

# **Does Vocational Training Help Young People Find a (Good) Job?**

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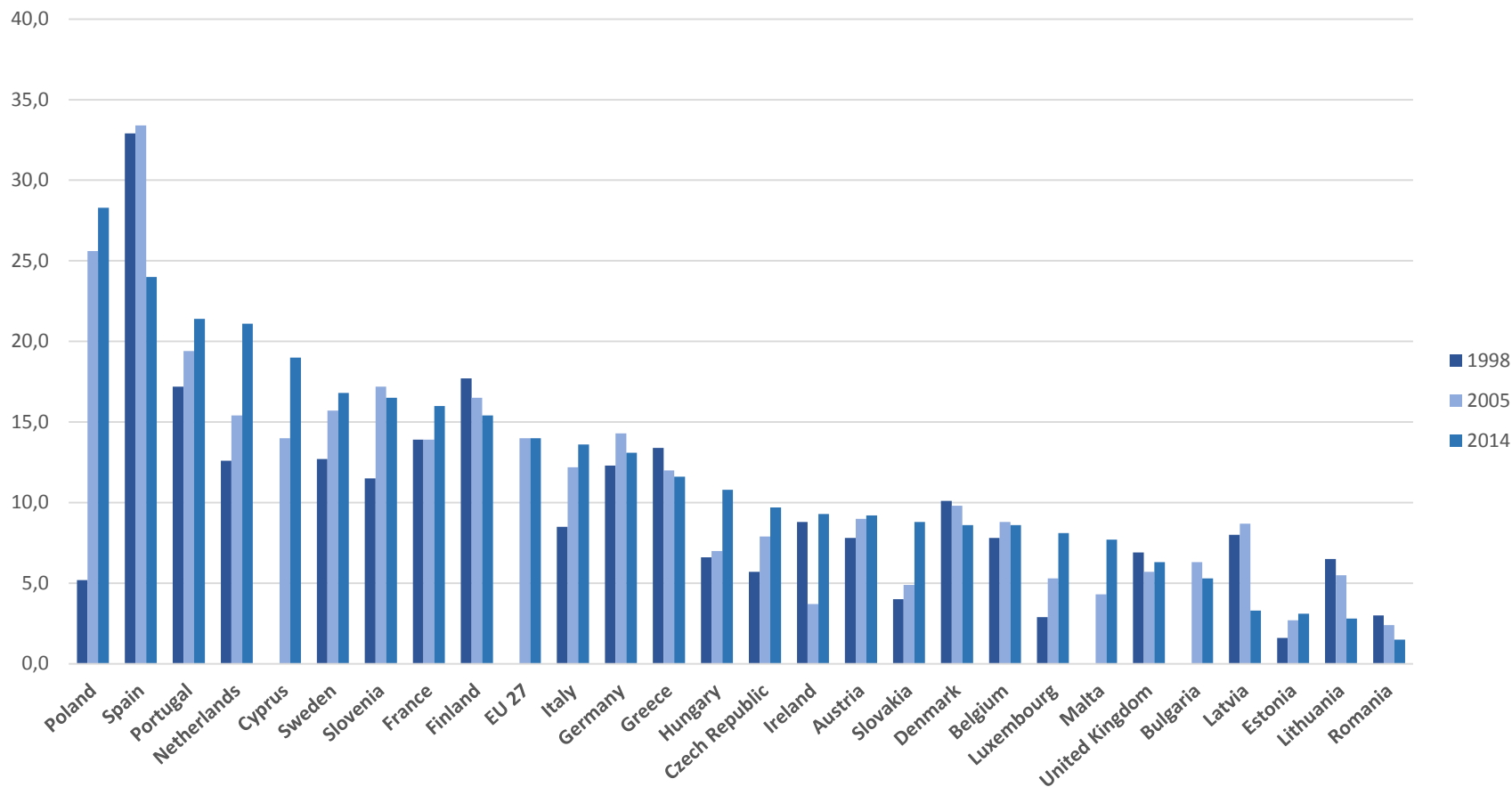
## Youth unemployment as a (separate?) issue

- Youth unemployment is part of the overall unemployment issue
- Many causes and remedies to youth unemployment have to do with the overall functioning of the labour market, e.g.
  1. Labour demand, macro-economic environment
  2. Labour market flexibility and regulation (minimum wages, EPL)
  3. Regional and professional mobility
  4. Education and training at different stages of the life course
- Youth unemployment cannot be dealt with focussing exclusively on policies addressing young people
- But it makes sense to collect evidence on institutions affecting youth unemployment and the transition from school to work

