

Institut für Arbeitsmarkt-
und Berufsforschung

Die Forschungseinrichtung der
Bundesagentur für Arbeit

IAB

Developing Activation Principles within Unemployment Schemes – The Case for Young People

European Conference

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Starting Point

- In periods of low demand for labour young persons often have difficulties to enter the labour market.
- Compared to other countries the labour market performance of young persons in Germany is quite strong.
- What are the reasons for this finding? Which role does activation play in this context?

Agenda

Labour Market Situation of Young Persons in Germany

Institutional Background

Labour Market Policies: Prevention and Activation

Conclusions

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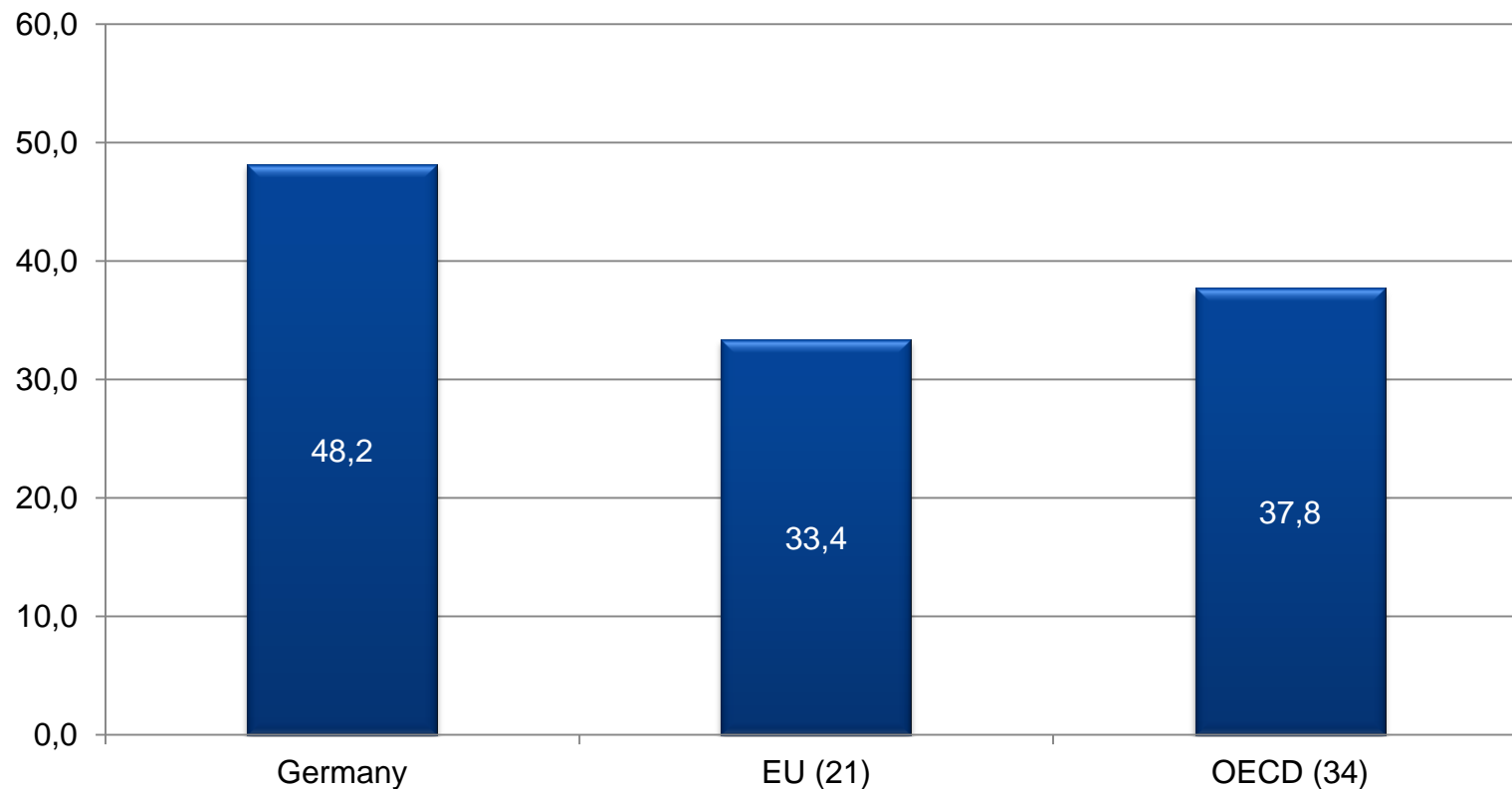
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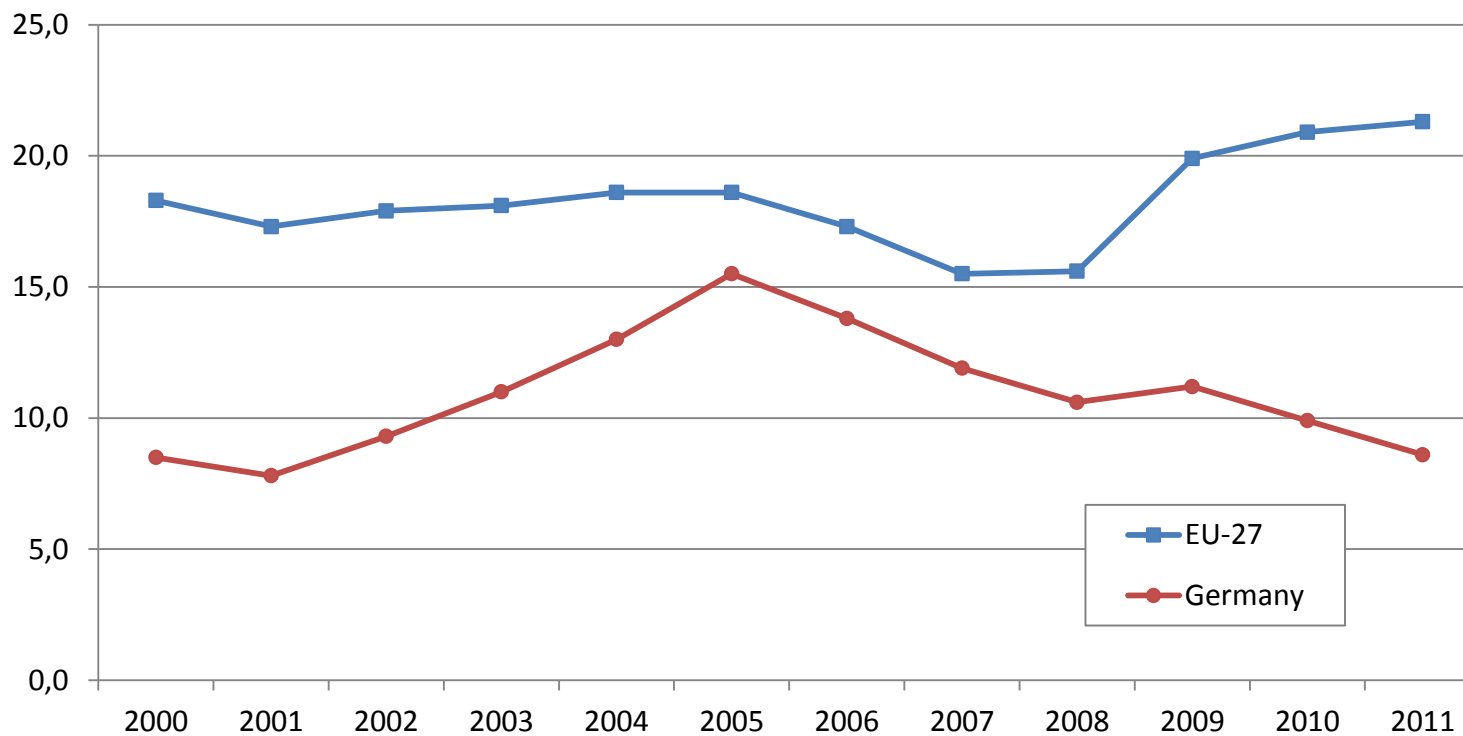
Employment Rates of Youth (15-24)¹⁾ - percentages in Germany, the EU and the OECD, 2011 -



