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# The Youth Experience Gap

Explaining National Differences  
in the School-to-Work Transition

 Springer

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*To Linda and Serena for they are my heart*

# Preface

In one of the lectures in which I have presented the content of this book, a discussant said that this is a book written with the *esprit d'un maître à penser*, because it is written to orient and guide the reader—not only academic economists, but also practitioners and policy makers at all levels—to think more in-depth about the issues discussed and in particular the available policy options. I hope this book is also able to orient and guide the choices of young people, and their parents and relatives, when deciding the optimal amount of human capital investment or choosing among the job offers they receive.

In fact the aim of this book is twofold. On the one hand, it aims to provide to the academic reader an original and rigorous interpretation of the scientific literature on youth unemployment and the school-to-work transition. The book presents a new and unitary theoretical and interpretative framework which should allow the reader to catch the heart of the youth labor market problem. On the other hand, the book also aims to simplify, to clarify, to popularize a large strand of literature, with the aim to extract the essence of it for the use of a large audience of interested young people and of their families, as well as of practitioners and policy makers.

Simplifying without trivializing the content of academic and scientific research for the use of a large audience is an important task for academicians. It allows understanding the practical content and utility of scientific research. Popularizing scientific and academic research should be still considered as a completion of the process of academic production. Without this final stage, economic research would be condemned to social and political irrelevance, which would be against the essence itself of “political economy.”

Youth unemployment is perhaps the most important social problem that contemporary economies are facing. It is probably a consequence of the increasing complexity of the economic system and the increasing body of knowledge and competences that the labor market is requiring from young people. At the same time, young people feel lost because they do not have sufficient guidance. With few exceptions, like Germany, the educational system assumes as its mission only the aim of building general education, rather than all-round human capital. Therefore, when completing their education, young people still miss the other two components

of human capital, namely generic and job-specific work experience. They have then to struggle to develop their skills almost on their own. They have to develop the skill of applying general and abstract knowledge to specific cases, which they will meet in their professional life. Also parents and relatives are in trouble: in the past, young people were learning from their parents. Now this is not possible anymore, because the young generation is more educated than the older one and enters labor markets that are more and more complicated and different from the way they used to be only 20 years ago.

Under these conditions, the risk that inequality will grow is bigger and bigger. Only few young people are able to cope with this condition and it is not by chance that they tend to belong to the social classes that are already in a better economic position. I hope this book will help to address the problems that young people have to meet during the most challenging time of their life.

Naples, July 2014

Francesco Pastore

# Acknowledgments

This book is the result of about 15 years of research and teaching activity. I started working on the youth experience gap in 2001, during one of the biggest economic and financial crises of our time. I am publishing this book while another not less problematic crisis is ongoing. The labor market position of young people seems to become worse and worse. This has pushed me to think about the possible solutions more and more in-depth. I have had the possibility to see the effects of the liberalist policies that were implemented at the end of the 1990s. They have brought new opportunities to young people while also generating new challenges for them. This book mirrors also all of these changes in youth employment policy.

During all of these years, I have had the opportunity to present earlier versions of the book on many occasions: V International Conference in honor of Marco Biagi, University of Modena and Reggio Emilia (March 2007), University of Rome “La Sapienza” (April 2007), Ljubljana Summer School (July 2007), University of Perugia (November 2007), Seconda Università di Napoli (Santa Maria Capua Vetere, November 2007; and March 2012), XXIII and XXIV AIEL Conference (Brescia, 2008; and Sassari, 2009), Global Human Resources Forum (Seul, November 2009), Isfol (Rome, July 2011), Province of Perugia (October 2011), University of Naples “Parthenope” (November 2011), University of Bergamo (February 2012), Fondaciòn 1º del Mayo, Madrid (May 2012), University of Camerino (May 2013); CGIL (Rome, June 2013), University of Palermo (October, 2013); Eötvös Loránd University (ELTE, Budapest, May 2014); Brancusi university (Targu-Jiu, May 2014).

Over the years of conception of this book, I have had the opportunity to dialogue and exchange ideas with a large number of colleagues. I am grateful to many of them for interesting suggestions and comments. The current version has greatly benefited from this exchange of ideas. I would like to gratefully remember and thank Tindara Addabbo, Roger Blanpain, Hans Dietrich, Polona Domadenik, Luigi Frey, Gianna Claudia Giannelli, Torild Hammer, Enrico Marelli, Steve Nickell,



Niall O'Higgins, and Marcello Signorelli for useful comments on earlier drafts of this paper. A special thank you is due to Floro Ernesto Caroleo for having shared with me the elaboration of the first theoretical nucleus of the analysis. However, the opinions expressed and the remaining errors and omissions are the sole responsibility of the author.