## Fixed-term contracts

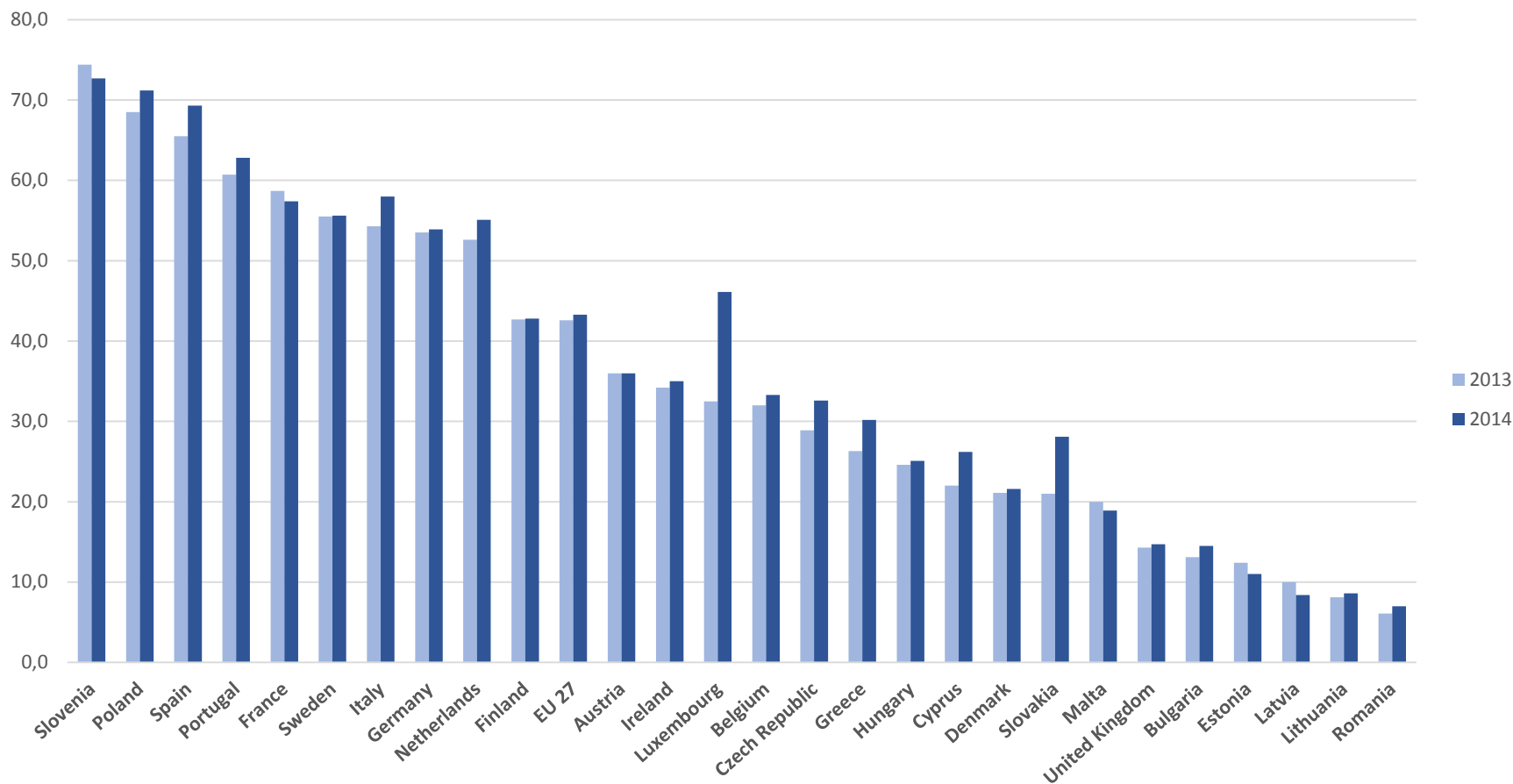
- Fixed-term contracts were deregulated in many European countries since the 1980s
- Motive: create more jobs in a more flexible labor market without questioning dismissal protection
- Fixed-term contracts are a substantial part of (youth) employment in Europe

# Fixed-term contracts in total employment, 1998, 2005 and 2014, in EU Member States



Source: Eurostat.

