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**YOUTH AND UNEMPLOYMENT
IN THE ECONOMIC COMMISSION FOR EUROPE MEMBER STATES**

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INTRODUCTION

According to the UN definition of “Youth”, “youth unemployment” refers to the lack of active remunerated occupation for willing-to-work people aged 15 to 24. It is the matter of some economic research that the unemployment of young people should not be the object of particular concern as a social and economic issue, and should not constitute in any event a priority in the socio-economic agenda of a State since, as one argument goes, young people often do not have relatives at their charge, thus making their unemployment more bearable, to them and to society, than the one of their parents. Along the same line, it is now and then argued that a comparatively higher youth unemployment rate is a natural feature of the labour market since young people generally go through a period of “job zapping” in the process of securing a satisfying employment, thus making for a structurally higher unemployment among the youth workforce. These lines of explanation appear to be of some value in explaining a certain (and rather low) level of youth unemployment that could seem socially bearable, or even “natural”.

These lines of explanation however shed no light on the contemporary nature of youth unemployment as one may observe in the economies of the ECE region. According to an ECE estimation, the figure of the out-of-job active youth population in the region amounts to a dramatic 60 million young people, being neither at work nor at school, in the year 2001¹. The prevailing picture of unemployment in the region, as it will be developed in the first part of this paper, is not one of optimistic job-zappers with high reservation wages² or comfortable easy-goers at the charge of their parents: many willing-to-work young people are precluded from the active world, often during long periods, facing the financial, social, and personal difficulties that go along with restlessness and marginalisation from mainstream society.

As a recent report on the social exclusion of youth in transition countries summed it up, “one could see a considerable progression of poverty in transition societies, that is directly related to unemployment and poor employment”³. Poverty and social exclusion are multi-dimensional, and therefore bear a whole array of disturbances, which in turn act together in a vicious circle to exclude further on an individual from partaking in social life and productive activities. The failure of willing young people to access employment is to be considered as entailing much wider consequences for the well-being of individuals and for the general equilibrium of society. Indeed, inactivity and social marginalisation of youth brings forth a long list of often severe social and psychological costs: low self-esteem, limited access to social security benefits and deterioration of public health issues, poor housing, appeal of criminal organizations and high crime environments, poor levels of skills and education, brain draining, family breakdown.

In the matter of economics more specifically, youth unemployment entails further momentous negative prospects. There is wide and convincing evidence that first entry delays and long periods of inactivity bear heavily on the productive potential of a person throughout the whole of his life⁴. Difficulty to enter the (licit) world of labour will constitute a potent drive towards the informal labour market, as the size of the informal sector is negatively correlated with the performance of the labour market, making for further disruption in the general economy (tax evasion) and society (criminalization).

¹ UNECE/Italian Ministry of Foreign Affairs South-Caucasus Draft Proposal note no3 on the Youth Entrepreneurship Agency, UN ECE, Geneva, 2001.

² The ‘reservation wage’ represents the minimum wage an active person seeking employment is willing to accept when taking up a job.

³ Get In! Report on the Youth Convention on Social Exclusion and Employment organised by the European Youth Forum at the European Economic and Social Committee, Bruxelles, 21 February 2000.

⁴ See for example Niall O’Higgins, Youth Unemployment and Employment Policy, a Global Perspective, ILO, Geneva, 2001.

Indeed, high youth unemployment levels represents one of the greatest socio-economic concerns of our time. Tackling high levels of youth unemployment should accordingly be a major policy emphasis within the ECE member countries. In order to be able to act efficiently on youth unemployment, one needs to start from a proper assessment of existing difficulties and problems ahead. This paper will commence with an appraisal of the current state of affairs as far as youth unemployment in the region, outlining present features and major trends in national labour markets, subsequently turning the attention to some selected issue areas and related policy-oriented analysis, to draw knowledge from some good practices across the region on curbing youth unemployment.

I. YOUTH LABOUR MARKET IN THE UNECE MEMBER STATES

The world figures of youth unemployment display an upward trend at a concerning pace: in 1995 58 million people aged 15 to 24 were counted as unemployed, the figure rising to 66 millions in 1999, and among the 160 millions making for the figure of the world unemployed in 2000, over 70 millions were people under 25 years of age⁵. Within this world picture, the ECE region does not boast a particularly good record, indeed, with the Caribbean region excepted, the world most seriously affected regions are allegedly located within its geographical scope⁶.

1. High youth unemployment in the ECE

1.1. Scarcity of employment in the ECE youth labour markets

Economic growth has undergone major downturns since the eve of the nineties all across the region, with repeated economic slumps affecting the Western developed economies of the region (1991, 1993, 1997 and 2000), while the eastern side of the ECE region had to deal with socio-economical shocks of great magnitude linked with the transition from state-planned to market-regulated economic systems. Regionally, these converging backgrounds make for a global pattern of labour market dysfunctions in the ECE, particularly within their youth segment.

a. Developed countries: stagnation at high levels

ECE most developed member countries display a pattern of traditionally high youth unemployment rates. National configurations on the matter may be divergent in some instances, but if a common pattern is to be evidenced, it is one of persisting high unemployment within their youngest active hordes throughout the last decade. When taking a glance at both ends of this timeline, youth unemployment appears to have maintained relatively high levels, while experiencing a significant rise in the course of the decade. The western economies of the ECE ended the eighties with an (unweighted) youth unemployment rate average of around 17%, to close the nineties around quite similar lines (17.1 in 1999 and 15.5 in 2000). In between those years, rates were persistently above that baseline, reaching a 22% average rate in the mid-nineties.

⁵ ILO, Youth and Work: Global Trends, Geneva, 2001, and ILO, World Employment Report 2001, Geneva 2001 (for the figure on world total unemployment).

⁶ ILO, Youth and Work: Global Trends, Geneva, 2001.

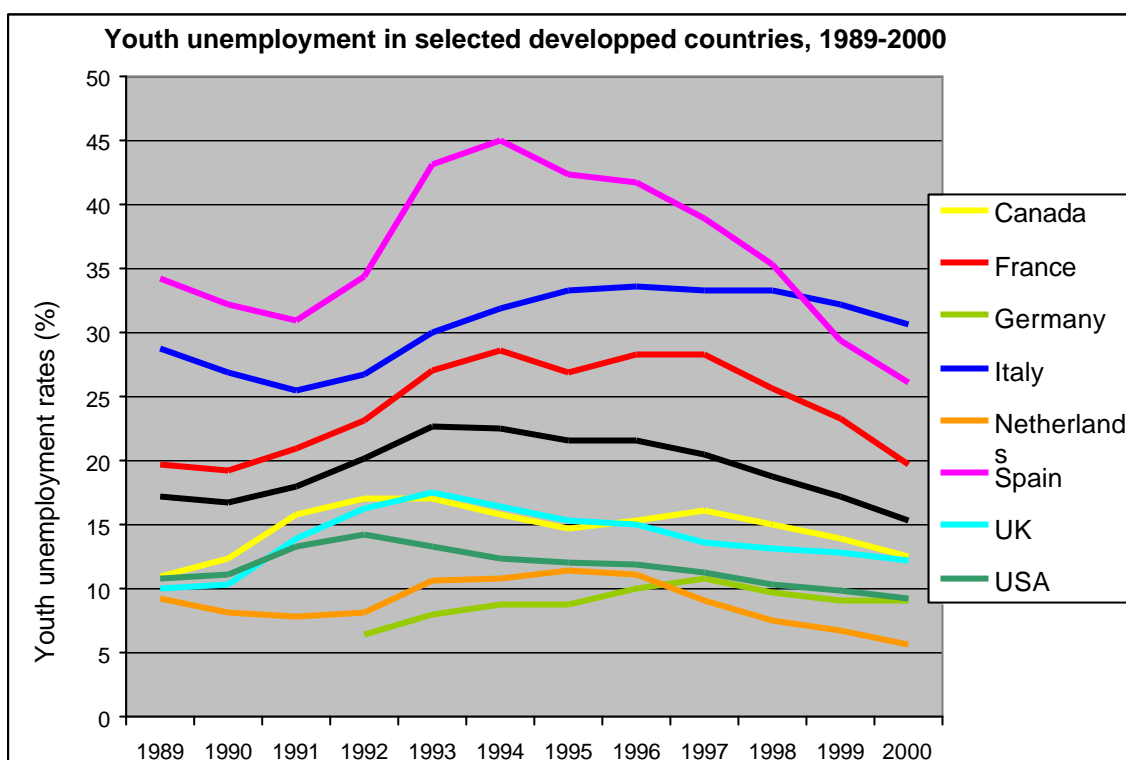


Chart 1. Source: ECE Statistical Database

One may still catch sight of a trend in the developed countries in the direction of a reduction of youth unemployment rates, but it is typically (and at best) rather a sluggish one, and the problem remains chronic in many countries. The prevailing picture springing out of the nineties remains a stagnating and sizeable level of youth unemployment.

b. Transition: budding youth unemployment

If the evolution of youth unemployment in the nineties has been lethargic in the western countries of the region, in the East labour market landscapes have gone through hectic times. The investigated decade has been the locale of a dramatic upsurge in unemployment among the youth workforce of the transition economies. Departing from a situation where the phenomenon of employment scarcity was practically unknown, the transition to the market walked hand in hand with a rapid increase in total and youth unemployment rates, with eastern rates rapidly coming to match (Hungarian and Slovenian youth unemployment rates are pretty much lined up with the ECE average) and surpass in most instances, the (already high) levels of youth unemployment known in Western Europe.

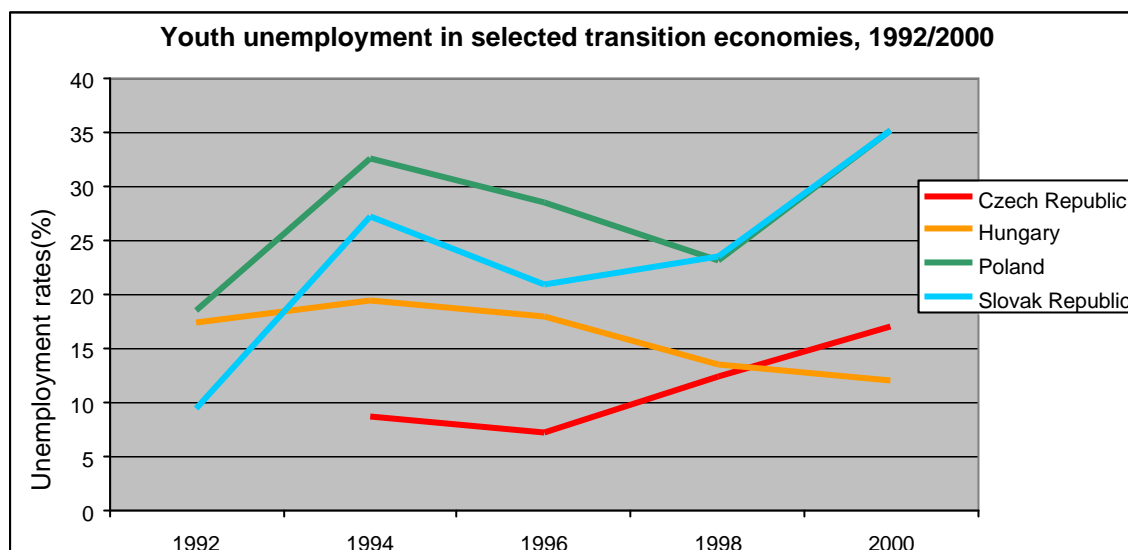


Chart 2. Source: OECD, Labour Force Statistics (LFS), Indicator series

Ms. Alena Nesporova in a contribution to the ECE 2002 Spring Seminars accounts how the antecedent configuration of the labour markets was quite privileged, within an economic system where secure employment was counterbalanced by the correlate of low productivity outputs: “the labour market situation of the former centrally planned economies of CSEE and CIS at the onset of transition was characterized by full employment, no open unemployment (with the exception of the former Yugoslavia) and an excess of labour demand over supply”⁷. Transition triggered a sharp decline in the general economic performance and macroeconomic equilibria of these countries, a decline which eventually proved much steeper than what had been contemplated. Demand for labour collapsed and employment started to decline accordingly.

In the latest ILO review of international employment trends, the situation in the labour markets of transition economies is stressed as a concerning one, and a particular emphasis is dedicated to the unemployment of youth. The report alleges a particularly serious problem in the youth segments of transition labour markets, testifying an open unemployment rate equal to 30% as a regional average for Central and Eastern European countries⁸. If some governments may assert that their labour markets are now phased into a more manageable situation (Hungary, Slovenia), this does not seemingly typify the current state of affairs for a large share of the transition area, where indications on a significant recovery in their markets of labour has yet to be observed.

⁷ Alena Nesporova, Unemployment in the transition economies, ECE Spring Seminar 2002, "Labour market challenges in the ECE Region", Geneva, May 2002.

⁸ ILO, World Employment Report 2001, Geneva, 2001.

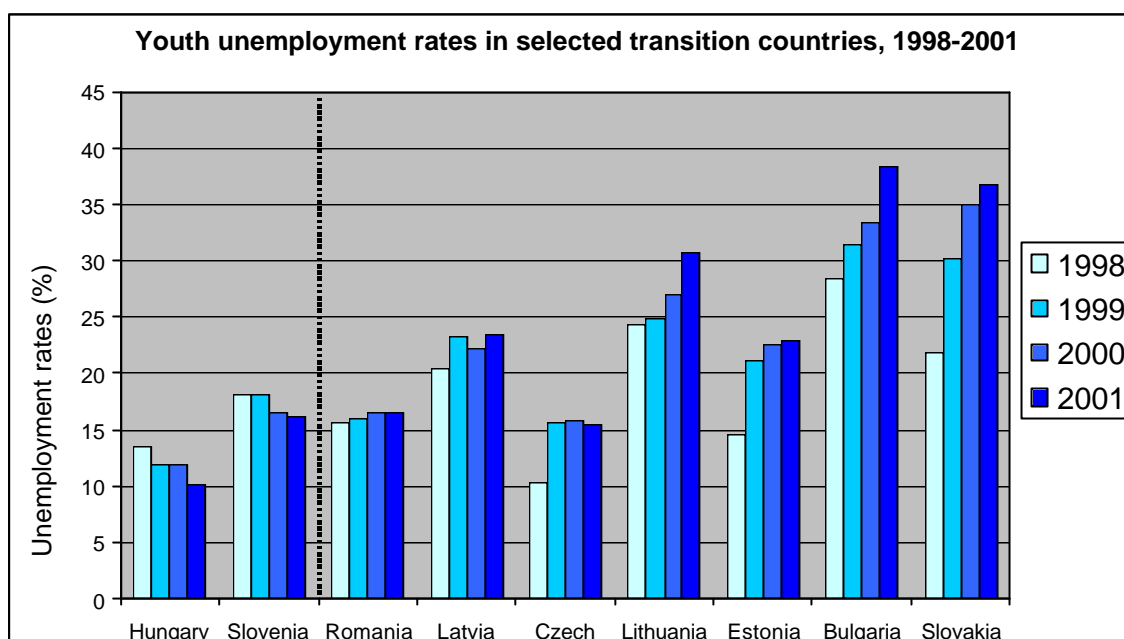


Chart 3. Source: UNECE Common Database

In the last four years, the scene was set for a further increase in the unemployment of youth in transition economies, while the exceptions confirming the rule, namely Hungary and Slovenia, may only display a meagre drop in unemployment. The latest available figures depict a situation in transition labour markets where youth unemployment exceeds 15% rates everywhere (except in Hungary), and in many states the situation has reached quite a critical level, with more than one out of three young people unwillingly out of job.