¹⁾ Incl. apprentices

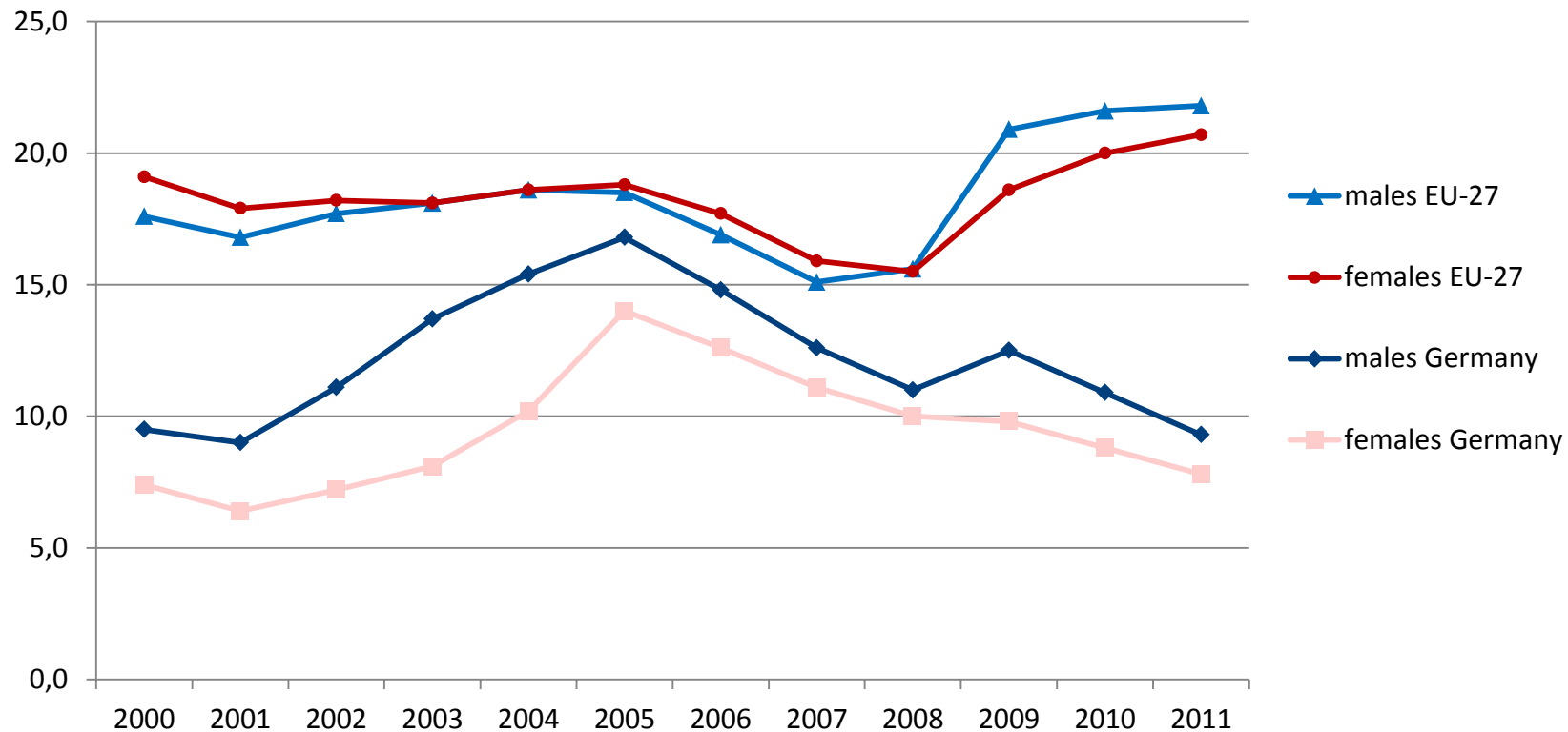
Source: OECD-Scoreboard adolescents and young adults

Unemployment Rate of Youth (15-24) - percentages in Germany and the EU, 2000-2011 -