# Fixed-term contract share in total employment of young people (15-24), 2013/14



Source: Eurostat.

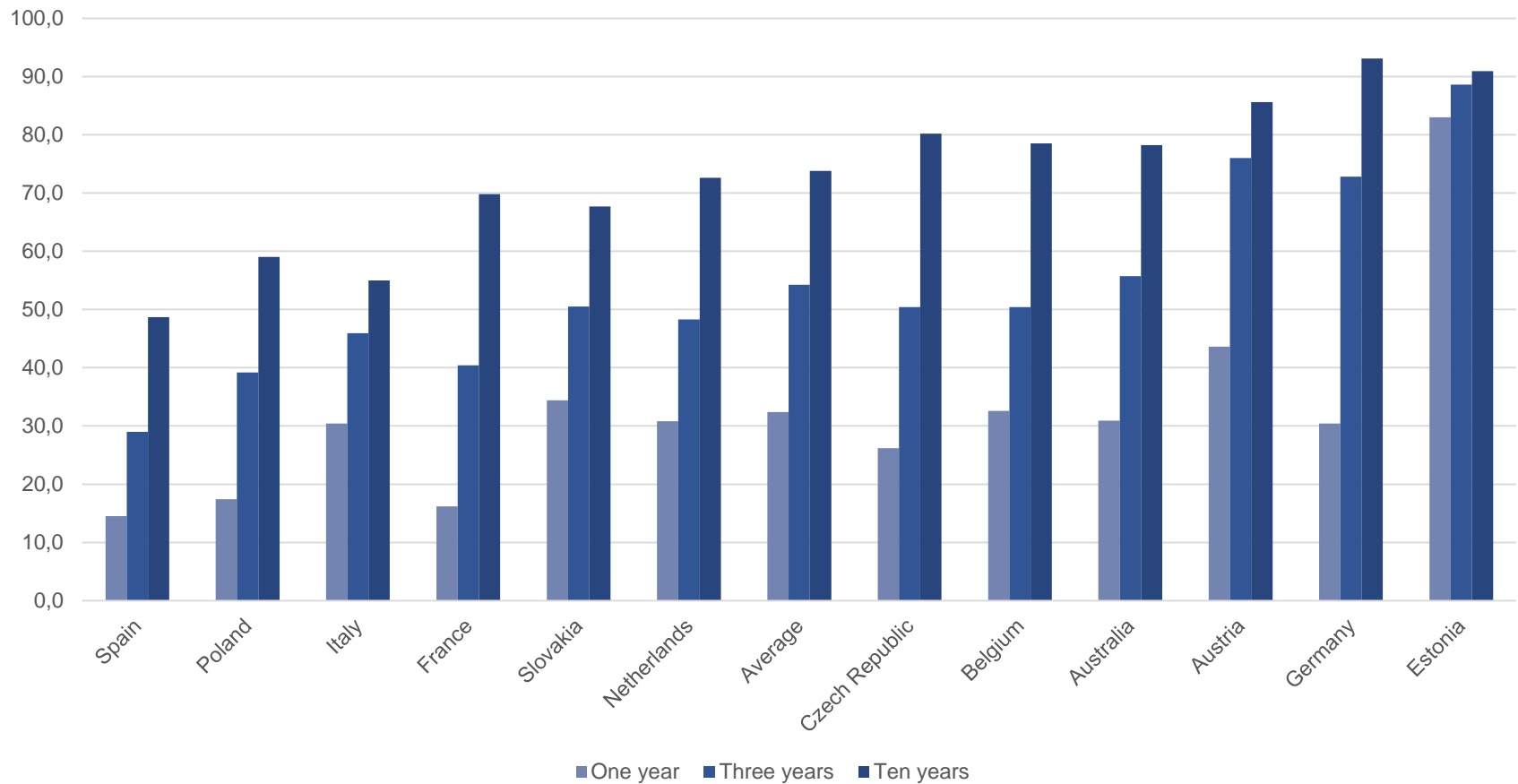
## FTC as (potential) dead-end jobs

- FTC can reduce willingness of employers to hire on a permanent basis, may lead to repeated temporary (un)employment spells
- FTC tend to deepen labor market segmentation to the detriment of young people and create excess turnover
- FTC tend to be associated with less pay, low training
- FTC do not offer a realistic chance of promotion also when subsidized FTC are used to combat youth unemployment
- Workers on FTC tend to suffer more during recessions

