

Labour market policies and youth unemployment

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Introduction

The CUPESSE project aims at analysing the causes and effects of youth unemployment in Europe to promote the economic self-sufficiency and entrepreneurship of young adults. CUPESSE brings together both young and advanced researchers with different disciplinary backgrounds (economics, political science, psychology, sociology, and statistics) from ten different Member States and Associated Countries.

Scholars and the media alike have noted an increase in the amount of time today's young people need to successfully transition to adulthood; in other words, to become economically self-sufficient. More specifically, unemployment, especially among young adults (persons age 18 to 35), is a particularly vexing and persistent problem within Europe, despite the numerous efforts that have been made by national governments and the EU to encourage young people's labour market participation. At the same time, we are confronted by the reality that youth unemployment is by no means equally severe across Europe. This is a development which is not exclusively caused by the economic and financial crisis that hit the European countries from 2008 onwards, but it was certainly aggravated by the macro-economic conditions (see, e.g., Tosun et al. 2014). In some countries young people encounter higher barriers to entering the labour market or may face different hurdles despite having attained a university degree. Entrepreneurship, moreover, is an equally important yet oft-overlooked component of youth employment and aids job creation and the overall economic climate.

As the CUPESSE project just started in February 2014, this first policy brief serves to outline existing research and the state of the art on youth entrepreneurship as condensed by the CUPESSE team (Deliverable D1.1). In order to develop first preliminary policy recommendations, this first policy brief focuses on welfare state arrangements and, in particular, labour market policy arrangements and their implications for youth entrepreneurship. From the analyses of existing labour market policies, the policy brief presents an overview of the Jump Plus programme in Mannheim, Germany as an illustration of a successful youth employment programme. From this example, it would appear fruitful to further focus on and develop labour market policies that aim to activate the unemployed, in particular, the young unemployed.

Active labour market policies fostering youth entrepreneurship across the OECD

Looking at existing welfare state arrangements in OECD countries, one can easily see that there are substantial differences across countries in terms of their labour market policies. Concerning policies that support economic self-sufficiency and youth entrepreneurship, we see that policy measures which aim to foster (youth) entrepreneurship are not very widespread.

As can be seen in table 1 below, labour market policies vary widely across OECD member countries, both in regard to the overall amount spent on labour market programmes as well as in terms of the choice of the specific measures implemented (for example for recent developments see Armingeon 2006; Hörisch and Weishaupt 2012; Kenworthy 2012; Hörisch and Weber 2014). In the literature on labour market policies, authors generally make a distinction between active and passive labour market policies. While active labour market policies are commonly defined as government programmes that intervene in the labour market to help the unemployed find work, passive labour market policies provide income replacement for the unemployed.

According to the definition of the OECD, the following measures are defined as active labour market programmes: Labour market services, training, job rotation and job sharing, employment incentives, supported employment and rehabilitation, direct job creation, and start-up incentives (OECD 2014). Passive Labour Market Programmes essentially comprise out-of-work income maintenance and support as well as early retirement programmes (OECD 2014). Table 1 provides an overview of the different labour market policies as well as the levels of youth unemployment across OECD countries.

Furthermore, as can be seen in table 1, youth unemployment has reached a level of 16.2% and is a major problem in many OECD countries (and has risen from 13.4% in 2005) (OECD 2014). Only Austria, Germany, Japan, Korea, Mexico, the Netherlands, Norway, and Switzerland have youth unemployment rates below 10%. Eleven countries suffer from youth unemployment rates above 20%, with particularly dramatic situations in Greece (44.4%), Portugal (30.1%), Slovak Republic (33.2%), and Spain (46.4%).

Not only do labour market outcomes, such as the level of youth unemployment, vary substantially across countries, but so does governmental spending for the labour market policy area, ranging from 0.01% of GDP in 2011 in Mexico to 0.31% in Chile, 0.72% in the US, 1.82% in Germany, 2.34% in France, and 3.71% in Spain to a maximum of 3.91% in Denmark.

Table 1: Overview of youth unemployment and labour market policies in the OECD world