The issue of youth unemployment has thus geographically spread over the investigated decade all across the ECE region. Now alongside Mediterranean countries (Spain, Italy, Greece, Turkey), one may find Uzbekistan and Tajikistan, Azerbaijan and Georgia, Bulgaria and Slovakia topping the ECE rankings on youth unemployment.

1.2. Access to labour in the ECE: the age variable

The assessment of a prevalent scarcity of employment in the ECE youth segments of the labour markets needs to be furthered by a discussion on the access to existing jobs and the relative capability of youth to accede to those employment opportunities (in relation with the total active population).

a. "Generation gap" in the ECE labour markets

The statistical distribution of unemployment rates along the age variable displays a prevalent "generation gap" within the ECE national labour markets. The youth to total unemployment ratios of the selected transition and developed countries exceeds the point in all but one investigated economies (Germany), with an average ratio levelling around the 2 points mark in both regional areas. Unemployment among the active youth population in the ECE member economies is thus, it may be said, twice as high as unemployment among the total active population.

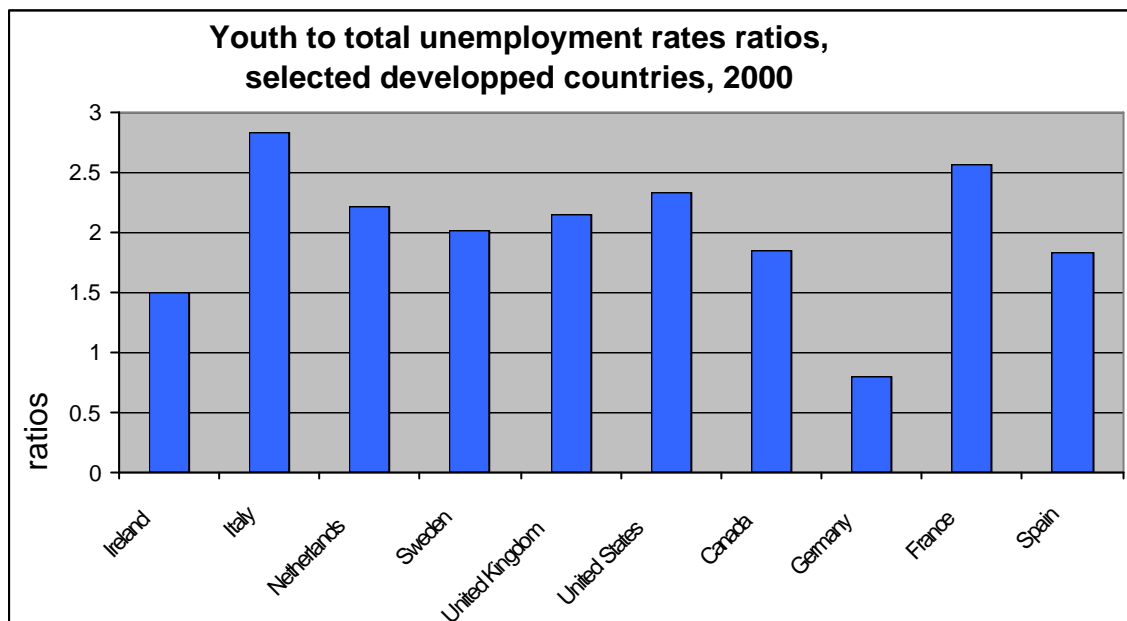


Chart 4. Source: OECD, Labour Force Statistics – Indicators, author’s calculations

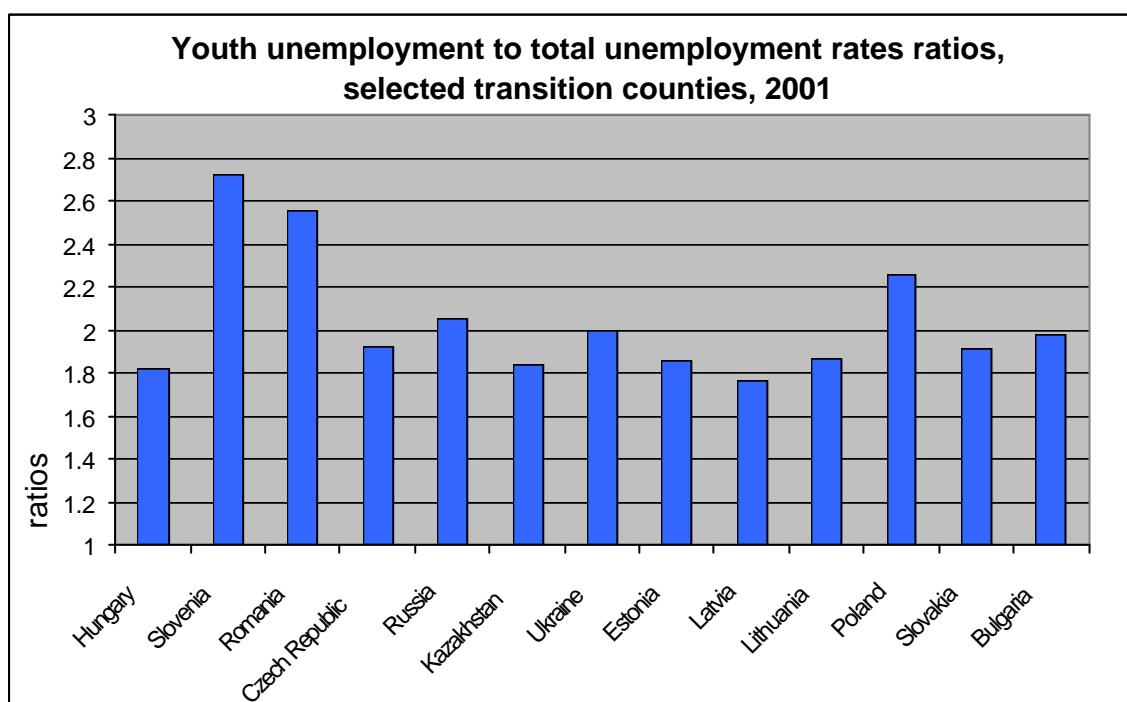


Chart 5. Source: Economic Survey of Europe 2002, n01, author’s calculations

Conferring to table 2 in annex, youngsters represented an unweighed regional average of more than 28% of the total population unemployed in ECE member countries in the year 2000, a strong share of unemployment practically unchanged from 1997. Thus meaning that more than one in four unemployed in the ECE is a youngster, a further indication on the prevailing inequality along the age factor in accessing jobs within the region.

According to a geographical break up of ECE member countries, we may see that some particular areas display much more concerning situations with regard to equality in accessing jobs. Among the identified sub-regions displayed in table 2 the most industrialized western countries and the Central and East European countries find themselves around the average ECE unemployment share (28%). Two regions find themselves some points of percentage above this mark, namely the Caucasian and South-Eastern countries, toppled only by Central Asia which outdistances the other areas by more than five points of percentage, with a regional youth unemployment share levelling around 36% in the year 2000. The Baltic countries demonstrate a lesser share of unemployed youth, with a rate just over 18% in that same year.

b. Diachronic analysis

By taking a look to the share of youth unemployed within the active population throughout the nineties, some further indications on the topography of the generational distribution of unemployment in the ECE may be evidenced.

Some ECE members demonstrate traditionally very high shares of youth unemployment, with shares surpassing the 40% mark at the end of the eighties. Italy is a topical example of such category, with youth making for a dramatic 50% share of the unemployed population in the year 1989. Topping the list of traditionally high youth share countries alongside Italy we may find other southern European countries (Greece, Spain and Turkey) as well as Scandinavian countries (namely Finland and Norway).

At the dose of the decade the assessment can be made that for this group of countries a redistribution of employment among the total population has taken place, these countries having managed to bring their share of unemployed youth closer to the ECE average, demonstrating drops superior to 10 points of percentage. Along this line a particular mention may also be granted to Austria and Sweden, countries that figured in the average zone at the start of the decade and that managed to curb their rates to become the lower youth unemployment countries in the region as far as shares (around 17%), still not yet reaching the figures boasted by Germany, which is almost a unique case in the region as far as generational equality in employment (equally so, for that matter, as concerns unemployment rates). Despite the dramatic economic and social transformations implied by the reunification, Germany still managed to maintain the lowest share of youth out of work in the region: after an initial upsurge at 16% (which still remained the lowest rate at the time), youth unemployment rates seemed to stabilize around the 12% mark, a level in line to German adult shares. The exceptions to this trend are Norway and Turkey, where it seems no significant improvements for a more equal access among generations to the national job market took place.

In contrast with the above-mentioned group of traditionally high youth share countries, a cluster of new high share countries has emerged in the nineties, and their situation is not particularly encouraging as far as generational equality in the labour markets. In some Central and Eastern European states, youth unemployment shares began to rise at the beginning of the decade to reach a regional average superior to 35% while the situation for youth activity was even the source of greater concern in the Central Asian countries. In some particular countries the situation of youth employment became outright alarming, with unemployment shares surpassing the 45% mark in Poland and Romania, and reaching unseen numbers in Kazakhstan and Uzbekistan, respectively levelling at 54% and 64%.

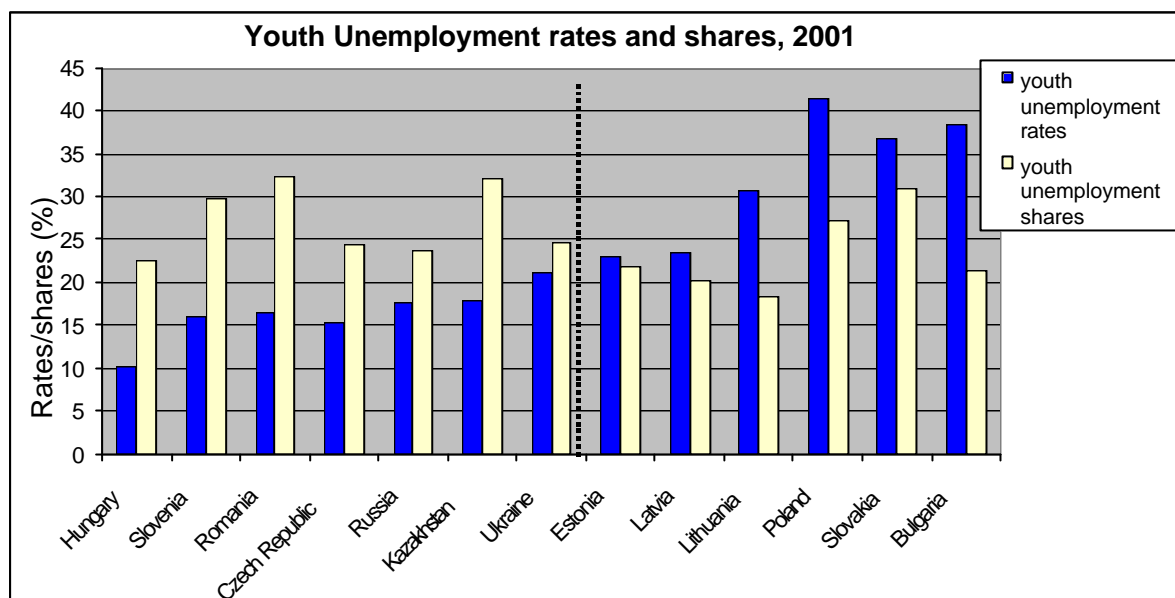


Chart 6. Source: UNECE Common Database

Chart 14 presents a distinction between a group of countries where unemployment shares are inferior to unemployment rates and another group where shares are superior to rates. In similar quantitative unemployment conditions across States, in some States youth are better off than others as far as unemployment. The comparison between Slovenia and Slovakia is quite informative: in both countries we may see that approximately one out of three unemployed is aged between 15 and 24, but this stands within a background of considerably lower total youth unemployment in Slovenia (inferior by 20 points of percentage): the labour market in Slovenia, albeit presenting a globally good overall performance, appears therefore as much more discriminatory for the youth population. In certain countries the tensions imposed on the labour market by various national and international factors are more at the expense of the youth population, whereas others display a much more egalitarian labour market as far as generational aspects.

1.3. The red line: discouraged young workers

As the situation remains a critical one and as the prospects for the future leave little scope for optimism to many ECE youth populations, finding and maintaining a job may seem to some youth, particularly the most disadvantaged ones (cf. I.B.2.a.), an ever hazy enterprise. This critical situation in transition countries gives way to a rather new and particularly disquieting phenomenon in the labour markets of many countries, often referred to as “hidden unemployment”.

This issue hints at the question of youth participation in the labour markets, i.e. the share of active youth (either working or job-searching) in the total population⁹. We need to take notice here of a clear pattern of declining participation rates in transition economies during the nineties, a feature which is quite in contrast with the prevalent trend in the rest of the ECE region which is markedly one of rising participation rates.

⁹ Following the ILO definition, the labour force participation rate is the “measure of the extent of an economy’s working-age population that is economically active”; it is calculated by expressing the number of persons in the labour force as a percentage of the working-age population.

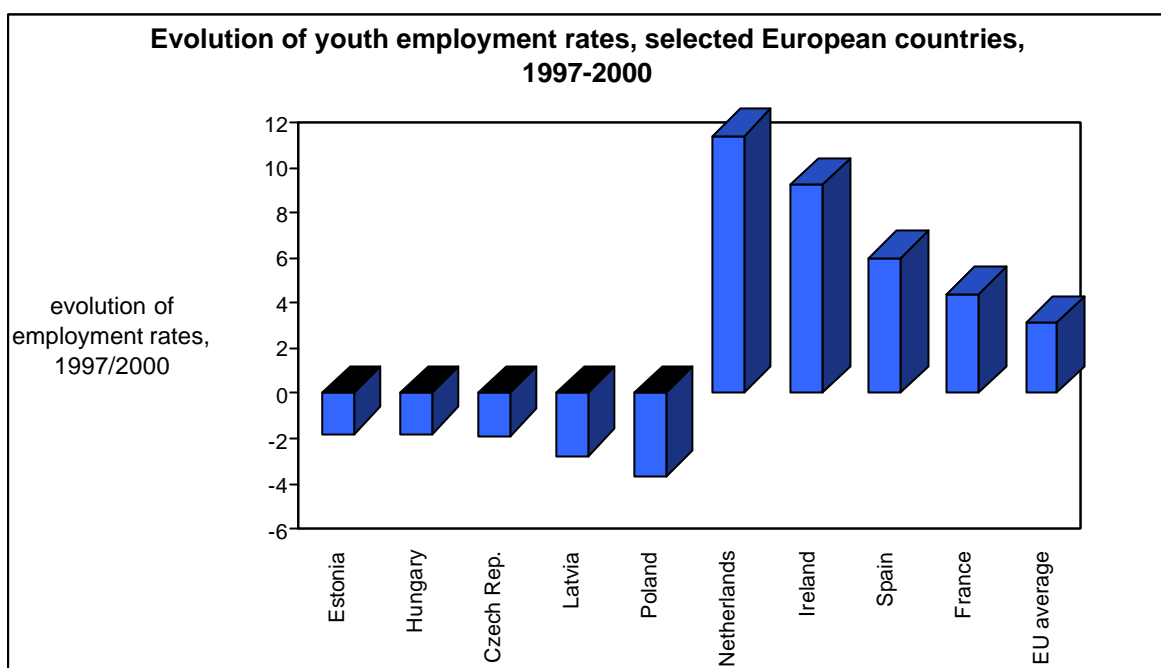


Chart 7. Source: Eurostat, Employment in Europe, Recent trends and Prospects, European Commission, July 2001

In the Western economies of the region, especially in its most flowering economies (Netherlands, Ireland...), the trend has persistently been one of widening active populations and rising employment rates, an evolution also intimately linked with the social advancement of women. In the transition to market-based economies in the East, this trend should by expectation have been even more marked as part of the process of 'catching up'. However, transition economies are actually moving towards the opposite direction.