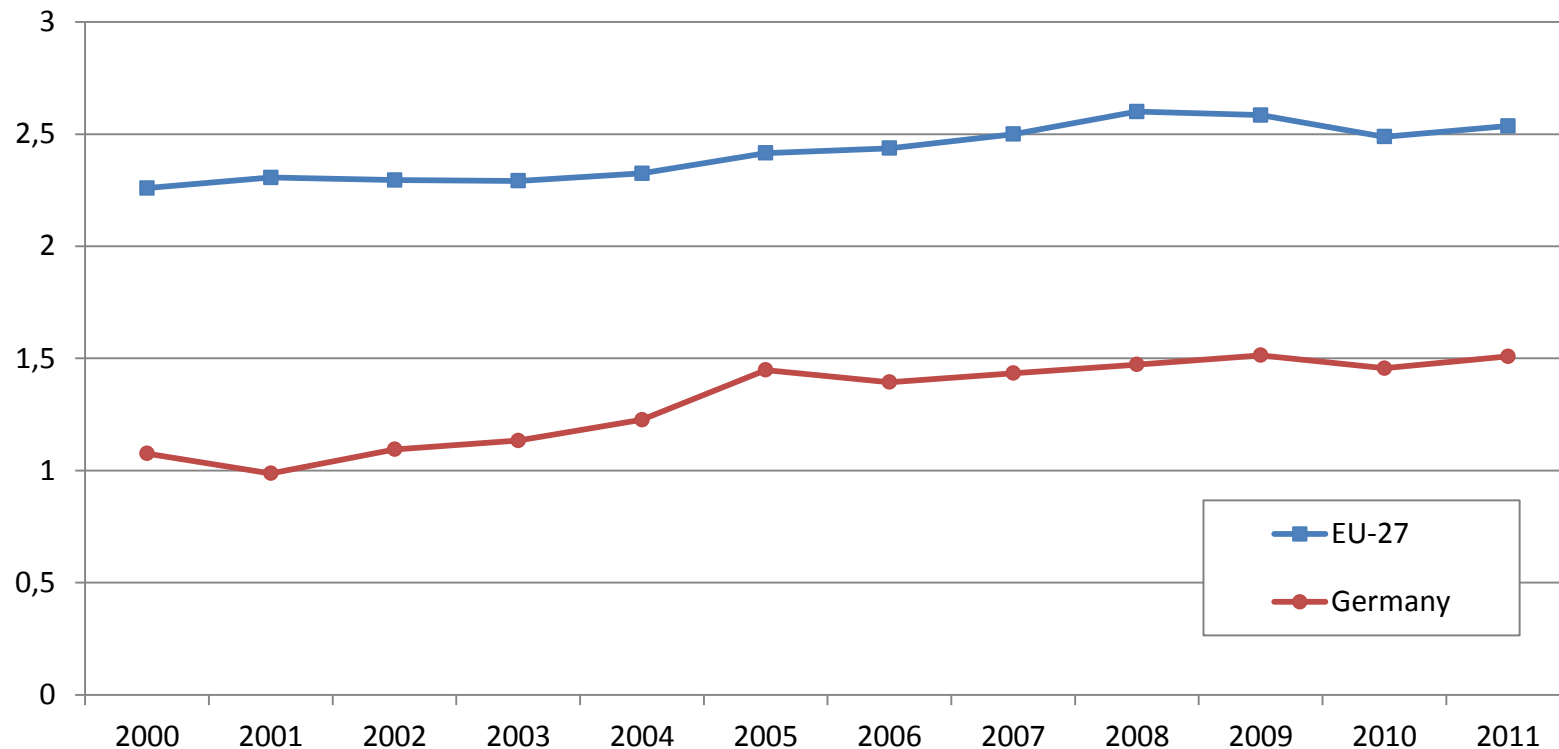
Youth Unemployment Rate by Gender

- percentages in Germany and the EU, 2000-2011 -

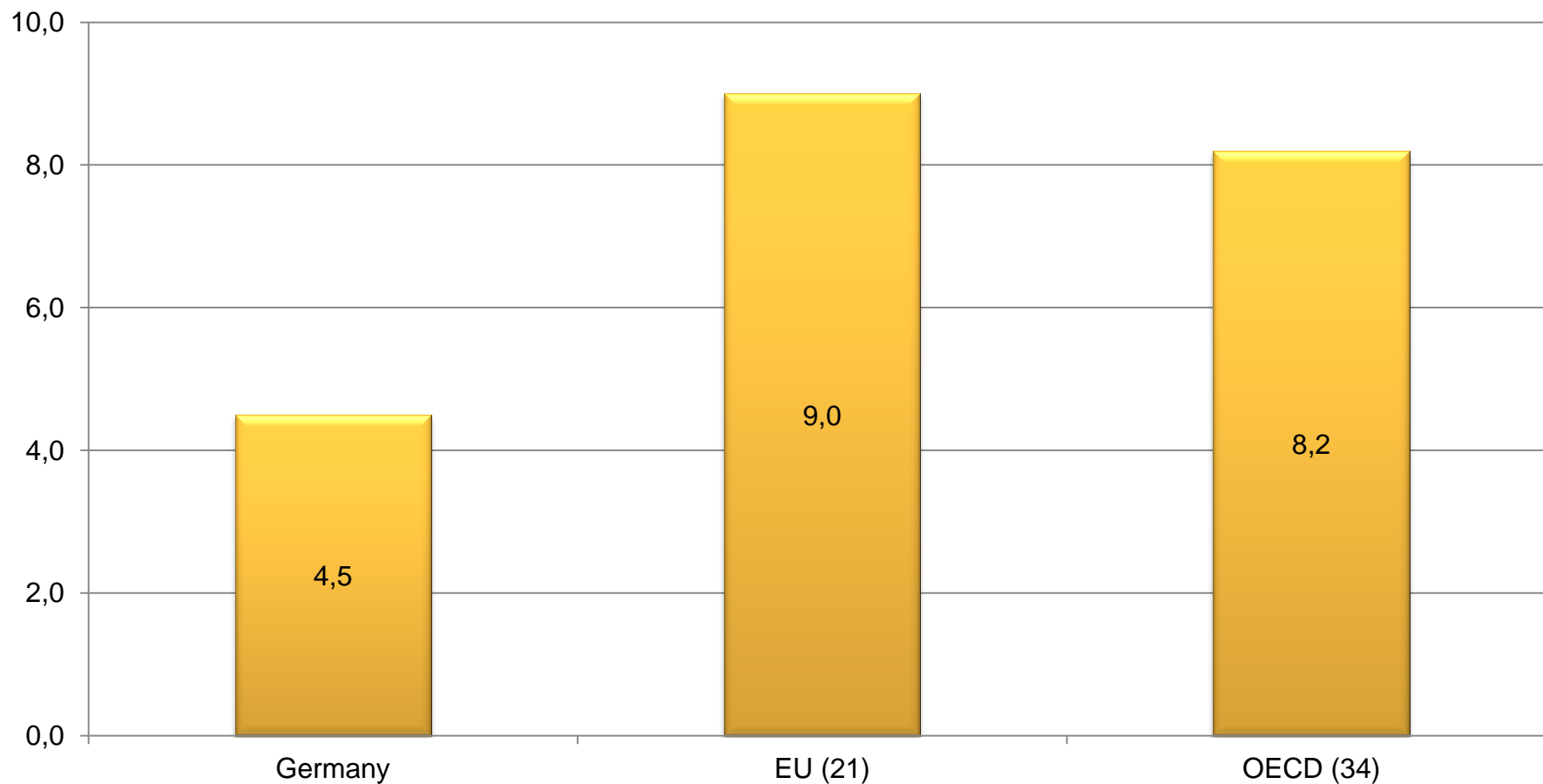