	Unemployment Youth	PES and administration	Training	Job rotation and job sharing	Employment incentives	Supported employment	Direct job creation	Start-up incentives	Out-of-work income	Early retirement	LMP Total	LMP Active measures	LMP Passive measures
Australia	11.3	0.15	0.03	0.00	0.01	0.07	0.02	0.01	0.51	0.00	0.80	0.29	0.51
Austria	8.3	0.18	0.45	0.00	0.03	0.03	0.05	0.01	1.12	0.15	2.03	0.75	1.28
Belgium	18.7	0.21	0.15	0.00	0.72	0.14	0.37	0.00	1.38	0.71	3.68	1.59	2.09
Canada	14.2	0.11	0.10	0.00	0.00	0.01	0.01	0.01	0.65	0.00	0.91	0.26	0.65
Chile	17.5	0.02	0.03	0.00	0.00	0.00	0.05	0.00	0.21	0.00	0.31	0.10	0.21
Czech Republic	18.0	0.10	0.01	0.00	0.04	0.09	0.03	0.00	0.28	0.00	0.56	0.27	0.28
Denmark	14.2	0.67	0.50	0.01	0.39	0.69	0.00	0.00	1.33	0.31	3.91	2.26	1.65
Estonia	21.6	0.08	0.09	0.00	0.04	0.00	0.00	0.01	0.50	0.00	0.73	0.23	0.50
Finland	18.9	0.17	0.51	0.05	0.07	0.10	0.09	0.02	1.30	0.16	2.49	1.02	1.47
France	22.0	0.25	0.36	0.00	0.06	0.07	0.14	0.05	1.40	0.01	2.34	0.93	1.40
Germany	8.5	0.34	0.26	0.00	0.06	0.03	0.03	0.07	0.98	0.05	1.82	0.79	1.03
Greece	44.4	..	..	..	..	..	..	..	..	..	..	..	..
Hungary	26.1	0.01	0.03	0.00	0.10	0.00	0.22	0.01	0.66	0.00	1.02	0.36	0.66
Iceland	14.6	..	..	..	..	..	..	..	..	..	..	..	..
Ireland	29.9	..	..	..	..	..	..	..	..	..	..	..	..
Israel	11.6	0.02	0.08	0.00	0.06	0.02	0.00	0.00	0.60	0.00	0.78	0.18	0.60
Italy	29.1	0.11	0.14	0.00	0.15	0.00	0.01	0.01	1.28	0.08	1.78	0.41	1.36
Japan	8.0	0.05	0.03	0.00	0.09	0.00	0.09	0.00	0.35	0.00	0.62	0.27	0.35
Korea	9.6	0.02	0.06	0.00	0.02	0.03	0.19	0.01	0.31	0.00	0.64	0.33	0.31
Luxembourg	16.8	0.05	0.04	0.00	0.35	0.01	0.11	0.00	0.49	0.15	1.20	0.56	0.64
Mexico	9.8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.01	0.01	0.00
Netherlands	7.7	0.41	0.13	0.00	0.01	0.44	0.11	0.00	1.63	0.00	2.74	1.11	1.63
New Zealand	17.3	0.10	0.10	0.00	0.02	0.05	0.00	0.00	0.41	0.00	0.69	0.27	0.41
Norway	8.6	..	0.19	0.00	0.05	0.17	0.05	0.00	0.41	0.00	..	..	0.41
Poland	25.8	0.08	0.01	0.00	0.09	0.19	0.01	0.03	0.20	0.11	0.72	0.42	0.30
Portugal	30.1	0.14	0.32	0.00	0.10	0.02	0.01	0.00	1.23	0.11	1.93	0.59	1.34
Slovak Republic	33.2	0.07	0.00	0.00	0.10	0.04	0.01	0.07	0.25	0.25	0.79	0.30	0.50
Slovenia	15.7	0.11	0.08	0.00	0.04	0.00	0.07	0.06	0.87	0.00	1.23	0.36	0.87
Spain	46.4	0.15	0.20	0.01	0.25	0.08	0.08	0.11	2.79	0.04	3.71	0.88	2.83
Sweden	22.8	0.29	0.08	0.00	0.45	0.25	0.00	0.02	0.63	0.00	1.72	1.09	0.63
Switzerland	7.7	0.12	0.18	0.00	0.07	0.22	0.00	0.01	0.53	0.00	1.12	0.59	0.53
Turkey	18.4	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	20.0	..	..	0.00	..	..	..	0.00	..	0.00	..	..	..
United States	17.3	0.04	0.04	0.00	0.01	0.03	0.01	0.00	0.57	0.00	0.71	0.14	0.57
EU-Average	22.92	0.19	0.19	0.00	0.17	0.12	0.07	0.03	1.02	0.12	1.91	0.77	1.14
OECD-Average	16.2	0.14	0.14	0.00	0.12	0.10	0.06	0.02	0.79	0.07	1.47	0.58	0.86

Source: OECD 2013 and OECD 2014.

Notes: The EU-averages in this table are the average scores of EU countries in the OECD for which data was available. OECD average calculations for public expenditure on LMP are based on the available data for OECD countries.

Furthermore - as can be seen in the last two columns of table 1 - whether labour market policies rely more on active or passive labour market policies varies greatly across OECD countries. On average, OECD countries spend 1.47% of their GDP on labour market policies, of which 0.58% goes towards active labour market policies and 0.86% to passive labour market policies. Accordingly, in most OECD countries expenditures for passive labour market policies dominate over active labour market policies, with Denmark, Korea, Mexico, Poland, Sweden, and Switzerland being the exceptions.