## FTC as (potential) stepping stones

- FTC can create additional employment and reduce overall unemployment
- FTC can shorten individual unemployment spells
- FTC can be used as an extended probationary period
- FTC as screening device for employees whose productivity potential is not known
- FTC can act as stepping stones towards permanent positions (under certain conditions, and for some)

# Transition probability from temporary to permanent jobs



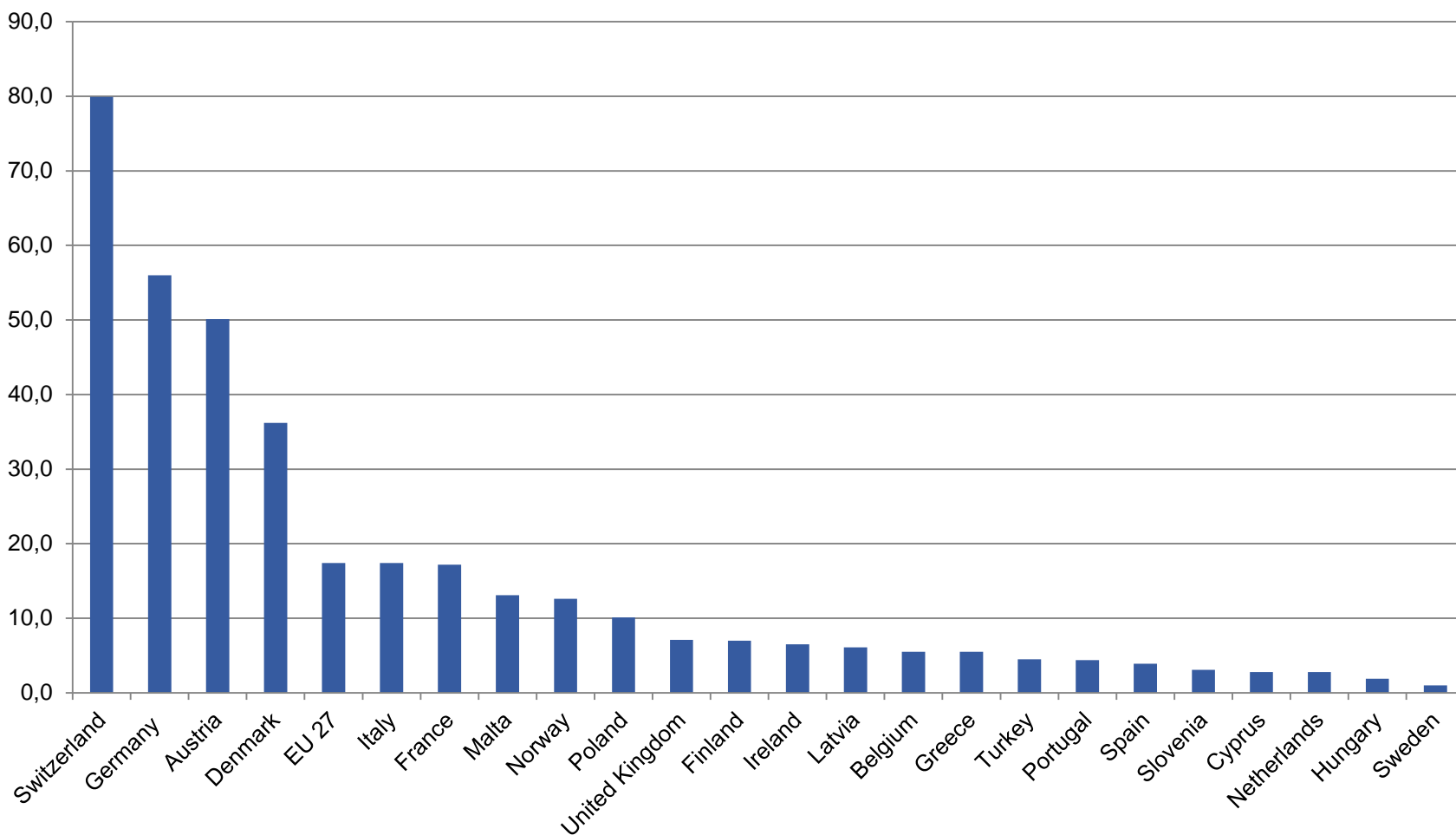
Source: OECD estimates based on the *European Union Statistics on Income and Living Conditions (EU-SILC)*. To ensure reliable estimates of transition probabilities, country coverage is restricted to countries for which at least 5,000 observations are available in the data.