Youth (15-24) Unemployment Rate related to Adult (25-64) Unemployment Rate

- Germany and the EU, 2000-2011 -

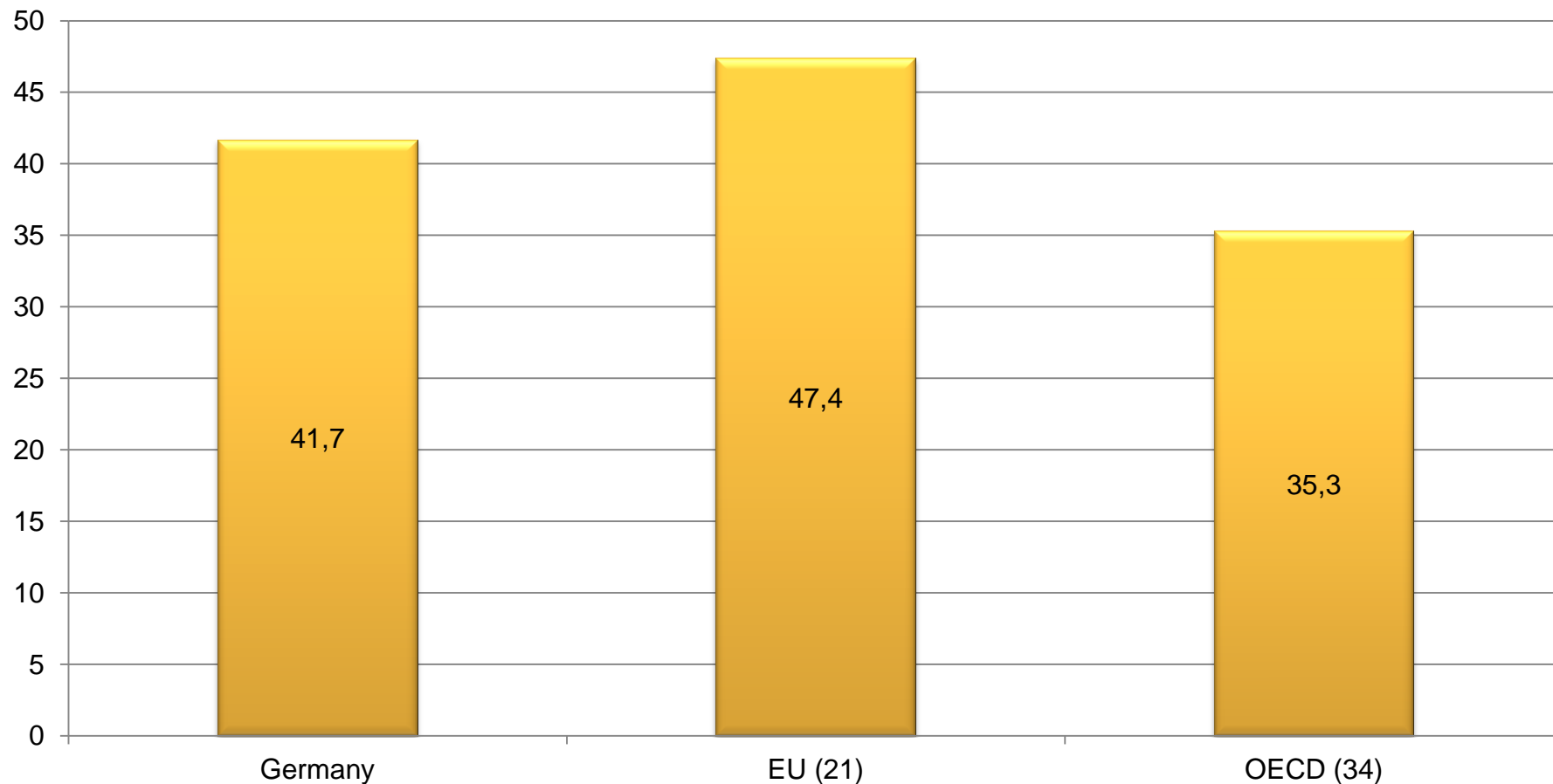


Unemployed Youth as Share of