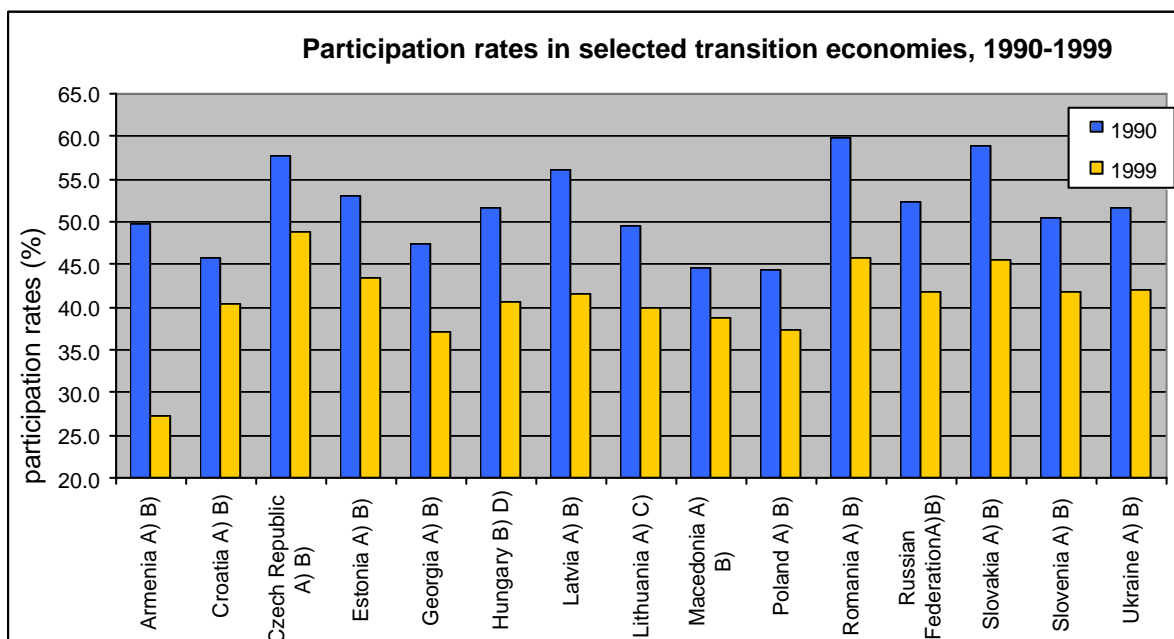


Chart 8. Source: ECE Spring Seminar 2002, Paper II: Unemployment in the Transition Economies, Ms. Alena Nesporov, Geneva, 2002

Notes:

- A. Economically active population, ILO, Bureau of Statistics (data for 1990)
- B. Labour force survey
- C. Official estimates
- D. Establishment Census

The lowering of participation rates, it may be argued, is related in some instances with enrolment rates, in a mechanism where a slimmer productive population in the present is to be related with a wider schooling and a higher educational attainment, thus capitalizing on a future greater productivity of the population.

However, this does not seem to be the driving force in the shrinking of the active population as acknowledged in transition countries. The unweighted regional averages for transition countries display a much deeper phenomenon, one that also concerns the adult population, with a loss of 5 points since 1990 (population between 15 to 49), albeit striking particularly hard the youth segment of the market, which displays a loss of more than 10 points of percentage.

Economists have coined the expression “hidden unemployment” to refer to this fringe of the population that does not figure within unemployment statistics. It seems there is an important, and growing, share of people not qualifying for the ILO definition of unemployed that still should be considered would-be workers. This significant decline in participation rates is rather, therefore, an indication of the momentous pressures existing in the labour market of many transition economies, and in its youth segment more specifically. The prevailing situation is thus, in our sense, better qualified by the expression “discouraged workers”. This is a concerning feature of our contemporary economies that more and more youth, faced with momentous difficulties in finding a job and attaining long term job attachment, are simply discouraged and dropping out: the red line is crossed.

This observation in turn makes for several further comments. The situation of those youth simply dropping any (formal) employment perspective, in a context of lowering social benefits, family break-up (...), makes for growing precariousness among an ever larger fringe of youth in the ECE. In this chapter, the situation of young women is especially disquieting. Indeed, while the contemporary economies have displayed a particularly important rise of participation rates for women, due to several societal, cultural and economic trends, such a process seems hindered in many transition economies. This shrinking of participation rates also has the inescapable correlate of the rise of the informal labour market in general and of illegal profit-making activities in particular.

This lowering participation rates phenomenon is particularly apparent in the transition economies, but such a trend cannot be supposed not to exercise also, albeit in a more limited manner, in the more developed countries of the region, especially among the traditionally high youth unemployment countries.

The current picture of the ECE as far as youth unemployment is therefore one of prevalent scarcity of employment and of unequal access to employment where it exists, therefore youth in the ECE typically experience major difficulties in accessing stable employment, a situation epitomized by a rising share of “labour market drop-outs” among the ECE youths.

2. Youth unemployment and total unemployment

Some lines of explanation must be set as far as the dynamics of unemployment in the youth segment of the labour market in relation with economic growth and total unemployment. Youth unemployment should not be considered neither as a fateful disruption of contemporary economies, nor as a simple phenomenon with straightforward solutions at hand.

2.1. Youth unemployment and economic growth

a. Unemployment and economic growth

Employment is basically correlated with the evolution of the national gross domestic product (GDP), which in turn is affected by the productivity levels of the economy as well as domestic and external demand. And expectedly youth unemployment is correlated with total employment trends as may be evidenced in chart 8.

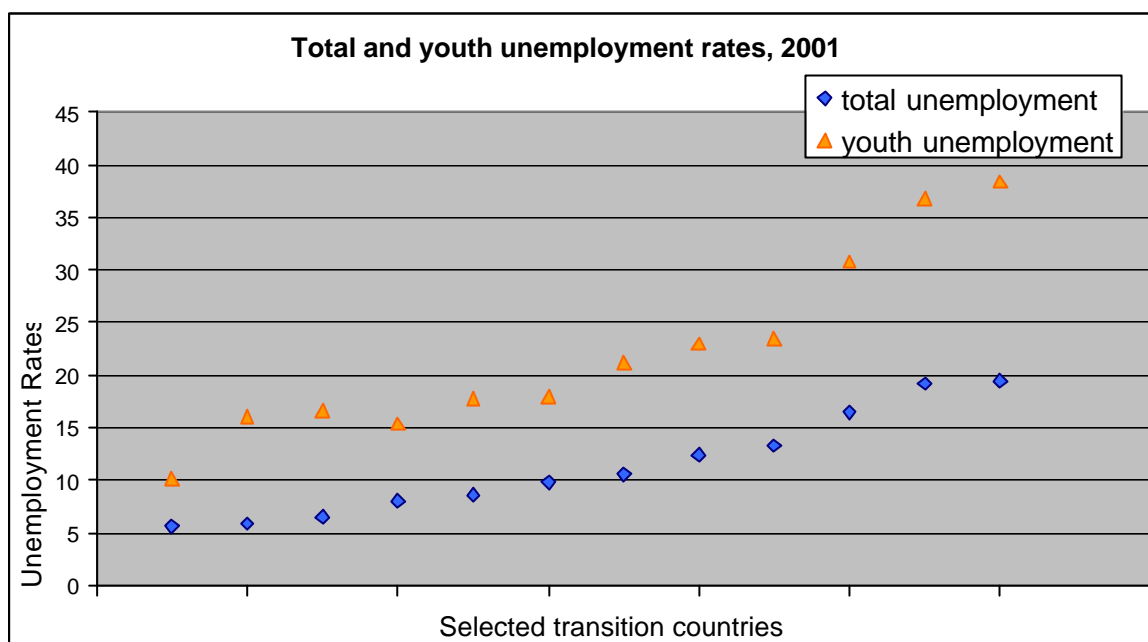


Chart 9. Source: UNECE Common Database

High levels of youth unemployment are basically therefore linked with insufficient outputs in national production. Economic growth is crucial to increasing employment levels, as may be illustrated by the example of Ireland, where in the context of a quite exceptional average annual growth (as compared with Western European standards) of approximately 8% in the second half of the nineties, youth unemployment rates displayed a dramatic decline, scaling down from 24.2% in 1994 to 6.4 in 2000¹⁰. Accordingly, macroeconomic policies geared at sustaining growth and maintaining global economic equilibria are thus a condition *sine qua non* for coping nationally with high unemployment levels.

b. Youth unemployment: a complex variable

Bearing this correlation between growth and youth unemployment in mind, it seems nonetheless that youth unemployment also needs to be considered in a more specific argument. It is clear in fact that youth unemployment varies significantly from country to country within similar conditions of economic growth and total unemployment. It is a well-known matter in economic theory that similar rates of economic growth may entail quite distinct rates of employment growth, with reference to the varying employment-value of GNP growth (a longer discussion on this chapter follows, section I.B.3.a.).

¹⁰ Confer table 1

Likewise, the dialectic between total and youth unemployment should not be oversimplified. An ILO comparative study on the Canadian and German youth labour markets¹¹ illustrates this point. Canadian labour market has been creating many more jobs than the German labour market during the seventies and eighties, with a marked discrepancy between employment growth in the two economies, accounting for 62.9% and 6.2% growth rates in Canada and Germany respectively between the years 1971 and 1990. Expectedly, this would point towards a greater ease for new (and young) entrants in a much more dynamic Canadian labour market. However, the Canadian economy has actually proved unable to attain a significant reduction of youth unemployment which consistently retained high rate levels, well above the levels of total unemployment, whilst German young workers' unemployment steadied bellow adult rates, even in times of economic hardship.

The link between youth and total unemployment cannot thereafter be discarded as a straightforwardly mechanical one, as cannot be the compared dynamics of growth and employment.

2.2. The dynamic correlation of youth employment and economic growth

With the purpose of better understanding the mechanics that govern youth unemployment an appraisal of the economic dynamics that link growth and unemployment, and total and youth unemployment is called for, so as to move beyond the conception of a static connection between (youth) unemployment and growth.

a. Youth are particularly vulnerable in front of unemployment

The compared diachronic evolution of youth and total unemployment rates brings to this discussion some suggestive complementary assessments. Investigating the statistical correlation between both segments of the labour market serves to indicate how a stronger unemployment in the general population affects the particular youth population in accessing jobs, and conversely.

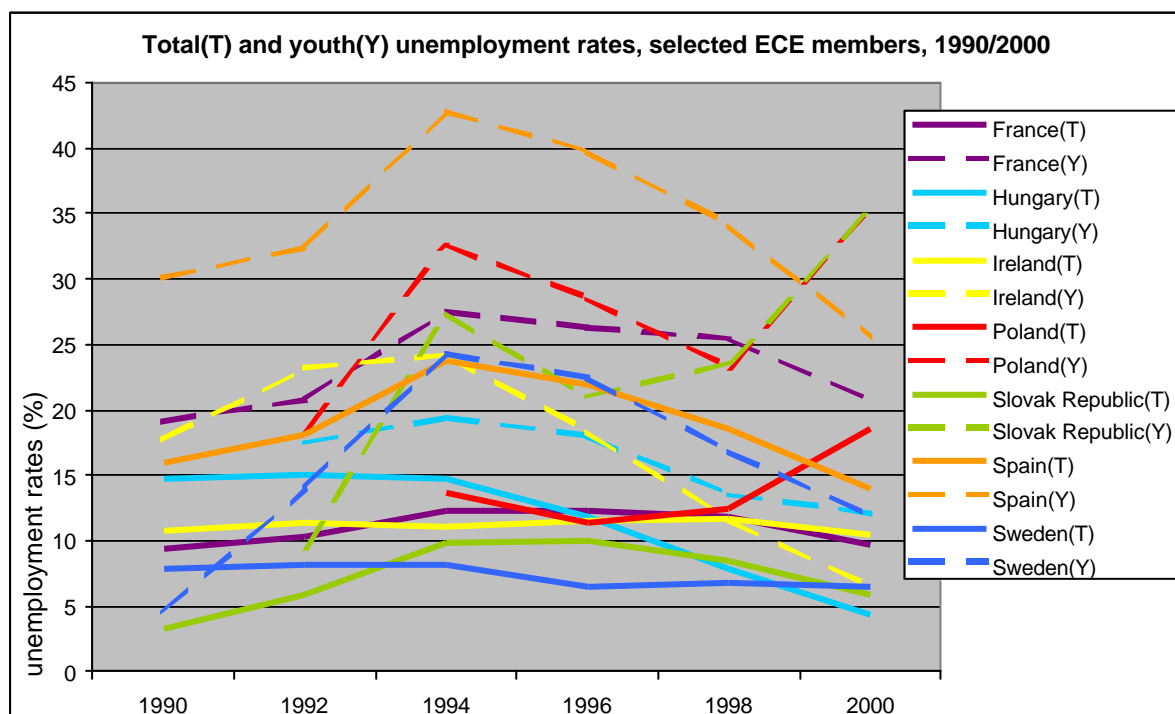


Chart 10. Source: OECD, Labour Force Survey- Indicators series

¹¹ D.M. Gross, Youth unemployment and youth labour market policies in Germany and Canada, Employment and Training papers no 37, ILO, 1998

Chart 9 graphically displays the compared evolution of youth and total unemployment rates in some ECE member economies through the nineties. When taking a glimpse at the curves a dominant pattern springs out of steadier total rates trend lines and more erratic youth unemployment evolutions. The example of Sweden is particularly suggestive, while only epitomising the economic history of most ECE member labour markets. Youth rates went through quite a sharp ascent at the beginning of the nineties, only to curb down with the close of the decade, while total rates display a rather more steady evolution. Hence the economic slumps of the mid-nineties experienced appear to have been borne principally by the youth segment of the labour markets through sharp variations in unemployment.

This graphic representation of the correlation between total and youth unemployment therefore displays a more than arithmetic correlation between the variables. The prevailing pattern in the ECE is thus one where youth unemployment rates are more than correlated with total rates, thus allowing for the inference that youth are more vulnerable than the total population in front of rising unemployment in the economy.

Youth are typically more vulnerable than the general population in front of unemployment in the ECE, but some particular youth populations are more vulnerable than the general youth population. "Youth" is a label that refers to a wide landscape of social, economical and cultural conditions to make for quite varied labour market postures across these varied populations. Specific groups of youths, as ethnic/religious minorities, early school-leavers, young females, or the mentally or physically disabled, appear to be proportionately much more vulnerable than the global youth population to unemployment. As an ILO paper notes, "socially disadvantaged youth are particularly affected [by unemployment], thereby perpetuating a vicious circle of poverty and social exclusion"¹².

