

Youth school-to-work transitions: From entry jobs to career employment

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What types of policies promote good employment conditions?

We examine the ways in which some of the labour market policies and institutions that shape flexibility and/or security in the labour market affect the early labour market experience of young people in different European countries. We particularly focus on the type of employment trajectories that characterise the first years of labour market entry, and the possibility for young people of finding good-quality employment within five to six years of leaving education. The central policy concern is whether active and passive labour market policies, in addition to employment protection legislation (with particular reference to temporary contracts), enhance the possibilities for young people to find long-term, good-quality employment outcomes within a reasonable period of time after leaving education. Since a higher degree of flexibility of the labour market implies a higher level of mobility across jobs, we evaluate employment quality and employment security, rather than job quality and job security.

Many pathways into employment

It is possible to identify different types of trajectories from education to the first employment spell. Here, we classify successful and unsuccessful trajectories, and their connections to institutional characteristics.

The relationships are not simple. We find that expenditure on active and passive labour market policies is positively correlated with successful pathways and negatively correlated with unsuccessful pathways. However, once we control for individual characteristics, as well as country and time dummies, these relationships are no longer significant. Employment protection legislation relating to the use of temporary contracts influences school-to-work transitions, with stricter norms appearing to limit the degree of instability of school-to-work trajectories. Such legislation provides some incentives to improve individual employability through a return to education.

From a policy perspective, these results suggest that the current mix of labour market policies is not effective and that new policy tools should be implemented to increase young people's chances of achieving a relevant employment spell within a reasonable period of time. Furthermore, a reduction in the strictness of rules regulating the use of temporary contracts is not an effective policy tool to improve employment outcomes for young people, especially when labour demand is weak, and it may worsen their outcomes.

Young people's medium-term integration

Labour market integration is more than finding a first job and it is important to consider the experience of young people in the medium term – for example, four to six years after leaving education – in order to consider their employment and economic security in terms of their economic success and good educational-occupational match. The empirical analyses reveal that more stringent norms on the use of fixed-term contracts enhance security for both low-educated individuals and women. While an increase in expenditure on active labour market policies (ALMP) is effective in increasing the probability of achieving secure employment conditions for high-school and university graduates, it does not have the same effect for the low-educated and females.

On the other hand, passive labour market policies have no effect on security, but they do improve the quality of employment trajectories for insecure individuals (by helping young people to find, or pushing them to more effectively search for, more stable/continuous employment). However, passive measures seem to have some adverse effects for women – by increasing their probability of being inactive and reducing their likelihood of being always or prevalently employed.

From a policy perspective, these results are in line with those for short-term integration. In particular, they suggest that the current mix of active and passive labour market policies is not effective and new policies should be designed and targeted towards less educated individuals and females. In addition, more stringent norms on the use of temporary contracts should be encouraged, given their effectiveness in enhancing the labour market outcomes of more disadvantaged individuals.

Towards a school-to-work security index

A synthetic index of the overall level of employment security associated with school-to-work trajectories for young people offers a useful tool for drawing comparisons between labour markets. This index is constructed in such a way that it can incorporate explicitly diverging value judgements in terms of whether or not insecurity is increased by the total number of periods of unemployment, their timing and their additive nature. Our analysis shows that there are large cross-country differences in the degree of insecurity associated with labour market entry, and that these differences are generally increased if we give greater weight to trajectories with more than one period of unemployment, or to longer periods of unemployment.

From a policy perspective, the results of this index suggest that policy-makers should move beyond a 'one-policy-fits-all' view for young people. Indeed, new policies to fight youth unemployment should take into account country specificities and whether unemployment is more transient or structural/persistent in nature. Ultimately, a more nuanced view of school-to-work transitions will help policy-makers develop measures that are relevant for young people experiencing difficulties in entering the labour market.

References

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