Corresponding Population - percentages in Germany, the EU and the OECD, 2011 -



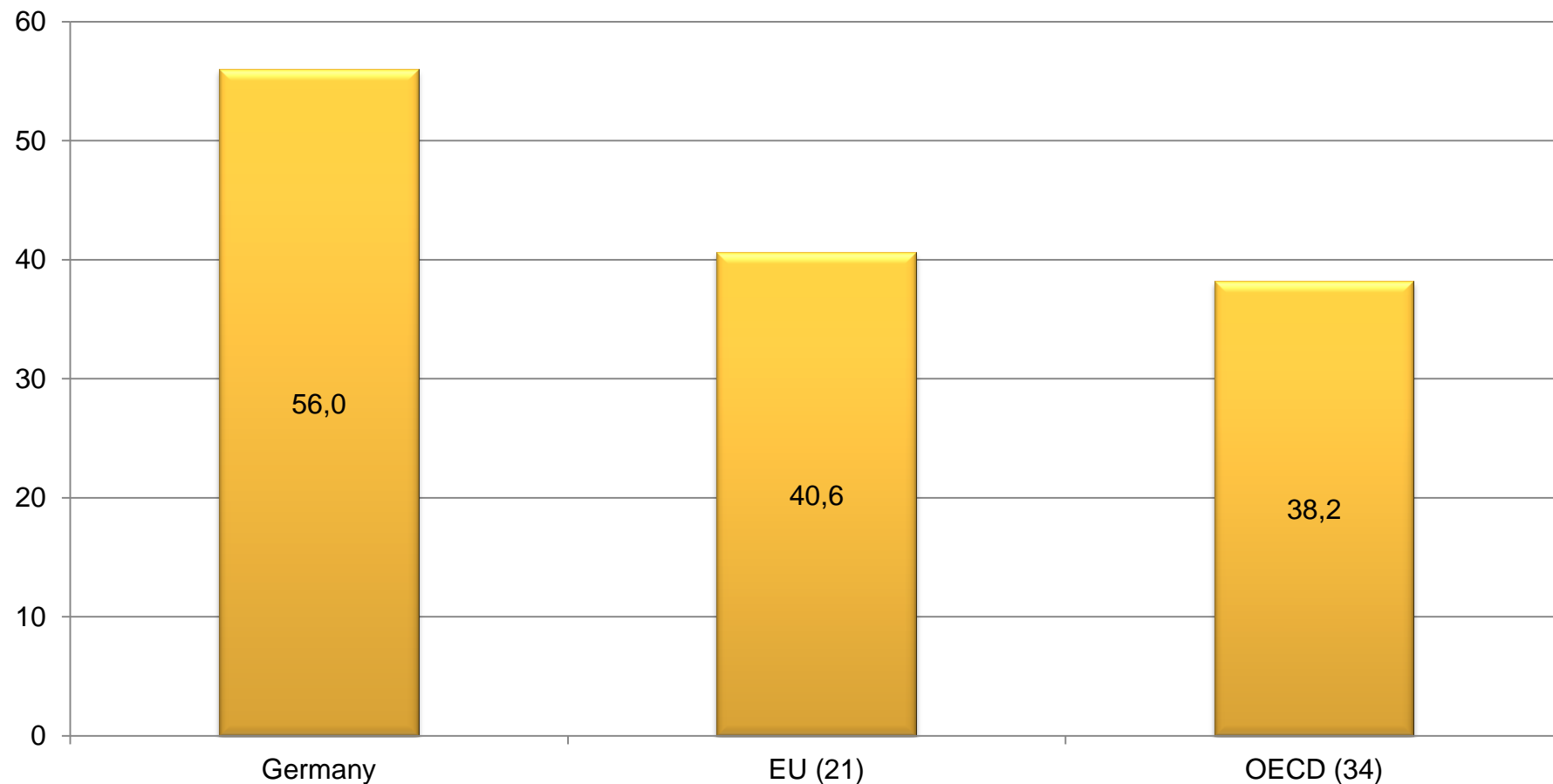
Source: OECD-Scoreboard adolescents and young adults