Of special interest for the CUPESSE project, which inter alia focuses on the possibilities of the advancement of entrepreneurship to fight youth unemployment, are active labour market policies that provide incentives for the foundation of start-ups. As can be seen in table 1 above, start-up incentives are a labour market policy instrument that is not widespread. In 2011 an average of only 0.02% of the GDP was spent on active labour market policy measures to support (self-)entrepreneurship, which is only a very small share of the overall effort for labour market policies.

The countries with an above average share of spending for start-up incentives are France (0.05%), Germany (0.07%), Poland (0.03%), Slovak Republic (0.07%), Slovenia (0.06%), and Spain (0.11%). Within this group of countries we find a huge variety of welfare state types. Quite surprisingly, at least with respect to Germany, France, and Spain, there seems to be a slight majority of conservative, Christian-democratic welfare states (see typology of Esping-Andersen 1990). As there are countries like Germany that have been quite successful in fighting youth unemployment, as well as countries like France and Spain which are struggling in this policy area, it is too early to draw final conclusions concerning the effectiveness of these labour market policies, particularly because the start-up incentives currently constitute such a small share of all labour market policies. While there seems to be no clear pattern which countries spend more on start-up incentives, it is clear that these active labour market policies far do not currently play a major role within the labour market policy strategies within most welfare states.

Policy Example and Recommendations

While there is mixed evidence in the literature concerning both the effects and the effectiveness of different labour market policies, several studies argue that active labour market policies may be particularly effective in terms of achieving high rates of employment (see for example Armingeon 2006; Baccaro and Rei 2007; Bradley and Stephens 2007; Kenworthy 2012). Accordingly, we would suggest strengthening this emphasis of labour market policies, with an eye to active labour market policies that promote young people's activation. One successful example for labour market activation is the "Jump Plus" programme initiated by the employment agency in Mannheim, Germany.¹

¹ We are grateful to the staff at the Jobcenter Junges Mannheim for providing us with in-depth information about the Jump Plus programme.

Jump Plus

Jump Plus is an employment programme dedicated to the immediate activation of young unemployed persons in Mannheim. In addition to the programme's outreach services and its focus on individual and intensive counselling for young adults, it places particular emphasis on the idea of doing something in return for what you receive. As it may take some time to find one's best job fit, participants have the opportunity to gain insight into different careers. When they enrol in the programme, the young adults immediately receive an offer for a traineeship, a job, or an internship. The programme operates in close cooperation with the labour market: Through the intensively supervised internships, the young people gain on-the-job experience that will ideally result in a traineeship or job offer. As many of the young people come from socially disadvantaged backgrounds and would have difficulties applying for jobs through the more traditional channels, the internships offered by Jump Plus allow young adults to get a first look into the working environment and to improve their chances later on. In order to prevent participants from prematurely exiting the programme, outreach activities, such as contacting the participants directly by telephone or home visits, were introduced to help motivate the young adults.

The origins of the Mannheim Model

Prior to the introduction of the Hartz IV unemployment reforms, Jump Plus was tested as a nationwide programme in numerous cities across Germany. Before introducing Jump Plus as an instrument of the Hartz reforms, Jump Plus in Mannheim began as a pilot project initiated by the Federal Ministry for Economic Affairs and Employment in 2004 and funded with 2.35 million euros (Werner and Schuy 2005, 6).

Policy innovation often arises out of considerable problem pressure; for the Mannheim Jump Plus model, the increasing rates of youth unemployment, and in particular long-term youth unemployment and the related risks of social isolation, provided the impetus for such innovation. The programme currently underway in Mannheim is based on the national programme Jump Plus2, which was introduced in Mannheim in September 2003 (Werner 2010, 13). The goal was to offer all unemployed young people under 25 immediate job, training, or internship placement. Moreover, the programme sought to test whether and under which conditions the support of young unemployed under 25 years of age could be realized within the legal boundaries of the Social Code – Book II (SGB II) (ibid., 6). The ambitious getting 1000 young adults to participate in the scheme during the second half of 2004 was reached.

Actors involved with Jump Plus

In addition to the Jobcenter Mannheim (supported by the city of Mannheim and the city's employment agency), Jump Plus works with seven non-profit organizations and social enterprises: Ad laborem gGmbH, Biotopia gGmbH, Caritasverband Mannheim e.V., Diakonisches Werk Mannheim, Förderband e.V., Gemeinschaftswerk Arbeit, and Umwelt e.V., Internationaler Bund e.V.

Transfer of the Mannheim model to other municipalities

Other German cities have shown interest in implementing their own versions of the Mannheim model Jump Plus and have sent representatives from their employment agencies and job centres to Mannheim to learn more about the programme. The former employment minister Ursula von der Leyen has also sent representatives to the Mannheim to observe the

positive developments in terms of youth employment. Official visitors have been particularly interested in finding out which elements of the Mannheim model would work in their own cities and municipalities with their unique structures and networks.