## FTC and the institutional environment

- Countries where FTC is associated with vocational training (DE) and where EPL is more flexible (DK, UK) do better than others (FR, ES, IT) – but individual characteristics also matter

## Share of fixed-term contracts for training purposes, 2011



Source: Eurostat.

## Vocational Training and Youth Unemployment

- Youth unemployment rate in Germany and neighboring countries has been very low for decades and is currently one of the lowest in the EU
- About two thirds of the workforce has a vocational degree in Germany – vocational education is clearly the most relevant category of training in those countries
- Vocational education and training at the secondary level is frequently perceived as the solution to improving the labor market opportunities of young people
- How do VET systems work? What about the causality?

## Classification of Three Distinct VET Systems

- I. School-based vocational training and education
  - Most southern European countries, including France, Italy and Spain and some eastern European countries have a **large vocational schooling component**
  - Schooling system divided into a **general (academic)** and **vocational education track**, general and occupational knowledge is combined
  - Vocational option is seen as a **safety net** for students with poor academic performance
  - Expected to **motivate** more practically-oriented youths to continue training and remain in school longer
  - Vocational schooling is often seen as **dead-end track** and as a **second-choice education**

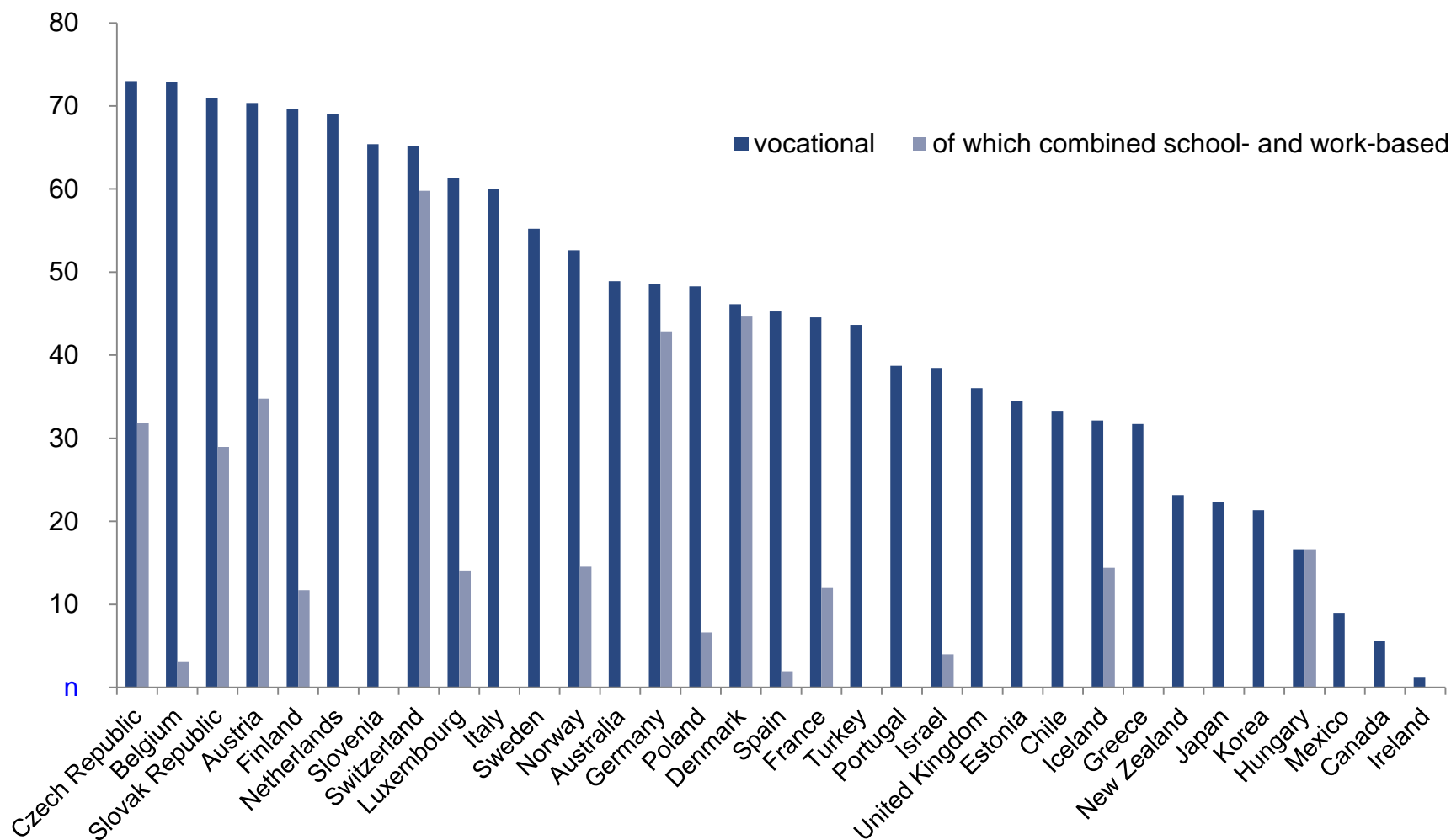
## Classification of Three Distinct VET Systems

