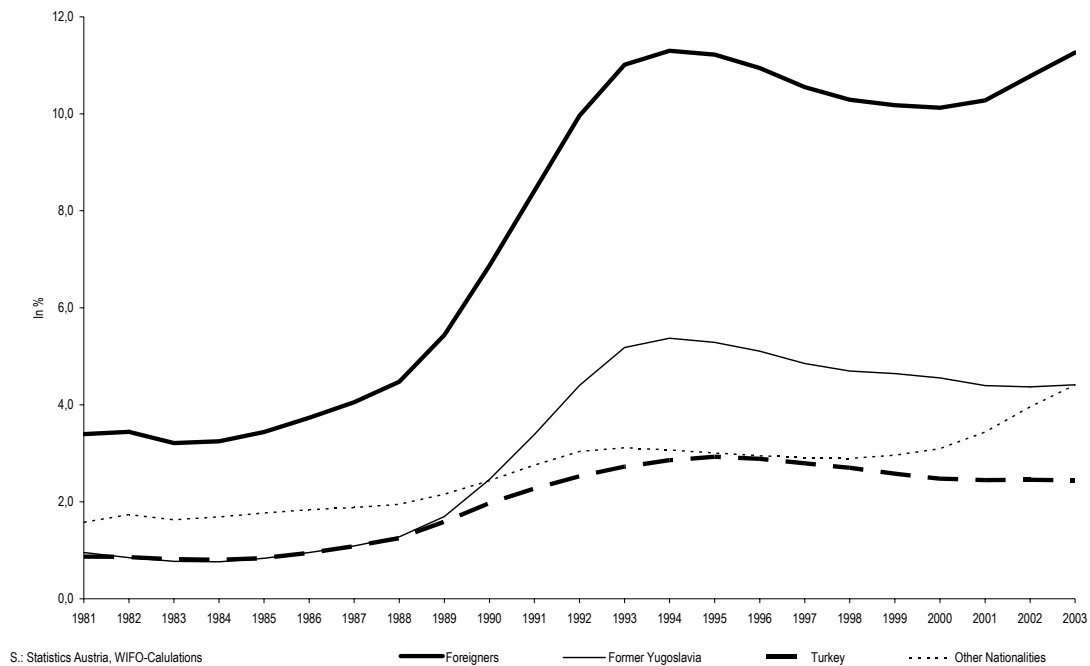
2.1. Structural problems on the Austrian youth labour market

The fact that unemployment rates of 20-24 year olds are rising above the overall average rate, indicates that some fundamental structural problems of youth education and labour markets are building up. The belief that unemployment problems of youth during the 1980s would only be transitory because it was due to the entry of the baby boom generation into the labour market, turned out to be unfounded. The entry into the labour market by the baby slump generation in the 1990s did not slow the momentum of youth unemployment, in particular in the second half of the 1990s as stronger youth cohorts, the children of the baby boom generation, entered the labour market. This aggravated an already difficult situation in the youth labour market (Biffi, 1999).

It would appear that the fundamental structural changes of the labour market of the 1990s and early 2000s greatly affected the transition from school to work. Flexible specialisation in the labour market gained weight at the expense of standardised mass production of manufactured goods. This called for changing professional profiles and a greater demand for diverse skills of a relatively high level. The process of industrial specialisation and rapid technical change represents a challenge for the system of education and training, particularly the medium standardised manufacturing skills area of apprenticeships, as outsourcing of production processes in the intermediate skill segment of standardised manufacturing reduced the demand for youth with medium and low skills.

In addition, the continued inflow from abroad of migrant youth with low skills as well as the limited success of raising the educational attainment level of second generation migrants in Austria, exacerbated the unemployment situation of migrant and ethnic minority groups as well as the unskilled labour generally – the result of the combined effect of declining demand for these skills and its continued supply growth.

Graph 6: 15-24 year old foreigners in % of 15-24 year old total population by nationality (1981-2003)



Increasingly, 15-19 year olds are also facing increased unemployment, not least because of a declining number of firms offering apprenticeship training. This has come about partly because the increased specialisation of firms has rendered them without the capacity and right to provide apprenticeship training places which call for training in a fairly broad range of occupational skills. In short, as manufacturing production in the medium skill area is declining, job openings for apprentices are also declining, raising unemployment problems of youth after compulsory education.

3. Assessment of the impact of the implementation of a Youth Task Force on youth unemployment in Austria

De Koning et al. have listed various policy initiatives to deal with youth unemployment, many of which have been disappointing in their results. Austria, on the other hand, has had relative success with its initiatives, particularly with education and training combined with job experience.

Although youth today has a higher educational attainment level than earlier generations, school based education and training is not always an adequate or appropriate basis for securing suitable jobs. In the circumstances, the Dutch Youth Task Force concept seems to offer a valuable initiative on which to approach employers and municipalities to provide access to work for jobless youth. This would be particularly important for youth without formal qualifications who tend to have difficulties with learning in a “school-type” environment but may find on-the-job

training more effective in acquiring skills comparable to those learned in school. In order for them to be able to build on these experiences in other enterprises, formal evidence of their acquired skill will be required in order to enable them to move to other jobs and firms. However, skill recognition and certification of skills acquired on the job, i.e., outside the initial education system, is difficult if not outright impossible in Austria. This is a challenge for institution building but it is an essential institutional arrangement in a learning society. Although it would require more than a Youth Task Force to implement such an accreditation system, it could be an effective vehicle for promoting it at a regional level.

Learning on-the-job plus an accreditation system of the skills acquired in this way may also be the way to go for continuing education. In particular, traineeship places in combination with course-type vocational schooling may also help those without adequate skills to find their way back into the labour market. At present, the Labour Market Service provides the bridge to further education and training of the unemployed. In this connection, coordinating the activities of municipalities and local community services in securing traineeship and employment places for youth would be helpful especially as it would improve the employment prospects of those not registered with the employment service who may be financially supported by their families or receive social assistance from the municipalities.

The next step, of course, would be to address the problem of upskilling apprentices, promoting flexible specialisation by deepening or widening the range of skills. Medium skilled persons tend to be concentrated in small and medium sized enterprises (SMEs) that are experiencing increased competition and the need to specialise. However, they often lack the financial means and technical capacity to provide the necessary advanced vocational skills for their workers. In the past, SMEs were the major providers of entry jobs for youth, in particular apprentices. As they are no longer able to do so to the same extent, communities and training institutions may have to step in to promote education and training and help organise work experience for youth, particularly disadvantaged youth. Coordinated efforts of municipalities, the social partners, training institutions and the LMS as envisaged in the Dutch Task Force could help identify the general regional employment problem and in so doing promote employment opportunities of youth as well.

4. References

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