When considering various subpopulations attainment in the ECE work markets, Ms. Alena Nesporova reports that the school drop-outs without work experience are the hardest it sub-population¹³. An assessment that is particularly true to transition economies, but that is also quite relevant to the more developed countries of the region.

The distinction between "teenagers" (aged 15 to 19) and "young adults" (aged 20 to 24) is also operative as regards youth unemployment, with a pattern of considerably higher unemployment for teenagers. In Hungary, Keune¹⁴ records how teenage unemployment rates more than doubled young adult unemployment during the nineties.

A special emphasis will be dedicated here to the issue of gender, to understand if (and rather, how) it is operative on the youth unemployment chapter. It seems reasonable enough to assert that there is a pattern of gender discrimination in the economies of the region. Male unemployment rates in the ECE are consistently about two percent lower than female unemployment rates: the unweighed panel averages of selected ECE member countries display a youth male unemployment in 2000 equal to 15.5, the average for young women being 17.8 (confer table 3 in annex). We also need to bear in mind that this pattern is also operative as regards participation rates, therefore making for an even deeper gender gap in youth access to work than unemployment rates may reveal. Countries like Greece, Spain, Italy or France all display quite larger than average gender gaps in the matter of youth unemployment, exceeding 15 and 13 points of percentage respectively for Greece and Spain.

¹² White and Keanon, Enterprise-based youth employment policies, strategies and programmes, Skills Working Paper 1, ILO, p. 2, Geneva, 2001.

¹³, Alena Nesporova, Unemployment in the transition economies, ECE Spring Seminar 2002, "Labour market challenges in the ECE Region", Geneva, May 2002.

¹⁴ Keune, Youth Unemployment in Hungary and Poland, Employment and Training Papers no 20, p. 14, ILO, 1997.

It is important however to move to a more refined grasp of the matter. Firstly it has to be noted, it is quite a notable fact that several countries, both from the developed countries and transition economies, are characterized by relatively higher rates of male youth unemployment. Germany, the UK, Sweden, Ireland or Turkey all display lower young female unemployment levels.

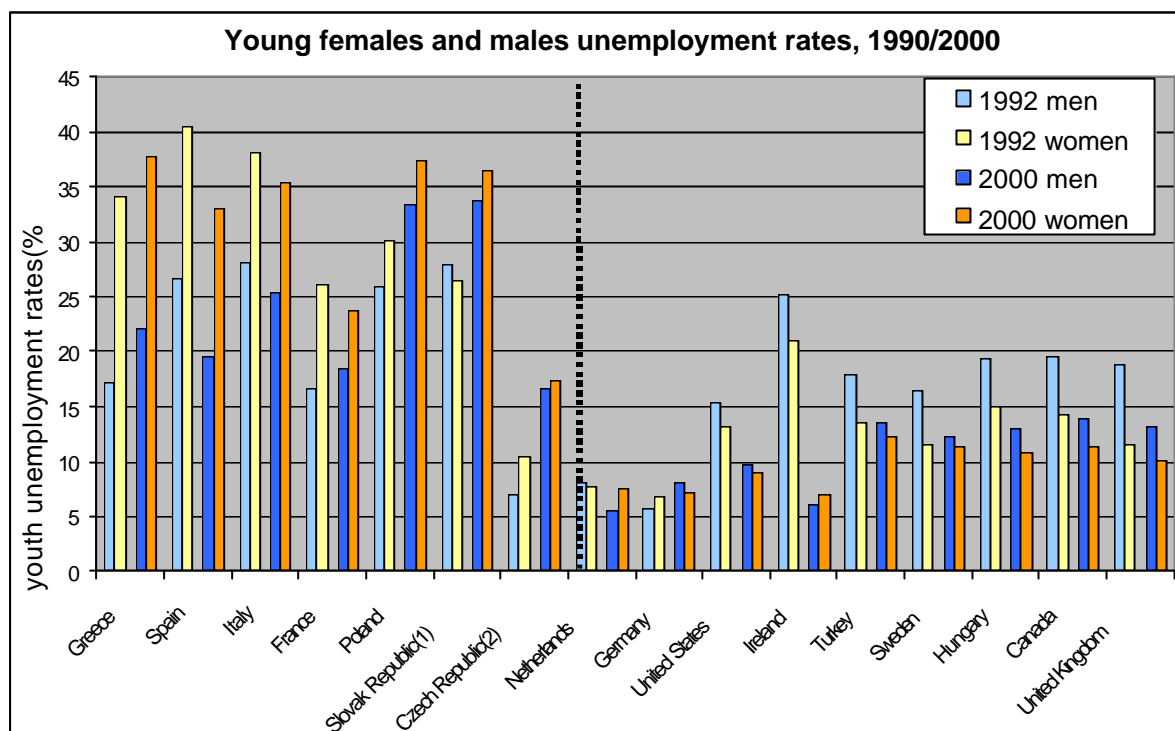


Chart 11. Source: OECD Labour Market Statistics - Labour Force Statistics by sex and age (in thousands), Labour Market Statistics – Standard labour market indicators, author's calculations.

Slovakia: 1994/2000

Czech Republic: 1993/2000.

Whereas the pattern of discrimination in the work place continues to be present in the ECE area, the relative situation of young men appears to be worse in some countries. Several explanations to this feature may be brought forth. A first line of explanation, the most limited one substantively, would consider participation rates, which are traditionally higher for the male working force, making for a statistical gap between “real” and statistical unemployment, a certain type of “hidden unemployment”. As a further more consequential argument goes, relatively higher male unemployment may be owed to massive restructurizations in traditionally largely male sectors of activity, as in heavy industry, a fact that is obviously particularly relevant to the transition economies’ large involvement in those sectors of activity. This phenomenon may also be operational in developed countries, even if it is not so visible due to a greater economic differentiation of their productive activities, still this may be quite relevant to certain sub-national regions particularly affected by the crisis in heavy industries.

Such types of arguments though are based on a negative line of explanation, and cannot explain the whole feature of this apparently better performance of young women in the labour market, especially in the contexts of growing economies. A more positive understanding of the phenomena should be dealt with.

The unweighed gender gap ratio calculated from the selected panel of ECE countries in table 3 (cf. annex) reveals that young women in the ECE are less gender discriminated than their adult counterparts in front of unemployment (with respective ratios of 1.15 and 1.27). From this stand point, one may infer that young women are gradually, if slowly, enhancing their integration within the labour markets of the ECE, and that diachronically, the gender gap on employment is receding.

This brings us to the argument that young women are performing increasingly better in what could be referred to as the labour market 'gender competition', thereby apparently managing to crush the cultural biases they traditionally encounter in the working place, and are becoming important new actors in the growth of their national economies. Stronger motivation and dedication to their work (related to the historical novelty of their economic participation and perhaps to a still relatively more precarious social situation), or a relatively better educational attainment may shed some light on this important aspect of contemporary ECE economies. This last factor is specifically mentioned in a Youth Forum report on unemployment in Europe, stressing the fact of an increasingly better qualification of women in terms of vocational/educational preparation: "young women in the European Union are now consistently doing better at school and university than young men, and if this trend continues their level of attainment will be higher than that of young men in all of the Member States"¹⁵.

The conclusion stemming from this argumentation is that youth are particularly vulnerable in times of economic difficulties in terms of access to employment, with comparison to the general population. And some types of youths are more vulnerable than others. But these specific sub-groups, as the example of young women may suggest, are a population that varies significantly from country to country and that needs to be appraised accordingly.

Youth participation is beneficial to the growth of the economy and employment.

It is crucial for a proper appraisal of youth unemployment to understand that youth and adults are not locked into an economical zero-sum game. The following chart enables to make some important assessments on this point.

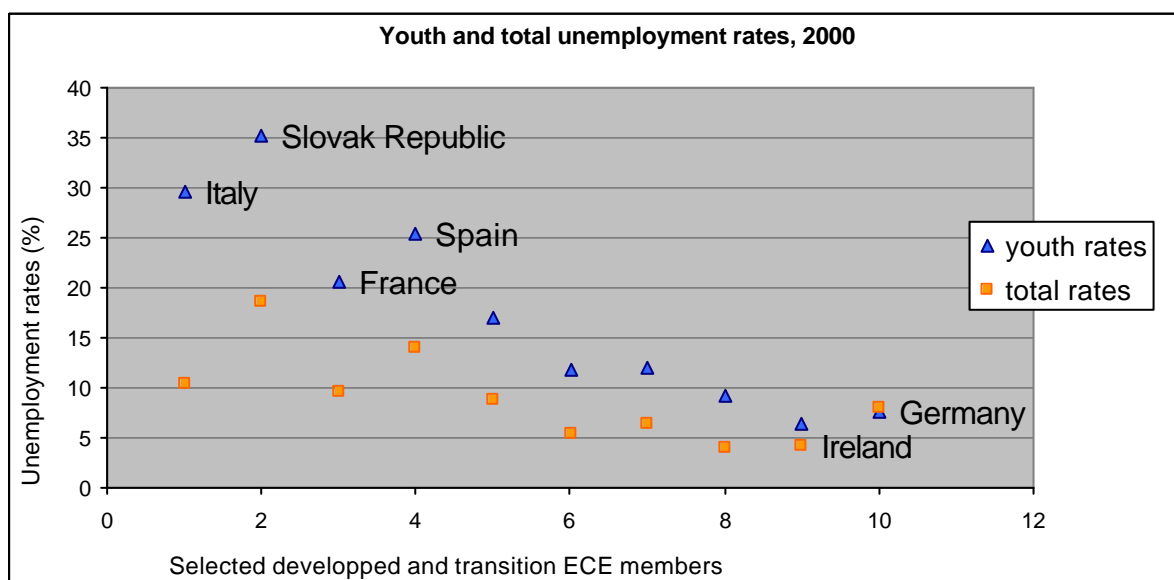


Chart 12. Source: OECD, Labour Force Statistics (LFS), Indicator series

¹⁵ Katy Orr, The European Youth Forum Report on Youth Employment in the European Union in 1999, January 2001.

The main feature that springs out from chart 11 is that countries with the greatest gap between total and youth shares (Italy, Slovakia, France...) are also the ones that have strongest total unemployment rates and conversely, countries with the lowest total rates are also countries with the lowest "generation gap" in their labour market (Germany, Ireland). It may be inferred thereby that a greater participation of youth in the labour market does not appear to be detrimental to total employment. On the contrary, good records in youth labour markets seem to be an important component of their overall economic performance. The example of Ireland brings again an interesting contribution to this discussion, since it appears that the dramatic Irish growth of the second part of the nineties was coupled with a relatively much higher progression of employment within the youth segment of the labour market. In fact, while youth rates underwent a dramatic decline from 1994 onwards (departing from rates close to 25% in 1994 to end up the decade with a 6.5% rate in 2000), total unemployment rates only experience the most meagre of drops (-0.5 points of percentage between 1994 and 2000)¹⁶. The stunning Irish growth of the nineties has therefore been chiefly a youth employment-value growth. It should therefore be inferred thereafter that growth in Ireland during the nineties rested heavily on the quantitative and qualitative labour input of Irish youths.

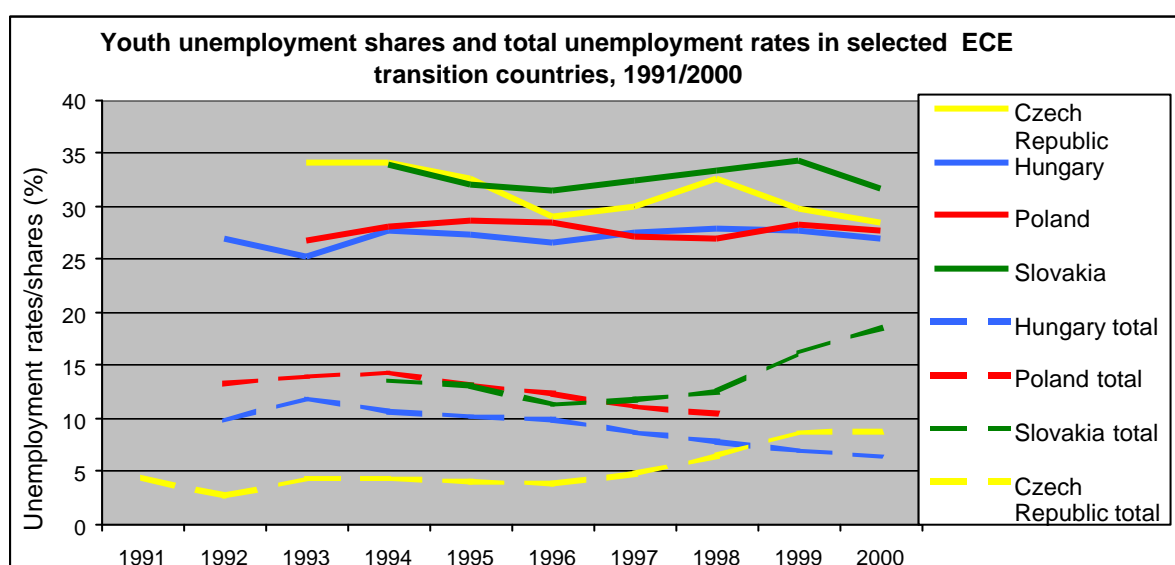


Chart 13. Source: OECD, LFS- Indicators (for total unemployment rates) and ILO, Laborsta database, Unemployment by sex and age (in thousands), authors calculations (for youth unemployment shares).

Similarly it may be observed in the here-above chart how an increase in total unemployment did not correlate eventually with an increase in the share of youth unemployed in the cases of the Czech and Slovak republics, the opposite is true instead. Such a trend suggests how youth are playing an active role in the performance of those countries economies and their modernisation. This statistical analysis featuring the relevance of the youth workforce in the growth of ECE economies seems therefore to converge the main substantive conclusion of a recent report on youth employment in Europe, which asserted "young people represent the principal source of new skills in the labour market. They have a particular aptitude for the skills required by the information society and the knowledge-based economy"¹⁷. Youth in the labour market therefore may be rightly referred to as a

¹⁶ Confer table 1.

¹⁷ Get In! Report on the Youth Convention on Social Exclusion and Employment organised by the European Youth Forum at the European Economic and Social Committee, Brussels, 21 February 2000.

crucial collective actor in the modernisation of economic landscapes and in bringing in the innovative impulse that nourishes economic growth in the contemporary ECE region.

2.3. The relevance of policy

a. Youth unemployment: economic constraints and political choice

Despite a similar regional pattern characterised by economic difficulties and low (if positive) growth leading to high (particularly youth) unemployment in the nineties, major discrepancies among national labour market contexts are observable.