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# Abstract

The school- or university-to-work transition is a long dark tunnel around the world, although national differences are striking: in Germany, young people are no worse off than their adult counterparts, while in southern European and East-European countries they fare three through four times worse. The current economic and financial crisis has further worsened the condition of young people in many, but not all advanced economies. This work points to the youth experience gap as a key concept that provides the basis for an interpretative framework to explain the meager youth employment opportunities and earnings, but also national differences in youth labor market outcomes. Observers are divided as to the optimal design of youth employment policy. Liberalist economists believe that the market itself should address the youth disadvantage by allowing firms to pay a lower than market clearing entry wage for young people, which should be proportional to their lower human capital and productivity. More flexible labor markets should also guarantee greater labor turnover, including temporary work, so as to allow young people to move from one job to the next until they accumulate the work experience they need to become more employable and find the right career. In contrast, other economists criticize entry flexibility and temporary work, claiming that the former type helps only the most skilled and motivated target groups, while the latter only allows young people to gather generic, not job-specific work experience. The *pars construens* is a policy mix, whereas labor flexibility goes together with more employment stability according to the flexicurity objective, while the educational and training system should be more integrated with the labor market so as to help young people build their competences before completing their educational career and starting to search for a job. OECD countries dramatically differ in their strategies to address the youth experience gap, which remains high even in a time of ever-increasing education attainment. To help young people fill in the gap and ease the school-to-work transition, every OECD country provides its own mix of policy instruments, including different degrees and types of labor market flexibility, of educational and training systems, of passive income support schemes, and fiscal incentives. Five different country groups are detected whose outcomes in terms of

youth unemployment are dramatically different: (a) the North European; (b) the Continental European; (c) the Anglo-Saxon; (d) the South European; (e) the New Member States. The Lisbon strategy and the European Youth Guarantee provide guidelines in line with the theoretical framework discussed here, but they are costly and hard to implement in countries, such as the South and East European countries where labor market institutions, such as public and private employment agencies, are not as efficient as in Central and North European countries.

**Keywords** Youth unemployment problem · Youth experience gap · Youth employment policy · Lisbon strategy · European youth guarantee

# Abbreviations

AD	Absolute Disadvantage
AEP	Active Employment Policy
ALMP	Active Labor Market Policy
ASPI	Social Employment Insurance
AUR	Adult Unemployment Rate
CDU	Christlich Demokratische Union Deutschlands (Eng. Tr.: German Christian Democratic Union)
CEECs	Central and Eastern European Countries
CIETT	International Confederation of Private Employment Agencies
CPI	Public Employment Agencies
CPRI	Private Employment Agencies
DWP	Department for Work and Pensions
EES	European Employment Strategy
ESF	European Social Fund
ESM	European Social Model
ETT	Empresa de Trabajo Temporal (Eng. Tr.: Job placement agency of temporary workers)
EU	European Union
EYG	European Youth Guarantee
FIFO	First-In-First-Out
FIP	Formación e Inserción Profesional (Eng. Tr.: Vocational training and inclusion)
GDP	Gross Domestic Product
IAB	Institut für Arbeitsmarkt und Berufsforschung (Eng. Tr.: Research institute on labor market and occupation)
IDOL	Matching of Work Supply and Demand
ILO	International Labor Organization
INEM	Instituto Nacional de Empleo (Eng. Tr.: Spanish Employment Institute)
INPS	Italy's National Social Security Institute
INSS	Instituto Nacional da Segurança Social (Eng. Tr.: Spanish Social Security Institute)

JCP	Job Centre Plus
LIFO	Last-In-First-Out
NBER	National Bureau of Economic Research
NEET	Not in Employment Education or Training
NPM	New Public Management
OECD	Organisation for Economic Cooperation and Development
PES	Public Employment Services
PLMP	Passive Labor Market Policy
PRES	Private Employment Services
PSA	Personal Service Agentur
PSOE	Partido Socialista Obrero Español
RD	Relative Disadvantage
SEPE	Servicio Público de Empleo Estatal
SNE	Sistema Nacional de Empleo
SPD	Sozialdemokratische Partei Deutschlands
SPRI	Private Employment Services
SWT	School-to-Work Transition
UK	United Kingdom
UPI	Union of Italian Provinces
USA	United States of America
YUR	Youth Unemployment Rate