Share of Young Long-term Unemployed (> 6 months) - percentages of total unemployed in Germany, the EU and the OECD, 2011 -



Source: OECD-Scoreboard adolescents and young adults

Share of Fixed-term Contracts¹⁾ of Employed Youth - percentages of dependent employed in Germany, the EU and the OECD, 2010 -



¹⁾ Incl. Apprentices

Source: OECD-Scoreboard adolescents and young adults,

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Institutions of School-to-work transition

- Universities and Applied Universities
- (Upper) Vocational Schools
- Dual System of Apprenticeships
- Basic Vocational Schooling and Training

The German Apprenticeship System

- Institutions (1)

- Most occupations are covered by the “dual system of apprenticeships”
 - apprentices are employed by firms (about three years of work exercise) and involved in a part-time school
 - apprentices will receive a certificate which is highly standardized and highly accepted
 - a deficiency is that with respect to new occupations the system sometimes create time lags
 - level of training (human capital investment by firms) differs a lot across occupations
 - wages for apprentices are much lower than for regular workers (the share lies between a quarter and one third of the regular wage)

The German Apprenticeship System

- Institutions (2)

- Some apprenticeships do not imply any kind of employment; they are taught in a full-time vocational school
- New developments show a greater permeability of the system as a whole, e.g.
 - in order to address less educated youngsters some vocational qualifications offer certain modules (“partial qualifications”)
 - employers more often offer a combination of apprenticeship and university diploma (“dual course of studies”)

The German Apprenticeship System

- Some Empirical Findings -

- For a given age group the probability of starting an apprenticeship is about 60% (slightly decreasing),
- 20-25% of all apprentices break their contract - and may start a new apprenticeship afterwards,
- After finishing the apprenticeship about 50% stay within the company where they were trained (share is slightly decreasing and depending on the level of investment during the apprenticeship).

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Principles of Labour Market Policies in Germany

- Two Benefits Systems: Unemployment compensation and welfare benefits
- More support and pressure for young persons than for older age groups
- Stricter sanctions for the under-25s than for older unemployed
- Strong focus on vocational training and its preparation

Elements of Active Labour Market Policies

- Counselling, guidance and placement
- Conventional measures such as wage cost subsidies, training, job creation schemes
- Pre-training to prepare for an apprenticeship
 - basic vocational schooling (BVJ/BGJ) – school-based
 - basic vocational training (BVB/AQJ/EQ) – firm-based
- Special programmes focussing on less educated youngsters in order to strengthen the orientation towards vocational qualification (during secondary school or immediately afterwards)

Impacts of Active Labour Market Policies

- Programmes need to address properly the individual case, e.g. the less targeted use of job creation schemes (public work) for young persons was misleading.
- Experiments strongly suggest that intensive counselling and coaching of young people are a good investment.
- Education research shows that prevention is decisive in order to increase long-term employment opportunities.
- The entrance to the apprenticeship and its particular quality is in the German case of significant importance for the further employment career.
- Long-term benefits receipt of young persons is associated with low levels of qualification and young parenthood

Specific Measures: Inflow and Impact

- Recently, in each year 500 thousand to 600 thousand young persons (around 6% of the corresponding population) are part of a firm-based or school-based pre-training.
- Almost one third of pre-training participants break off without transition (mostly due to a lack of motivation).
- Firm-based pre-training induces a higher rate of transition than school-based pre-training (60% compared to 50%).
- However, firm-based pre-training causes other problems such as creaming and possible deadweight effects.