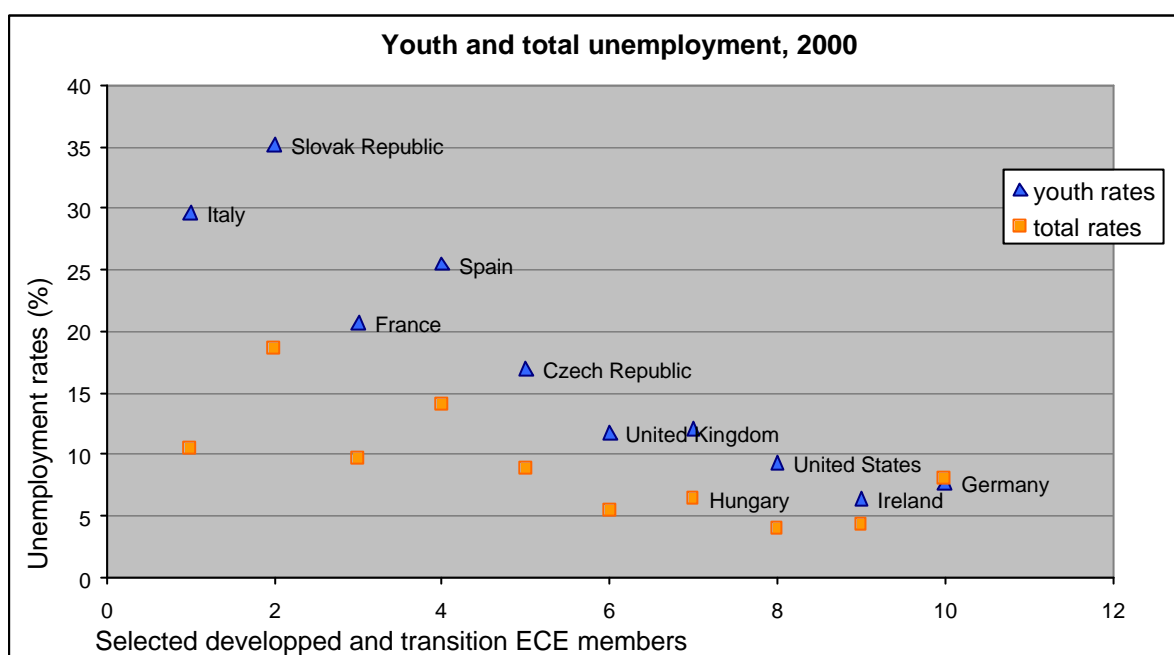


Chart 14. Source: OECD, Labour Force Statistics (LFS), Indicator series

In fact we can remark here that across the region, unemployment levels go through all possible configurations, passing from minor levels of unemployment around the 5% line (corresponding to so-called “natural” or “structural” unemployment levels in economic theory), up to distressing levels with rates surpassing the 30% line. This marked disparity among national situations is blatant at the level of the ECE area, which accordingly embraces somehow diverse economic contexts, but it is also manifest in the scope of allegedly more coherent groups of countries as far as economic characteristics: among the western European developed economies, youth unemployment rates in Spain and Italy are six times higher than the ones in Germany and Ireland for instance, and similarly 30 points of percentage divide the Slovak and the Hungarian contexts as far as youth unemployment.

Therefore major differences in the ECE labour markets landscapes may be beheld. Indeed it is obvious to begin with that every country initiated the decade with varying national economical configurations; regional and international economic conditions and imperatives bear in different manners on the economies of countries, thus leaving scope for certain variations in economic outputs across them. As already mentioned, there is, broadly conceived, a common background in the economic history of the ECE region during the nineties against which its member economies can be related to. However, an even more determinant factor explaining the above-mentioned discrepancy on labour market performance in the ECE resides in the way each country actually

responded to the national and supra-national situations that its economy has to face; this response is the matter of policy, as indeed, policy matters.

This issue may be usefully enlightened through a brief historical overview of the economic transition in Central and Eastern Europe and the CIS countries. There is a pattern of labour market trends in the transition economies, which is correlated with a common economic environment and related policy imperatives: intense external shocks and macroeconomic austerity measures. However, within this common frame, there is room for great discrepancies in unemployment rates among countries. These differences are intimately linked with the fundamental macroeconomic choices made by the successor governments of the transition era: whether a given country chooses to focus its macroeconomic policy for example either on improving productivity ratios or on keeping up employment levels (supply-side or demand-side economic policies), is a fundamental policy choice that induces quite distinct alternative paths on the course of unemployment within a national economy, both at the short to medium and longer terms.

It has been convincingly demonstrated how the different policy paths that were followed in the transition economies are a fundamental determinant in the eventual course of employment in the region. Countries such as the Czech Republic, Romania and Slovenia were able to keep employment losses well below those of production, at the cost of labour productivity losses, while others such as Bulgaria, Hungary and Poland, achieved labour productivity increases by sharper cuts in employment¹⁸.

The particular modalities chosen to take forth the economic reforms implied by the transition also significantly influenced unemployment trends. Whether a certain type of shock therapy or a more lenient hand was driving State policy, labour markets conditions varied profoundly. Ms. Alena Nesporova observes that since the very earliest stages of the transition a significant difference in employment trends had emerged between, broadly speaking, the Central and Southern European countries (CSEC) and those of the Community of Independent States (CIS): In the CSECs the employment fall was already dramatic in the nascent years of the economic transition, whereas the fall was at a more gradual pace in the CIS regions¹⁹, making for quite distinct statistical appraisals of unemployment.

b. Youth unemployment in the ECE: some good records

Leaving aside the three main patterns as of youth unemployment in the region, i.e. stagnating high levels of youth unemployment, rising rates and meagre drops in some cases, there is group of countries that distinguish themselves through consistent good records or significant improvements in their labour markets.

¹⁸ Alena Nesporova, Unemployment in the transition economies, ECE Spring Seminar 2002, "Labour market challenges in the ECE Region", p.2, Geneva, May 2002.

¹⁹ Alena Nesporova, Unemployment in the transition economies, ECE Spring Seminar 2002, "Labour market challenges in the ECE Region", Geneva, May 2002.

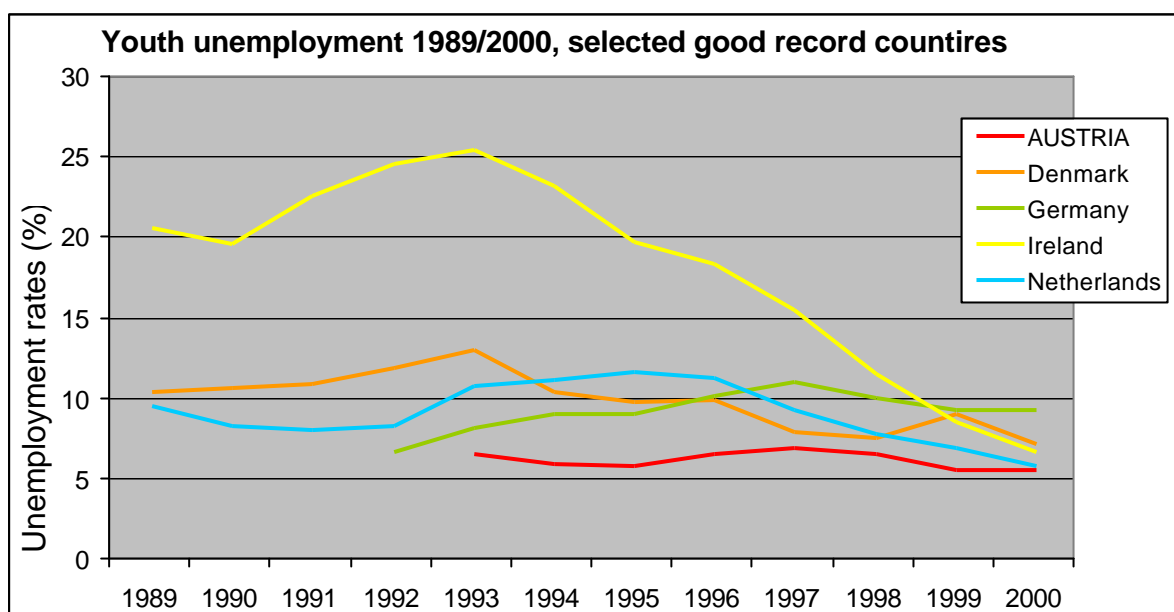


Chart 15. Source: ECE Statistical Database, from national statistics and direct communications from national statistical offices to UNECE secretariat.

When contemplating the issue of youth unemployment, Germany conventionally springs out as a special case. The German labour market is the perfect counterexample to the rule that youth unemployment rates always exceed (and double on average) total rates in the ECE. During the passed decade, German youth unemployment according to OECD statistics (cf. table 1) was consistently below total levels throughout the whole nineties but one year (in 1996), and Germany closed the decade with a youth to total unemployment ratio equal to 0.79 (2000). Therefore, despite the economic shocks that hit the whole of Western Europe throughout the nineties, and in spite off, even more significantly, the major challenge that the political reunification of the Cold War 'Germanies' brought in economic terms, the country's youth continued to benefit from a fine labour market situation.

This relatively sound working of the labour market is widely publicised as directly proceeding from an educational system that has proved to be in very good match with the world of labour, the so-called "dual system" of education or apprenticeship system, which main features are discussed here-infra (II.A.2). It may be argued that this system in which apprenticeships in firms are granted an important role involves a purely statistical dimension downplaying real levels of youth unemployment: for statistical purposes German youths are apprentices rather than unemployed, but they equally are not holders of a true stable remunerated occupation. To this argument it may be objected straightforwardly that keeping youth on-the-job (even if somehow unnaturally as regards the free working of the market) is certainly better than leaving them restless. In a more substantive argument furthermore, it seems that the large activity rates of the German youth is a solid reality that brought many generations to an eased transition between school to work, and throughout the nineties, no indication prevails as of its anachronism.

This discussion on Germany rejoins what can be said on other traditionally good record countries: Denmark, Austria. These countries have also organized their educational system along the dual system, with a large share of young people heading towards technical education and on-the-job apprenticeships. But the specially good situation of unemployment in those countries also hints at another interesting point to be made: the relevance of active labour market policies (ALMP). According to the literature, the recourse during the nineties to ALMP in curbing youth unemployment

in Denmark, Austria and the Netherlands has “already shown its positive impact”²⁰. This assessment is also extended to other countries where “general policies favouring young people were successfully undertaken” (in this instance the authors refer in particular to Germany and the UK), countries that experienced a decrease in the number of young unemployed during the troubled 1983-1995 years²¹. In the Netherlands, youth unemployment rates were cut by half in the second part of the nineties (scaling down from a 12% to a 6% rate), an evolution that coincides with a more proactive stance in the field of labour market policies.

The impact of ALMP is further to be spotted in what constitutes perhaps the most striking evolution as regards unemployment of youth in the ECE region during the nineties, i.e. Ireland. As is depicted in the above chart, the Irish economy proved capable of drastically bringing down the level of youth unemployed after 1993. It is clear, as already mentioned, that the impressive growth rate experienced in Ireland in the second part of the nineties has got a lot to do with this reduction in unemployment rates. However, the employment-creation propensity of growth in Ireland is a crucial feature that needs to be linked with the proactive stance the Irish government has taken on unemployment, and specially that of his youth.

We hereafter develop this important point under a further heading (II.B), in the meanwhile it needs to be noted here that the activization of passive labour market policies has been an important aspect of these aforementioned countries’ consistently or newly stored away good records in the youth segment of their labour market.

The conclusion to the first part of this study is that youth truly are in the frontline as far as evolutions in the labour market. Youth are instrumental to the general growth of both the economy and employment, whilst they also are the first exposed in times of economic hardship. A policy seeking a greater integration of youth in the labour market seems therefore crucial, both in economical terms as for social considerations. A good general situation in the economy, i.e. macroeconomic stability, budget equilibria and general growth, is crucial for a sound working of the youth labour market. It is clear that having enough apprenticeship places for instance, entails a strong economical background. However specialised policies, if they cannot be considered magic formulas, are still relevant to curbing down youth unemployment. It is thus vital to intervene at various policy levels, regional, national or sub-national, in order to ease and foster the participation of the youth workforce in the labour markets of the region. In that perspective, we hereafter focus on several policy devices, as well as private or semi-private specific programs, that we deem worthy a close consideration. A special emphasis will be devoted to the two issue areas just mentioned for their demonstrated relevance in curbing youth unemployment, i.e. an efficient educational system and a proactive stance as regards labour market policies.

II. YOUTH UNEMPLOYMENT: SELECTED ISSUE AREAS AND RELATED POLICY ROUTES

Some common problems and policy priorities may be evidenced as particularly relevant to the ECE region economies for particular emphasis:

A better and higher-level education and training that matches the needs of the labour market. Growth and productivity in the ECE are dependent on higher and better-educated persons, both in general education and specialist training.

²⁰ Peter Auer, Employment revival in Europe : labour market success in Austria, Denmark, Ireland and the Netherlands, p. 92, Geneva , International Labour Office, 2000.

²¹ Caroleo and Mazzotta, Youth Unemployment and Youth Employment Policies in Italy, Employment and Training Papers no 42, ILO,1999.

Active labour market policies. In the contemporary period of profound economic change (in the transition area specifically, albeit also in the western countries) there is an acknowledged priority for innovation and redeployment that makes for a policy rationale that strongly supports new sources of job creation rather than protection of insiders and established labour market features. Youth have a very special position to uphold within this policy rationale, as being a crucial social actor in modernization and innovative endeavours within the economy.

These two issues should be construed in our approach as potential alternatives in a multileveled strategy against unemployment of young people at the national level. These issue areas, along a few others, will make the basis for a presentation that henceforward puts in parallel some causal analysis and some related policy alternatives. It will unfold along the basic distinction between supply-side and demand-side economics in labour market theory.

1. Labour Supply Factors

1.1. Education and human capital investment

The relationship between education and youth unemployment is a Janus-like issue. In one regard, there is a widely alleged positive relationship between education and economic growth. On the other hand, school and university may also constitute a sort of “waiting zone” for potential entrants in the labour market. Youth faced with difficulties in entering the labour market may seek in further education an artificial haven. At the state level, rising tertiary enrolment rates may also indicate a desire to maintain a share of the would-be working population away from the scope of unemployment statistics... and expenditures. In such cases, one could argue, longer educational levels may not constitute anymore the crucial asset of new entrants in the labour market. Instead, this trend leads macrosocially to rocketing rates of highly educated youth unemployment. Such a pattern has come to typify in some aspects most developed economies labour markets: Italy and Spain, traditionally high youth unemployment countries, saw their national educational attainments rise at a high pace in the eighties, to end up the nineties with graduate unemployment levels of 30% in the 25-29 age group²². Such a trend is not confined to the richest countries of the region though, it appears as a still latent but growing reality in many transitions countries.

It remains unambiguous nevertheless that education certainly has to be considered as a potent lever on the unemployment levels of the younger population. The issue may be developed through a micro and a macro perspective. From a macro-economic standpoint, the international distribution of labour as it stands is widely thought to entail a specialization in that kind of knowledge intensive labour for the economies of the ECE, thus making for an ever growing demand of qualified labour. It is widely believed indeed that economic growth in contemporary world economy requires ever greater standards of training and education as it relies heavily on knowledge and technological progress. It has become a matter of common understanding that today the labour market requires high levels of both generalistic and specialized education to alimnt its ever growing demand in knowledge-intensive jobs, specially, but not uniquely, in the high-technology segment. Macrosocially, better and higher standing education is crucial in attaining greater productivity levels for the whole economy. Micro-economically, the argument may be made by grasping the negative: it has already been stressed that school drop-outs undergo momentous hardship in coming up with a job in the ECE labour markets, to make it the hardest hit subpopulation in Ms Nesporova's account of ECE labour markets. Good education accordingly, both general and specialist-oriented, is therefore widely and rightfully alleged as the main asset young people can capitalize on when entering the labour market.