- II. Formal apprenticeship schemes
  - Formal apprenticeship with institutional instruction complementing workplace training is provided in countries like Australia, the **UK**, the **US**, as well as in France and Italy
  - Training is **focused at the firm level** and functions without close links to the formal education system
  - Often limited to certain (traditional) occupations – but recent expansion and modernization initiatives

## Classification of Three Distinct VET Systems

- III. Dual vocational training
  - Combination of **structured learning while working** in companies with vocationally oriented schooling
  - Standardized, binding **national training curricula** that are updated regularly, exams with chambers of crafts and commerce  
→ certified transferable occupational (and general) skills
  - **Fixed-term apprenticeship contracts** with specific collectively agreed wages below full-time wage of low-skilled labor
  - **Co-regulation** by social partners and government regarding curricula and exams
  - **Shared funding** by employers (wage costs) and government (schools)

# Vocational training shares in upper secondary education, 2011



Source: OECD Education at a Glance 2013.

## Dual vocational training – how it works

1. Combination of **structured learning while working** in companies with vocationally oriented schooling (school-based vocational training in some occupations such as nursing, old-age care)
2. Standardized, binding **national training curricula** that are updated regularly, exams with chambers of crafts and commerce -> certified transferable occupational skills
3. **Fixed-term apprenticeship contracts** with specific collectively agreed wages
4. **Co-regulation** by social partners and government regarding curricula and exams
5. **Shared funding** by employers (labor costs) and government (schools)



## The effects of VET

- VET graduates perform at least as good, sometimes better, than graduates from other streams of education – but VET is probably beneficial to **more ,practically oriented‘** young people
- There is a **particular advantage** at the beginning of the employment career, in particular if VET corresponds to employers‘ skill demand – positive effects on a relatively smooth transition to employment, stability of the job, and (sometimes) earnings
- Dual VET seems particular effective in establishing an **early link** with the labor market and employers‘ skill needs
- **Fixed-term contracts with training** are more conducive to successful transition than “pure” temporary jobs

## Preconditions of an ideal-type dual vocational training model

- **Close cooperation between state and economy:**  
Employers should view vocational training as investment with positive returns.
- **‘Learning while working’**  
Young people and trade unions should accept lower earnings in exchange for quality skill acquisition.
- **Standards accepted by society**  
Vocational training needs sufficient funding and an institutional framework provided by the state/employer.  
It must be widely accepted by society as a solid form of education.
- **Qualified vocational trainers**
- **Institutionalised research and consulting**

## Feasible options for policy transfer

- Full-blown (and highly regulated) dual vocational training at the national scale is difficult and takes time – less may be more here!
- Training systems will probably not ease current youth unemployment significantly now, but can help prepare European countries for the future

### *Realistic starting points:*

1. **Creating dual training courses** at a sectoral and/or regional level based on a cluster of larger or smaller companies with similar interests, also with joint training centers
2. Inserting **firm-based parts** into vocational schooling or academic studies
3. Establishing **sectoral or regional associations** of business, government and unions to further develop vocational training and establish some ‚light‘ regulation of training curricula and certificates

## Policy Issues

- **Critical mass of supporting employers** and other stakeholders needed – realistic account of costs and benefits of dual VET
- Attractive and **up-to-date curricula** balancing specific and general skills are essential → avoiding strict barrier to higher education
- Some hints at **declining returns to VET** over the lifecycle → suitable continuous vocational training needed in order to avoid lock-in into narrow/declining occupations
- Addressing **FTC and VET** simultaneously → training as a major objective of FTC

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