Jump Plus has been successful in part due to its cooperation with the municipality of Mannheim, as it is important that established systems are also financially supported by the municipal council. In many other German municipalities, on the other hand, this exchange and cooperation between the job centres and the municipalities does not exist. While other German job centres are in contact with the job centre in Mannheim, we cannot speak of a network of job centres, as regular exchange and meetings do not take place.

Policy diffusion across national borders

In an interview with the management at the Mannheim job centre, we learned that the various programmes have often been introduced by the department directors that incorporate elements from employment programmes in other countries. Moreover, high ranking politicians have also looked to other European countries for inspiration: In formulating Agenda 2020 and the Hartz reforms, former German Chancellor Gerhard Schröder consulted with partners in Great Britain, where the job centre model had already been in existence before its development in Germany. The job centre as well as the employment agency in Mannheim have also received delegations from Indian and Poland, which, for example, were interested in learning more about the administration of the welfare system in Mannheim.

Although many German and international actors have been interested in learning more about the Jump Plus programme in Mannheim, the programme itself has Danish roots. Jump Plus has taken a great deal of inspiration from Danish “production schools”. The target group of the production schools is young people up to age 25 who have failed to complete school or a training programme. These young people are generally unable to find work through traditional channels. Production schools also work with young adults who have experienced legal difficulties. Moreover, the schools reach out to young people who have troubles leading independent and self-determined lives due to, for example, difficult social or financial backgrounds (see Barth et al. 2005, 88).

Production school pupils work in various industries, such as woodworking, textiles, metalworking, and the media (Barth et al. 2005, 88). The charter of the Danish production schools stipulates that pupils are able to freely choose between different job areas, such as handicrafts, the service industry, or creative careers, in order to test out different options and to be able to decide where they would like to do a longer internship or traineeship.²

The work the production school pupils perform can be expanded through internships or further education. The young adults receive between 70 to 170 Euros per week, a sum which can be reduced in the case of transgressions such as showing up late to work (ibid., 89). By holding pupils responsible for their actions and rewarding performance, participants learn that their behaviours have consequences. Through their schoolwork and the products they make or services they provide, pupils furthermore work on their self-esteem, something which will enable them to lead self-sufficient lives (ibid., 88 f.). The production school charter moreover emphasises that the activities of the school should also foster a sense of responsibility, the ability to cooperate, feelings of self-worth, as well as the young adults’

² http://www.bv-produktionsschulen.de/cms/wp-content/uploads/2011/01/Charta_DK_-1-12-10-deustch.pdf

general social and personal development.

Around 30% of young adults who attend a production school go on to enrol in a traineeship, and 35% enter the labour market (ibid., 89). The schools, which initially began as a pilot programme, are currently independent communal institutions and are considered to be an integral component of the welfare system and of the Danish self-image. The schools have the goal of preparing young adults to enter into the labour market or enrol in a traineeship and thus have a bridging function (Die dänischen Produktionsschulen – eine Einführung 2006, 5).

As members of their boards, the schools are required to include representatives from employee and employers organisations in order to foster close relationships between the labour market and enterprises (ibid., 6). Since many production schools operate in cooperation with local businesses, pupils often have the opportunity to do an internship at the company of their choice (ibid., 12).

When we compare the Mannheim Jump Plus model with the Danish production schools, we immediately see many similarities. Both models are dedicated to close partnerships with local businesses and support programmes. Young people should be exposed to the real working world and should not be sent somewhere where they neither learn new things nor discover that work can be something enjoyable and rewarding. It is instead important that unemployed young people are exposed to the true world of work and perform tasks that can be fun and, at the same time, learn to take responsibility for their own work.

As in the production schools, Jump Plus participants are able to try out different fields of work at various organisations and firms in order to obtain a clearer picture of what kind of job or traineeship they would like to have. This type of experience moreover better prepares young adults for their next endeavours. The programme aims for smooth transitions from programme participation to internships, traineeships, or employment in the respective industries.

Additionally, both models are dedicated to the idea of incentives and demands; that is, instilling in young people that in order to get something, they must do something in return. Production school pupils as well as the young unemployed in Mannheim thus learn that in order to get paid or receive social assistance, they must work for it – both on themselves and on the tasks assigned to them.

Both programmes target vulnerable groups – school leavers, who often hail from disadvantaged social backgrounds or may have substance abuse problems, legal troubles, or, more generally, are unable to continue their education or find a job. Both programmes aim to work on some of the less tangible skills that these young people may not have learned at home – such as diligence, responsibility, or punctuality – for, in addition to practical skills, these are the tools which will enable young adults to pursue independent and self-sufficient lives.

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