When considering educational systems capable of providing labour markets better and higher educated people, it seems that the particular type of relationship that may exist between the

²² GET IN! Report on the Youth Convention on Social Exclusion and Employment organised by the European Youth Forum at the European Economic and Social Committee, 21 February 2000.

educational/vocational system and the working world is the crucial factor. As O'Higgins²³ rightfully stresses, it is not so much a matter of system as it is one of the mechanics existing between the system and the world of labour. An intimate and dynamic link between the two sectors appears crucial. To the author however, one type of educational system appears to entail the soundest relationship between school and the labour market: the so-called "dual system" (or apprenticeship system) of education/vocational training, as practiced in Germany, Austria and Denmark, seems to provide better results than the "standardized school-based" educational/vocational system, as practiced in France and Italy for instance, as far as youth unemployment is concerned.

This points hints at the important issue of "first entry" in the labour market. In fact it appears that the type of educational system, or, rather, the type of relationship between the world of labour and the world of learning unfolding in each particular educational system, infers significantly on the "first entry" achievement of school leavers: according to a recent report, 80% of youth unemployment is caused by first entry problems in Finland, Greece and Italy, but only 20-25% in Austria, Germany and the UK, and only 15% in Denmark²⁴. The induction that easier first entry means lower youth unemployment is straightforward enough. Similarly, Gross's aforementioned comparative analysis of Canadian and German youth unemployment grants great significance to the impact of two dissimilar educational systems on the transition between school to work²⁵. In their conclusion of a study on French youth unemployment, Bruno and Cazes consider that education and training, i.e. access to qualifications that are better streamlined with labour demand requirements, is the most significant variable (besides economic growth) as far as youth unemployment in France²⁶.

In fact, the relationship between learning and working may be described as responding to two distinct but coexisting models, theoretically set up in an ILO paper by Caroleo and Mazzotta²⁷. Youth unemployment is viewed as responding to two ideal-typical frames, the first one called the "rich urban model" and the second one the "poor marginal model". Their analysis may be helpfully brought in here as far as it alludes to the relationship between education and unemployment. In the first model, it is asserted, prevails a highly educated type of youth unemployment (geographically located in the metropolitan areas of most developed Europe) whereas the second model relates to the sociological type of the low-educated unemployed. This theoretical frame allows for an interesting insight as far as policy-framing is concerned: whereas in the regions best addressed by the poor marginal model educational policy should primarily focus on raising the educational attainment of the whole population (both in general and specialist knowledge), such a policy would prove counter-beneficial in a context of already highly-educated unemployment and the focus there should rather be set on dealing with a mismatch in supply and demand of skills in the labour market. The priority in the rich urban areas is a better streamlining of youth labour supply with the qualitative demands of labour.

To gather up the several strings set forth on this crucial relationship between education and employment, we may endorse the fact that theoretical conditions of equilibrium between labour supply and demand are conventionally quite distinct from the day-to-day reality of the labour markets, where market failure is present. This practical fact often made way to a governmental intervention aiming at correcting the natural asperities of each national labour market. Education, and educational policy, is thought as a way to bring the productivity of first entrants in the labour market in closer line with the costs of labour as they are set by the market. A low skilled population, and mismatches between

²³ Niall O'Higgins, *Youth Unemployment and Employment Policy, a Global Perspective*, ILO, Geneva, 2001.

²⁴ GET IN! Report on the Youth Convention on Social Exclusion and Employment organised by the European Youth Forum at the European Economic and Social Committee, 21 February 2000.

²⁵ D.M. Gross, *Youth unemployment and youth labour market policies in Germany and Canada*, Employment and Training papers no 37, ILO, 1998.

²⁶ C. Bruno and S. Cazes, *French youth unemployment, An overview*, Employment and training papers no 23, ILO, 1997.

²⁷ F.E. Caroleo and F. Mazzotta, *Youth Unemployment and Youth Employment Policies in Italy*, Employment and Training Papers, ILO, Geneva, 1999.

supply of skills and demand, are unambiguously a strong hindrance in the present and future ability of countries (specially in transition) to adapt to a fast evolving economy and eventually to curb down youth unemployment rates. Strong public investments in human capital, and proactive educational policies, appear to be of momentous importance for the situation of youth unemployment in the region.

When mentioning good practices on this chapter of the relationship between school and labour, it is hardly possible not to mention the German educational system. Stemming from what generally appears as the exceptionally good situation of youth employment in that country, the German example is widely mentioned as a reference point on how to administer a positive transition from school to work nationally. Indeed, Germany may boast a number of strengths in its educational system and the relationships with the professional world it benefits from, which might well provide new ideas for other countries.

The so-called German dual system of education is structured around two distinct educational paths, a generalistic course, that leads to theoretical education within universities, and a highly structured and developed vocational path, which accounts for around 65-70% of young people²⁸. Many German young people thus undertake some form of education or vocational training at least up to the age of eighteen, the principal route being apprenticeships. Apprenticeships combine formal in-company training and in-school theoretical training. The in-firm training generally takes the form of three-years working contract with an allowance.

The German system displays a high degree of integration between the educational systems and the labour market. The system is thus co-financed by government and employers. The training/educational content is co-supervised by unions and employers, thus ensuring that programs are tightly in line with the requests of the labour market and also ensuring a certain equilibrium between general and specialised education (unions usually press for more general cursus, whereas employers are more intent on specialist training). A national certification system makes for a common evaluation of each student's results throughout the country. Particularly interesting within this system are the schemes destined to drop-outs, with remedial measures available to anyone experiencing difficulties fitting into either the vocational or the general cursus in the form of one year general training or pre-vocational courses.

In the end close to 60% of the young entrants in the German labour market possess a vocational training and diploma²⁹. The transition from school to work is largely facilitated by this three-year professional experience which often ends up with a proper working contract, thus largely limiting the phenomena of job-zapping. This structure, while ensuring levels of youth unemployment that are typically lower than adult rates, has the negative counterpart of not allowing for much upward social mobility in a system that is sometimes described as inflexible³⁰, with young people's careers decided very early on.

The German system of apprenticeships is therefore a momentous framework which enjoys a long tradition and a tested administrative structure. In many other countries, vocational training is not the object of such an advanced structure and high standing. In order however to compensate the shortage of graduates with specialized vocational skills that is prevalent throughout the region, some examples of more limited measures have been introduced within the traditional generalistic system.

²⁸ Niall O'Higgins, The challenge of youth unemployment, ILO employment and training papers no 7, Geneva, 1997.

²⁹ Jacques Gaude, L'insertion des jeunes et les politiques d'emploi-formation, Cahiers de l'emploi et de la formation, No 1, Geneva, 1997.

³⁰ For example: Buechtemann, C., Schupp, J., Soloff, D, Roads to work: school-to-work transition patterns in Germany and the United States, *Industrial Relations Journal*, 24:2, 1993.

The Norwegian government launched a program called Reform 94 with the aim of providing all willing youngsters (aged between 16 and 19) a three years upper secondary vocational training, with a set target of one third of the relevant age group. The program actively involves employers and educational authorities with providing vocational training places in school and apprenticeship places in enterprises³¹.

In the UK, Modern Apprenticeship program (formerly Youth Training) is set to provide teenage unemployed (aged 16-17) with a direct on-the-job experience for a period of one to two years. The apprenticeships are mainly subsidised by the government. Some data is available as far as the assessed utility of the program in enhancing employment within the youngest unemployed, and despite the limited nature of the provision (with respect to the two aforementioned systems), there are positive indications over the upshots of the program: the net estimated effect appear to be of the order of 5-11 percentage points (a teenager with a 77% chance of finding a job would find this probability increased to 82-88%), with a stronger average for teenage girls.

Investment in human capital represents overall a particularly important driving force on employment trends. Education should not be construed as a panacea *per se*: a policy aimed at enhancing the educational attainment of the general population may well, indeed, reduce eventually to a straight route from low-skilled to high-skilled youth unemployment. For education and training to have a really substantive bearing on youth unemployment there needs to be a close relationship between the world of learning and the world of work so as to generate the type of dialectic between education and employment that is beneficial to economic and labour demand growth.

1.2. Vulnerable youths

It has already been the object of attention in the first part of this paper that certain youth populations find particular difficulties in achieving first entry and securing a stable occupation. The labour supply of these so-called “at-risk” populations is hindered by several (and often multiple) barriers that are linked among others to social, cultural, geographical, ethnical or gender factors. There is thus scope for a special support to be granted to these populations that are objectively disadvantaged in comparison with the mainstream youth population. We wish to hint at two private/semi-private programs specially designed to support disadvantaged youth in the labour markets, still bearing in mind that which type of population and which kind of proper support to provide, is a question that needs to be addressed within the scope of each national (and even sub-national) labour market.

BladeRunners is a wage subsidy employment program (British Columbia and Canada) that is designed specifically for youth who have multiple barriers to employment. The program deals with construction trades training by providing apprenticeship opportunities in public and private sector construction projects. Its objective is providing special assistance to particularly vulnerable youth for them to attain long-term labour force attachment.

BladeRunners is funded by the Ministry of Youth and was developed in consultation with the building trades unions and with local community organizations. The program is run separately in seven cities. It targets young people (aged 19 to 28) who have multiple barriers to employment, an expression which entails quite different personal backgrounds, from neglect or abuse, to unstable housing conditions or homelessness, low education levels and few or no employment skills, involvements with the legal system, substance abuse...

The main priority is the long-term attachment to labour force while alternative paths are also supervised, involving movement on to apprenticeship or further education. The program involves

³¹ Source: Response of the NHO (Confederation of Norwegian Business and Industry) to the IOE Survey, in *IOE Programme of Action on Youth Employment*, ENHANCING YOUTH EMPLOYMENT: EMPLOYERS' ACTIONS (Draft Programme) Geneva, June 1998

furthermore a strong personal dimension, with each coordinator working with the young people individually to help them resolve personal problems that may arise. The program initially involves an eight-week life skills/employability training program provided by non-profit organizations plus a week of health and safety training. BladeRunners provides a wage subsidy support for a maximum of 34 weeks, and participants may continue in the program after that as "Senior BladeRunners". They are in close relationship with employers and potential employers.

The program is allegedly proving beneficial not only to its direct participants but to their whole community also. The cost savings to the provincial government on community-related expenditures are substantial. For example the cost per participant, including Senior BladeRunners, is 7,050 Canadian dollars, which may be compared to \$8,045 for the yearly cost of income assistance for a single employable person (in 1998). There are furthermore considerable savings to other government systems such as justice and health. As for the direct participants, program staff and outside evaluation consider the results of the program quite strong. 53% of the participants were working after their subsidy had ended in 1998, and at the best established site (Vancouver) 64% of the 1997-98 class were working after their subsidy ended.

STEP (Support, Training and Enterprise Programme, Ireland) is a back-to-work training programme designed for young people who are either long-term unemployed or school drop-outs. STEP was established by the Young Man Christian Association (YMCA) in September 1988. The programme finds funding from the Department of Education, Early School Leavers' Initiative, with further assistance from the European Social Fund.

Nationally, seven centres provide a twenty-three week education program. The main emphasis of the program resides in the priority it gives to building confidence and self-belief in the trainees, whose difficulties in accessing secure employment is thought to reside primarily on personal factors. Psychological and career guidance backup is thus crucial to the scheme.

The full time education program includes computer, job-seeking and communication skills, to lead to a state-recognised certification. Individual mentoring, first-aid courses and work experience is also provided. There are usually two intakes per year in January and August. Since January 2000 training allowances are awarded to participants to meet basic financial needs.

The program displays appearingly a strong record of achievement, with an (internal) evaluation displaying an 85% success rate, i.e. 85% of participants advancing either into employment or to further education³².

1.3. Demography and labour markets

Demographic trends up to the nineties have laid a significant pressure on the labour markets of the region, with a significant increase in young cohorts entering the labour markets. The nineties have seen the coming to working age of the "baby boom" generations of the sixties, a trend that in itself is an important factor as far as youth unemployment. Keune insists in his analysis of youth unemployment in Hungary and Poland on the demographic increase in the size of the working age population during the nineties as an important variable for understanding the current situation³³.

In all ECE member countries (in spite of important regional disparities within the area) the trend now seemingly points towards a significant decrease in natality rates. According to the United Nations World Population Prospects, industrialised countries as well as transition economies will

³² GET IN! Report on the Youth Convention on Social Exclusion and Employment organised by the European Youth Forum at the European Economic and Social Committee, 21 February 2000.

³³ Keune, p. 9, Employment and Training Papers no 20, Youth Unemployment in Hungary and Poland, ILO, 1997.

undergo a shift in their demographic trends. Their youth populations would by expectation experience through the present decade respective downfalls equal to -8.5% and -8.3% ³⁴. Demographic trends thus suggest a progressive shrinking of the youth contingents entering the labour markets of the ECE in the years and decades to come, thus making for structurally lower pressures in the supply side of the labour market. However, such an easing of demographic pressures on the ECE labour markets is in any event to be contemplated as a long-term trend not to have a tangible impact on the situation of youth unemployment for still years to come.

2. Labour demand factors

Active labour market policies (ALMP) are public policies designed to make positive change in the structural characteristics of the labour market, enabling policy makers to directly act on both the supply and the demand side of the labour market. Passive policies conversely are designed at alleviating the social costs of employment evolutions through mainly welfare support. The activation of labour market policies, i.e. increasing the share of active policies in labour market public expenditures, has gathered great pace in public debates since the early nineties, to become one of the most important policy routes on tackling unemployment within ECE member countries. ALMP are the keystone of the European Union's strategy on employment since the 1993 Commission *White Paper on growth, competitiveness and employment*.

In light of latest economic research, this trend seems to represent something more than a policy fashion. In a study by Peter Auer geared at drawing knowledge from the cases of some European countries that have performed particularly well as regards to labour market regulation, the relevance of ALMP in that achievement, as already noted, has been specially emphasized as having "already shown its positive impact"³⁵. Public spending on ALMP has grown significantly since the early nineties in Austria, Denmark, Ireland and the Netherlands, and such evolution seems to represent a defining trend in the economic policies of many other ECE economies. This is particularly true for EU member countries (and soon-to-be new member countries), which collegially underwrote the *European Employment Strategy* that makes for a quantitative increase in levels of public funding on ALMP.

The author of the study further comments "there is a large variation between countries in the effectiveness of active labour market policy spending"³⁶. Deadweight and displacement effects may indeed eventually overshadow positive outputs. Active labour policies may be of great help, but their eventual efficiency heavily depends on the properness of a particular policy strategy in relation with the national configuration of the labour market. Therefore it is crucial for each country in the activation of its labour policies to set up a strategy closely matched with the particular features of the domestic labour market within a multileveled approach where no single pattern dictates a certain *modus operandi*. Each country should rather consider the particular bottlenecks hindering the performance of their labour market and looking forward to providing related solutions. It is important to keep this in mind while acknowledging that some outstanding issue areas may be picked up, that seem particularly relevant to easing the pressures in the labour markets of many ECE member States.

2.1. Focus on small enterprises

In the contemporary economy, there is an already mentioned imbalance in favour of policy rationales supporting new sources of job creation, rather than protection of insiders. Particularly in economically depressed areas, due to restructuring or outright disappearance of primary and secondary

³⁴ United Nations, *World Population Prospects*, N.Y., 2000.