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What can we learn from the German case?

- Successful school-to-work transitions depend on the overall labour market performance and the speed of demographic change.
- The apprenticeship system is an effective gateway to the labour market, but there are problems of flexibility (new occupations) and certain challenges (introduction of bachelor and master degrees).
- The main problem of – less competitive – young persons is not so much to enter the labour market but to stay in it.
- Labour market programmes are more effective if they are carried out within firms (but...)

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Thank you for your attention!

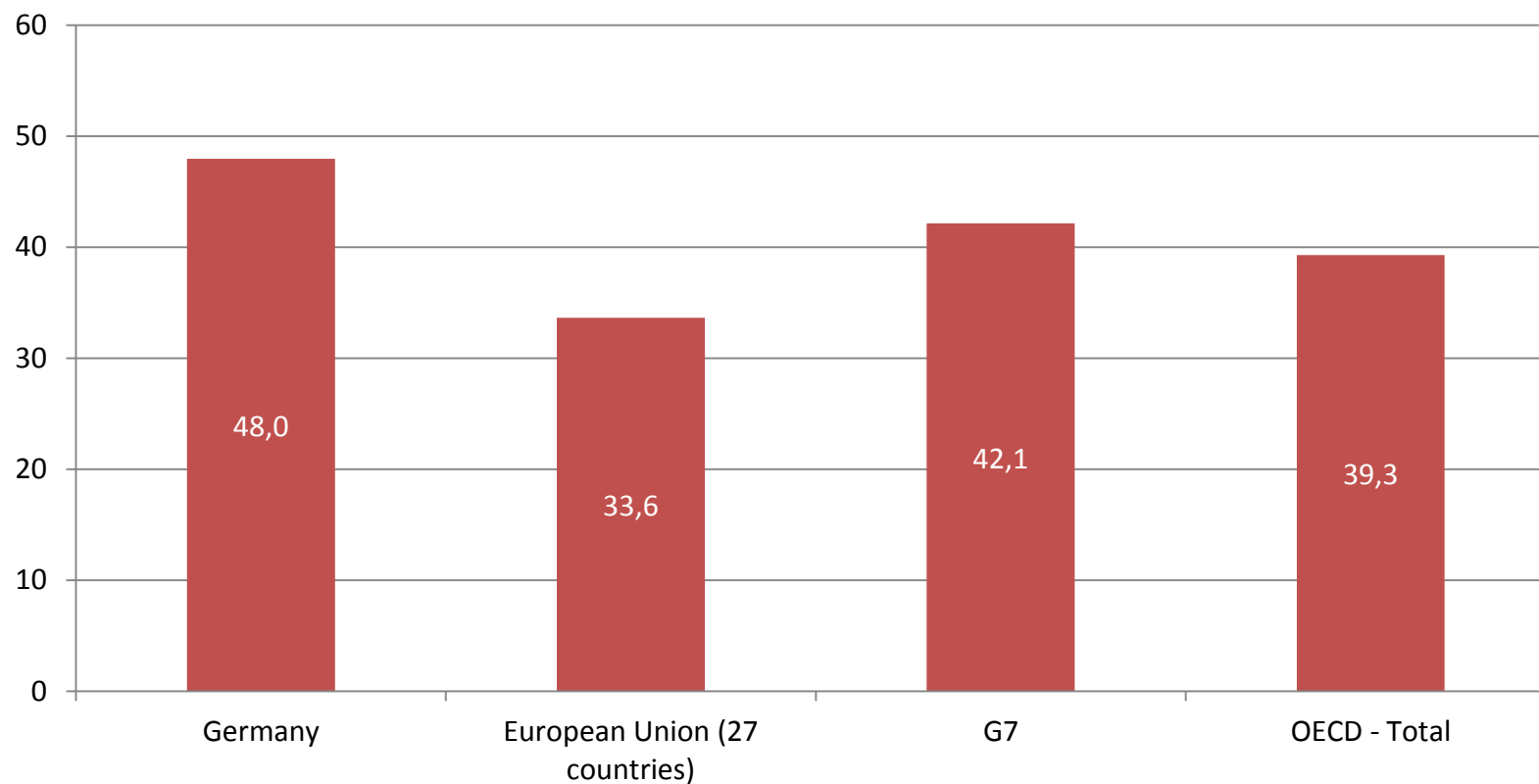
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Source: OECD-Statistics