³⁵ Peter Auer, *Employment revival in Europe : labour market success in Austria, Denmark, Ireland and the Netherlands*, p. 92, Geneva, International Labour Office, 2000.

³⁶ Peter Auer, *Employment revival in Europe : labour market success in Austria, Denmark, Ireland and the Netherlands*, p. 79, Geneva, International Labour Office, 2000.

sectors of activity (heavy machinery plants, mine, agricultural productions) coming up with new income-generating activities and new wealth of employment is primordial.

Such challenges, shared by both transition and established market economies in the ECE, may find an interesting response in the issue of small enterprise creation and development. Small to medium enterprises (SMEs) boast several merits that are most relevant to our discussion here. Allegedly, they are innovative, thus they are more amenable to capitalize on technological innovations and new types of economic activity thereafter constituting a fertile ground for a modernisation of the economy; they are flexible to market trends, thus more adapted to the leading features of the contemporary economy and thereafter capable of establishing durable productive ventures. It is furthermore widely alleged that SME development entail a type of high employment-value growth: they are the main suppliers of labour nowadays, they harbour a great employment potential for the future. In the words of A. Nesporova small-enterprise development “has been identified as the main new job generator for transition economies”³⁷.

a. The self-employment option

Youth entrepreneurship constitutes a potent lever for SME development and therefore fully partakes the momentous collective benefits that may be anticipated from fostering SME development as just mentioned. It is furthermore a particularly relevant tool to inject new economic impetus in particularly depressed areas where traditional sectors of activity have been scaled down, sometimes dramatically.

Aside these macroeconomic outputs, youth entrepreneurship further entails concrete micro-economic benefits concerning youth. It is argued in some instances however that the outputs of fostering youth entrepreneurship may be in the end rather limited as for the labour market posture of youth. It is asserted on occasion along this string that only the most willing and capable youngsters may eventually find real profit of such efforts, that the scope of action is ultimately reduced to quite narrow numbers quantitatively, and qualitatively to those youth that in fact may be in a lesser for third party assistance. This stream of arguments needs to be counterbalanced by several remarks. It is not disputed for example, that helping a willing youth becoming an entrepreneur has important spill-over effects for other surrounding young people: becoming successful role models for their peers a small number of youths may prove a potent psychological incentive for many other youths, and youth unemployment, not only that of the so-called “at-risk” populations, surely entails a strong personal dimension. In more practical terms furthermore, a successful young enterprise means employment opportunities, that will seldom not benefit to other neighbouring youths. It is ultimately worthy keeping in mind that, as a recent ILO contribution on the question rightfully notes³⁸, exposing youth to entrepreneurship increases their employability in the labour market, thus participating to a wider if more diffused contribution to lower youth unemployment rates.

Youth entrepreneurship is increasingly considered as of great importance for the growth of contemporary economies; accordingly, the last decade has witnessed a proliferation within the ECE member countries of organizations and programs to tackle the hurdles hindering the entrepreneurial initiatives of young men and women.

The promotion of youth entrepreneurship entails quite a wide panel of possible areas of intervention that have been grouped for the purpose of this study under four headings: promotion of the entrepreneurship culture, enterprise education, support in business creation, and youth enterprise development.

³⁷ Alena Nesporova, UNECE Spring Seminar 2002, Labour Market Challenges in the ECE Region, Session II, Unemployment in the Transition Economies, p. 8, Geneva, 2002.

³⁸ ILO, Meeting the Youth Employment Challenge, A Guide for Employers, p.31, Geneva, 2001.

It appears uncontroversial that many young people find themselves at odds with self-employment options in the first place as a matter of culture and social representations, because for instance they grew up with no entrepreneurial models in their families or close relationships, and will not consider self-employment unless encouraged and properly supported.

This points hints at the cultural disposition of any given youth towards the constraints and benefits of entrepreneurship. This is particularly relevant for formerly state-ruled economies, where collective representations seem to be much less inclined to self-employment prospects than in well-established market-based societies. Secondly, the issue of entrepreneurialism clearly involves a sociological dimension where entrepreneurship may appear quite a remote prospect in the eyes of socially disadvantaged youths, whereas the perceived accessibility of entrepreneurial opportunities may be much greater for more socially privileged youths. Schemes aiming to widen the prevalence of entrepreneurialism within the youth active population therefore involve both a cultural and a sociological content.

The need to target the cultural imaginaries within a strategy fostering entrepreneurship among the youth workforce has been entailed within many projects. Different tools are available in such chapter. The importance of role models is mentioned by Niall O'Higgins³⁹ as a particularly suited tool in raising the value and the accessibility of entrepreneurship in the collective representations of youth. The organization of youth business competitions is equally conventional to foster a commitment to self-employment among youth. Youth business competitions are consequential in a second and more diffuse manner as all the participants, and not only the laureate(s), will reach closer acquaintance with the self-employment option and the institutional structures that may at hand. Those events entail furthermore a practical corollary in that they contribute in helping sound and promising entrepreneurial ideas receiving the proper attention and support that will ultimately turn them in solid business undertakings. Various organisations operate business plans competitions of young people, as does in the private sector the Shell company through the 'Shell Livewire' competition or Nescafe through 'Nescafe Big Break'. At the public and semi-public level, initiatives are also there just to be taken advantage of.

Junior Chamber International (JCI) is a worldwide federation of young professionals and entrepreneurs with half-a-million members in some 100 countries and territories. It is a nongovernmental organization (NGO) participating in the United Nations system (notably active within UNICEF and UNCTAD).

Among various activities JCI holds a recently established annual business plan competition, with the alleged aim of "foster(ing) the entrepreneurial spirit among its members and in the (international) community in general". As for practical aspects, a US\$5,000 cash award of start-up funds for launching the business described in the winning plan is be granted.

The competition is open to any person under the age of 40. On top of spontaneous proposals, JCI is requesting entries from its National organization members, as well as from 1,500 universities, 100 ICC National Organizations, 15,000 Local Chambers of Commerce, Young Entrepreneurs of Europe, and AIESEC.

Enterprise education, i.e. teaching educational curricula and providing training experiences focused on shaping entrepreneurial competencies, is an issue that entails several strong arguments. It is firstly relevant to alleviating the "gap" between theoretical education and working life that is so much in question when referring to youth unemployment. Secondly, as school certainly represents a crucial locus for the career choices (and concomitantly for the career prospects) of youth people, teaching enterprise education at school (or extramurally during those years), is concomitantly of great value. It

³⁹ O'Higgins Niall, *Youth Unemployment and Employment Policy, a Global Perspective*, p.126, ILO, Geneva, 2001.

grants school leavers some basic knowledge on enterprise creation and greatly helps dissipating the psychological hurdles to enterprise creation that spring from lack of knowledge in enterprise affairs.

Entrepreneurial skills, however, remain something of an evasive reality. Building and running a business involves types of skills that are difficultly transmitted through magisterial education: personal motivation and proactiveness, independence and self-reliance, creativity and realism... Being a successful entrepreneur is therefore, and primarily, a matter of personal dedication. Keeping this in mind nonetheless, even the most dedicated young person may well find itself in high waters when, with neither experience nor third party support, it has to face the many challenges entailed by entrepreneurship. It should be recognized thereof that external support through skills training certainly is of a great value to aspirant young entrepreneurs as there is a great deal to be known for the young entrepreneur on many chapters such as taxation, lending, insurance, labour regulations, product liability.

Enterprise curricula commonly involves basic training in budgeting, stock control, lending and relevant national regulations. This set of knowledge increasingly appears as instrumental for the success of the young entrepreneur when one considers the ever steeper learning curves that he is faced with.

The greatest hurdle an aspiring young entrepreneur has to cope with is commonly spotted in access to finance. Obtaining adequate business capital funding for a starting young enterprise seems problematic in many instances, as lack of personal financial capital and collateral, poor experience in main street banking, and a certain bias against younger borrowers in conventional finance, converge to complicate the accessibility of main street capital funding to many would-be young entrepreneurs.

This particularly important issue has paved the way for two distinct sets of measures set up by the organisations involved, accordingly responding to two distinct philosophies of action.

According to a first stream of thought, as a consequence of the specific difficulties youth must cope with as regards access to private financing institutions, specific funding devices should be set up to support youth entrepreneurship. Youth committed to the self-employment solution can thereby obtain free interest grants from youth entrepreneurship organizations when launching their business undertaking, which often entails a certain agreement as regards the practical implementation of the business plan.

Specific, low-interest or no-interest capital funding loans may equally be set up by some organizations. These loans typically exceed grants as regards provided funding lines, and they generally involve much lesser levels of collateral requirements than within main-street finance. Conversely, those schemes imply stricter agreements over mandatory requirements concerning business development, as timelines, expected budget outputs or supervision of a mentor.

Following another set of premises, it may be argued that it is misplaced to somehow institutionalise the divide between adults and youngsters in capital funding access through the setting up of specific financial devices. Action in this regard should, on the contrary, be concerned with enhancing the accessibility to main-street banking funding for young entrepreneurs. Accordingly, the provisioned schemes consist in different kinds of support aiming at gearing up youth when faced with private banks.

Two such forms of support may be outlined. On the one hand we there are different sorts of background support that may be provided. Youth may find great profit in third party advice on business plan drafting or in the preparation of pitches to bank officials. On the other hand, many schemes actually engage in foreground support for youth seeking capital funding with conventional banks. This kind of support entails networking with bank officials and easing introductions to them, or

the setting up of loan guarantee schemes that may efficiently counterbalance the lack of personal collateral and the perceived risks related with neophytes.

Young aspirants, particularly in the initial periods of enterprise development, may find great value in being informally coached by persons with wide-ranging entrepreneurial and business experience. As O'Higgins⁴⁰ remarks, a supportive and didactic mentor may help young aspirants to overcome two of the major obstacles they are faced with: limited experience in the world of business, and lack of professional contacts.

Youth Business International (YBI) is a global network of decentralised youth business initiatives whose purpose is to help enhance young people, particularly the most disadvantaged (as young people with disabilities, ex-offenders or those in minority or marginalised communities), enhancing their employability and supporting them into self-employment. The first youth business initiative was established in the UK by the Prince's Trust in 1983, to be followed within an international network by other organizations seeking to emulate this pattern in their own country. YBI aims at bringing together people in business, civil society and government, who make their skills, expertise and facilities available on young people's behalf.

The youth business initiatives targets are committed young people (18 to 30 year-olds) with a well-researched business idea who experience difficulties in turning their project into a concrete endeavor. Submitted business plans are investigated by voluntary committees made up of local business people and professionals. They determine which young people's businesses to adopt. A business mentor is thereafter provided to the young candidate selected among voluntary and recognised business mentors drawn from the local business community. Help is also provided in accessing to capital funding through networking with conventional and youth-specific sources of financing. They also build up a network of local business support.

In the United Kingdom, in 17 of existence, YBI has set up in business over 45,000 18-30 year-olds. Around the world, YBI asserts that over 60% of created businesses are successfully trading in their third year.

b. Small enterprise development

If the issue of business creation is certainly topical, the question of business expansion, i.e. the consolidation of a business in time seems equally important, as it is essential for employment growth that these initiatives give way ultimately to prosperous and lasting business undertakings. Small enterprise development is therefore a crucial strategic target that the activation of labour market policies should focus on. Helping young enterprises establishing as stable suppliers of employment is an issue involving a wide range of intervention areas.

One such action area for the consolidation and the development of a business undertaking resides in the ability to build up a supportive professional network. Establishing professional contacts is a particularly challenging endeavour for young novice entrepreneurs, and something that is vital for the development of their enterprises. Many national organizations such as Chambers of Commerce or Entrepreneur Clubs are engaged in enhancing professional relationships among enterprises within their jurisdiction. Considering the rather specific situation of youth in this chapter, there is an even stronger rationale for the setting up of organisations specifically addressing the needs of young entrepreneurs alongside the established models of senior chambers and clubs. One good example of such initiative has been set up in Spain, the CAJE, Confederación Española de Jóvenes Empresarios (CAJE).

⁴⁰ O'Higgins Niall, Youth Unemployment and Employment Policy, a Global Perspective, p.128, ILO, Geneva, 2001.

Some organisations take the challenge of providing an (almost) comprehensive range of services to enterprises for their business development, a difficult undertaking that has the merit of encapsulating different but complementary initiatives. This point is illustrated by the case of Scottish Enterprise.

Scottish Enterprise (SE, United Kingdom) is a public organisation seeking to assist and support small enterprise creation within the national economy, something that is particularly relevant to the fate of young people seeking employment. SE appears as a dynamic entity engaging in many types of activities revolving around the fostering of SMEs within the Scottish economy.

Their record for the year 2000/2001 displays a wide range of operations. They supported throughout the year 6,400 businesses starting-up, while 102 inward investment projects were secured (involving 14,300 planned jobs) and 3,400 export projects were supported. Working space destined to high-growth businesses was provided for 20,000 square metres of premises through their real estate operations.

Innovation and research represent a particularly important objective. On top of juridical assistance into intellectual property matters, over 100 patents were registered in collaboration between SE and private sector companies, 17 companies were assisted "spinning-out" from academic institutions and almost 500 commercialisation initiatives of scientific research were brought into being.

This support to business also involves a strong emphasis on social issues. Nearly 600 young people from Scotland's Social Inclusion Partnership (SIPs) areas have been assisted in becoming self-employed, notably through the participatory management of the New Futures Fund, a £14 million pilot project to help the seriously disadvantaged (with 3,700 people involved), and nearly 400 businesses promoting economic inclusion amongst disadvantaged people were seconded.

Scottish Enterprise involves a range of further services geared at supporting employment in a multi-level strategy. The expansion of existing businesses through internationalisation (270 companies entered export markets for the first time), research and development assistance, involvement in e-commerce, has also been pursued. SE also acts as a driving belt for government's education and training projects in Scotland, with for instance over 15,000 youths in training as part of the (aforementioned) UK-wide Modern Apprenticeships program.

c. Other forms of small business

New forms of small business, specifically designed as social undertakings, are a growing tide in the world of small to medium businesses, a trend that is sometimes referred to as the rising "social economy". These ventures intend to make two strikes out of a single stone, establishing themselves as purveyors of public goods while extracting their financial base chiefly from private activities with a profit-oriented scope that is understood as synonym for autonomy. The fundamental rationale is to gather the resources necessary to further the social targets those private actors set themselves.

Juma Ventures, California, USA) is a private non-profit social entrepreneurial organization. Work is conceived by the organisation as being in itself a developmental activity to structure the lives and personalities of youth, particularly "at-risk" youth.

The activities of Juma are centered around four small businesses it privately owns and operates, which employ low-income youth aged 14-25, often residents of San Francisco's inner-city neighbourhoods predominantly from ethnic minorities. Juma-owned businesses retain youth in jobs an average of 15 months. Those businesses generate enough revenue to cover their own costs and provide training and employment for approximately 90 young people annually.

On top of Juma-owned small businesses of young people, other areas of activity comprise a work-based training and placement in private sector jobs. The Workforce Resources program provides a variety of supports including on-going skill enhancement, adult support, working parents services, life skills, career development, educational assistance, and an Individual Development Account (IDA) matching savings program.

Juma is also largely engaged in the networking of local small businesses. Notably through participation in the Small Business Network, a coalition of 19,000 small businesses, Juma profits from a preferential access to job placement opportunities.

In 1998, 100 percent of the young people placed in jobs over the preceding year retained their jobs or advanced to better ones.

2.2. Further forms of positive action on youth unemployment

a. Subsidised placement as alternative to paid unemployment

In the course of the last decade, the idea of funding subsidized placements through public expenditure as an alternative to unemployment insurance expenditures, in the popular formula ‘paying employment rather than unemployment’, has gathered great attention. Subsidised employment is a straightforward policy route for the activation of labour market policies. The rationale of subsidised work may take quite distinct forms of funding. In any event, it has been widely publicized as an instrument particularly pertinent to tackling the unemployment of young people. It is thought to be, in fact, a good instrument for making-up the gap between labour productivity/cost of labour that so much hinders young actives in their first entry. It is also allegedly pertinent to tackling long-term unemployment and consequent losses in labour productivity.

The “Contratti Formazione Lavoro” or Youth Training Contracts (YTCs) have been set up in Italian law under article 3 of Law 863 in 1984, with the aim of encouraging “ the hiring of young unemployed people by lowering labour costs for employers”⁴¹. This scheme is not original to Italy, albeit that country certainly makes for a pertinent example considering it persistently displays one of the highest rates of youth unemployment in the region.

Two types of YTCs may be set up between employers and Regional Employment Commissions: a basic 12-month training contract, and long training contract lasting 24 months. YTCs provide for an on-the-job experience for the young unemployed. Both types of contracts entail a given number of hours to be dedicated to training-matters: in the basic contract, no less than 80 hours for medium professional level and at least 130 hours for the upper professional level must be specifically devoted to training. Other prerequisites for the employer are provided with the aim of offsetting potential displacement effects. No workers should for example have been made redundant for the same position in the preceding 12 months, and employers may access this training channel only where they may prove that no less than 60% of previously hired YTCs have eventually been turned into proper working contracts.

The YTCs scheme provides for a considerable diminution of labour costs for the employer. As regards wage expenditure, the costs are significantly lowered by two provisions: the wage level for trainees is set below the legal minimum wage at an hourly rate of 7500 lira in 1998; plus the employer covers only half of that sum. The non-wage costs of labour are also significantly reduced.

The ultimate scope, besides providing a professional experience and proper training to former unemployed youth is long-term labour attachment. A particular emphasis in the scheme has thus been

⁴¹ F.E. Caroleo and F. Mazzotta, Youth Unemployment and Youth Employment Policies in Italy, Employment and Training Papers, p.37, ILO, Geneva, 1999.

given to ensuring an eased switch from YTC to traditional working contracts. The switch is administratively much simplified in comparison with the setting up a work contract out of the blue. Even more significantly, considerable fiscal advantages are extendable to the employer willing to create a proper contract: important tax exemptions during the first three years following the switch are provided for, exemptions which vary along regions and sectors of activity: tax subsidies may thus be cut by up to 25% for employers located in the Centre-North, while employers in the South are usually granted a fixed social contribution equivalent to 4875 lira (in 1998) per week. A particularly strong disposition is provided for in the basic 12-month YTC contracts: the social and wage benefits of the scheme may be collected by the employer if and only where the YTC is eventually turned into an ordinary contract.

From 1984 to 1998, 4.7 million youths were hired under a YTC⁴². It should be reckoned that despite the specific provisions included in the schemes, displacement effects are still thought to be significant. Training contracts may also have another negative effect in that they may provide a workforce that is disposable to the employer in considerably freer conditions than the Italian labour legislation would typically allow for. These unwanted policy outputs are statistically tangible: in the end of the eighties the annual average YTC participants was around the 400 000, a figure which drastically dropped to 144916 in the year of the Lira devaluation (1993). On the whole however, research seems to converge in granting YTCs with a net positive effect on the level of youth unemployment in Italy. This seems particularly true in the Mezzogiorno, where initially the percentage of youngsters hired within YTCs was rather low (only 6.9% of YTCs in 1985), the share quickly and consistently growing during the course of the nineties to around a 20% share⁴³.

b. Effective Public Employment Service and local agencies

Public Employment Services (PES) are in the ECE region the main national deliverer (or local coordinator) of active policy measures, and the key player in providing information for a better match between demand and supply in the national labour market. This information task may take several forms: provision of information on vacancies, assistance with job application procedures, specialist counselling on personal basis... PES are particularly relevant to the unemployment of young people, as one of its main day to day tasks is to find solutions for the "harder to place" categories, such as the low-educated, long-term or young unemployed.

During the course of the nineties, Public Employment Service (PES) have increasingly come under the spotlight as an important actor and factor in national labour policies. In many ECE member countries the PES has experienced dramatic reform to make it a more efficient channel in the fight against unemployment. These wide ranging reforms have been organised along three main headings: decentralisation, tripartization, and privatisation.

Within a national labour market frequently prevail strong regional disparities. A more localised action on unemployment should therefore be supported by a decentralized tier of public employment services. The crucial point here is to achieve a closer targeting of the imbalances within the local labour markets, which implies an active role of the local actors within a coherent bottom-up national strategy. Commenting on a study on Denmark's wide ranging PES reform, Peter Auer reports that evaluations indicate that the potential risks of decentralisation (a clash between local and central authorities) have overall been outweighed by the improved targeting of measures to local conditions

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⁴² F.E. Caroleo and F. Mazzotta, *Youth Unemployment and Youth Employment Policies in Italy*, Employment and Training Papers, p.48, ILO, Geneva, 1999.

⁴³ F.E. Caroleo and F. Mazzotta, *Youth Unemployment and Youth Employment Policies in Italy*, Employment and Training Papers, p.48, ILO, Geneva, 1999.

⁴⁴ Peter Auer, Employment revival in Europe : labour market success in Austria, Denmark, Ireland and the Netherlands, p. 82, Geneva, International Labour Office, 2000

On top of the more intimate working relationship between the national and the local public authorities in this PES reform, the social partners have also been called to take a more systematic participation in the national strategy on unemployment, to make for a “tripartisation” of the PES management (the central government, the local/regional authorities, the social actors). Bringing in the social actors (both at the national and local levels), within an institutionalised framework, is widely seen as beneficial to a better regulation of the labour market. Making for a more active social dialogue on a matter that remains possibly the most critical contemporary social concern is thus not only a matter of democracy but also of economic efficiency. As Auer notes for the cases of Denmark, Sweden, Austria and Ireland, a fluid social dialogue potentially bears the type of greater confidence among social partners that has been crucial in their ability to cope with the challenge of rising unemployment in the nineties, easing the way for a collectively consented wage policy that accommodated a restrictive macroeconomic policy.

Another new actor has been lately convened to take part to the national effort on unemployment, i.e. the private sector. Private actors have recently (and widely) been granted access to the sector of employment-related services. Public services still remain the central player in placement activities, but private organisations are becoming inescapable partners, notably within the economies that find themselves under the legal scope of EU directives. Privatisation is allegedly particularly momentous in providing enhanced flexibility to the labour supply, and has therefore principally taken the form of temporary placement agencies. A further alleged advantage of bringing in private actors is the increased effectiveness that some sort of public-private competition may provide⁴⁵.

c. The active and passive labour policies linkage

It has been the object of recent economic debate that passive labour market policies, i.e. policies traditionally aimed at alleviating the social costs of labour market shocks through welfare, could also be useful instruments in a positive action against unemployment.

This rationale has been mainly developed in the form of the unemployment benefits conditionality policy as practiced in many ECE member countries. In Germany unemployed persons may access benefits only if they may display a 12-months cumulated period of work within the previous four years. In Canada, this clearing scheme is correlated to the local labour market situation, and generally involves much shorter periods of remunerated activity: the range is between 10 weeks of formal occupation in economically depressed areas, to 14 weeks in areas of low unemployment.

A further step in this strategy of fostering employment through passive labour market policies has been envisioned in some countries. United Kingdom’s “New Deal”, is a wide policy effort focused on fostering employment, and the young unemployed are a particularly important chapter. In a scheme using both the carrot and the stick, it is provisioned that the young unemployed qualify for unemployment benefits on a pretty strict temporary basis (six months), and only if they give sign they actively search for an employment. After that period the benefit ends and the former beneficiary is to be allocated either in job or in a training scheme.

CONCLUSION

If high levels of unemployment are a dreadful feature in any country for both the national economy and society’s equilibria, unemployment of the youngest active workforce is an even greater concern. Finding and securing a remunerated occupation typically represents a difficult path for young people in the ECE member countries, a situation even making for a distressing share of “labour market drop-outs”.

⁴⁵ As the Danish experience seems to portray according to Peter Auer, Employment revival in Europe : labour market success in Austria, Denmark, Ireland and the Netherlands, p. 83, Geneva, International Labour Office, 2000

The strategic relevance of labour market challenges has been justly emphasised by the 57th annual session of the Economic Commission for Europe. This emphasis allowed for important contributions and instructive debates in the Spring seminars the ECE hosted in May 2002 this year, under the heading *Labour Market Challenges in the ECE region*.

Indeed, as this paper intended to suggest, the concerning situation of unemployment and youth unemployment cannot be considered as a structural or fateful feature of the region's economies. In the light of some encouraging developments and consistent good records in some of its member economies, that situation cannot but be regarded as a challenge, equally engaging as it is demanding.

STATISTICAL ANNEX

Table 1. Total and youth unemployment rates, selected ECE member countries, 1990/2000.

		1990	1992	1994	1996	1998	2000
Hungary	Total rates	...	9.8	10.7		7.8	6.4
	Youth rates	...	17.5	19.4	18	13.5	12.1
Ireland	Total rates	12.9	15.1	14.7	11.9	7.8	4.3
	Youth rates	17.7	23.2	24.2	18.3	11.6	6.4
Italy	Total rates	11.2	11.4	11	11.5	11.7	10.5
	Youth rates	31.5	32.7	30.5	32.2	32.1	29.7
Netherlands	Total rates	7.5	6.7	6.8	6.5	4.3	...
	Youth rates	11.1	7.8	10.2	12.1	8.2	6.6
Poland	Total rates	...	13.3	14.3	12.3	10.5	...
	Youth rates	...	18.5	32.6	28.5	23.2	35.2
Slovak Republic	Total rates	...	...	13.6	11.3	12.5	18.6
	Youth rates	....	9.4	27.3	21	23.6	35.2
Sweden	Total rates	1.8	5.9	9.8	10	8.5	5.9
	Youth rates	4.5	14	24.3	22.5	16.8	11.9
United Kingdom	Total rates	6.8	9.7	9.6	8.2	6.1	5.5
	Youth rates	10.1	15.5	16.2	14.8	12.4	11.8
United States	Total rates	5.5	7.4	6	5.3	4.5	4
	Youth rates	11.2	14.2	12.5	12	10.4	9.3
Canada	Total rates	8.1	11.1	10.3	9.6	8.3	6.8
	Youth rates	12.4	17.1	15.8	15.3	15.1	12.6
Czech Republic	Total rates	0.8	2.7	4.3	3.9	6.5	8.8
	Youth rates	...	...	8.7	7.2	12.4	17
France	Total rates	8.9	10.3	12.3	12.3	11.8	9.7
	Youth rates	19.1	20.8	27.5	26.3	25.4	20.7
Germany	Total rates	4.7	6.6	8.4	8.9	9.2	8.1
	Youth rates	4.4	6.2	8.2	9.4	9	7.7
Spain	Total rates	15.9	18.1	23.8	21.9	18.6	14
	Youth rates	30.1	32.4	42.8	39.8	34.1	25.5

Source: OECD, Labour Force Statistics (LFS), Indicators series. Data not available

Table 2. Youth unemployment shares in the ECE member countries

ECE Member States	Youth Unemployment Shares		
	1989	1997	2000
Andorra	...	...	...
Austria ^a	26.55	19.87	17.82
Belgium	24.66	22.47	24.93
Canada	29.75	28.71	30.41
Denmark ¹	29.51	23.83	24.29
Finland	40.74	22.93	28.46
France ²	24.22	18.93	17.44
Germany ³	16.27	12.06	12.31
Greece	45.49	36.52	31.26
Iceland ⁴	33.33	31.58	40.54
Israel	36.28	30.51	29.14
Ireland ⁵	31.55	29.67	29.21
Italy	49.51	35.83	32.06
Netherlands	31.36	29.08	33.21
Norway	40.57	35.87	39.51
Portugal	20.17	32	29.6
Spain	41.58	30.84	27.79
Sweden	34.33	20.18	17.73
Switzerland	30.98	20.6	25.47
United Kingdom ⁷	...	29.85	32.34
United States	36.95	35.95	37.45
Developed economies	32.83	27.36	28.05
Belarus ^{bc 8}	36.58	22.62	26.93
Bulgaria ⁹	46.15	35.08	26.67
Czech Republic ^{b 10}	32.88	29.74	26.26
Hungary ¹¹	22.11	23.62	24.15
Poland ^{b12}	35.07	30.77	30.47
R. of Moldova ^{d 13}	33.2	35.2	28.7
Romania ¹⁴	45.79	46.45	35.51
Russian Federation ¹⁵	35.85	26.59	24.63
Slovakia ¹⁶	33.95	32.35	31.64
Ukraine ¹⁷	31.82	21.97	...
Central and Eastern Europe	35.34	30.44	28.33
Estonia	...	19.6	21.78
Latvia ¹⁸	23.57	22.08	17.87
Lithuania ¹⁹	23.51	18.89	15.23
Baltic countries	23.54	20.19	18.29

Albania ^{cd 20}	14.9	12.2	12.9
Croatia ^b	34.83	18.12	...
Bosnia and Herzegovina.	...	...	...
FYROM ^{b 21}	53.29	24.03	...
Slovenia ²²	35.29	38.24	32.39
Turkey ²³	51.3	50.91	45.26
Yugoslavia ^{d 24}	52.8	32.7	26.5
South Eastern Europe	40.4	29.37	29.26
Armenia ^{cd 25}	20.2	14.8	9.2
Azerbaijan ^{cd 26}	37.9	47.6	49.3
Georgia ^{d 27}	12.2	15.4	32.8
Caucasus	23.43	25.93	30.43
Kazakhstan ^{cd 28}	54.1	35.5	28.9
Kyrgyzstan ^{b 29}	12.64	20.83	15.78
Tajikistan ^{d 30}	28.2	40.7	40.6
Uzbekistan ^{d 31}	64.1	61.8	59
Turkmenistan	...	...	...
Central Asia	39.7598	39.70831	36.07028

Unweighed averages	1989	1997	2000
Developed economies	32.83	27.36	28.05
CEECs	35.34	30.44	28.33
South Eastern Europe	40.4	29.37	29.26
Baltic countries	23.54	20.19	18.29
Caucasus	23.43	25.93	30.43
Central Asia	39.76	39.71	36.07
ECE average	32.55	28.83	28.41

Source: ILO, Unemployment of persons aged 15-24 years, in thousands, by sex.

Author's calculations

Notes:

a. Unemployment shares from national labour market surveys

b. Unemployment shares from employment office records (registered unemployment)

c. Other age frames: Albania:15-20. Armenia:15-22. Azerbaijan: under 30. Belarus:14-30. Kazakhstan: under 30. Tajikistan: 15-22. Uzbekistan: 18-29

d. Specific data source: UNICEF, MONEE Project CEE/CIS/Baltics, Regional monitoring report n.8, 2001

Time frames (when different from the 1989/2000 frame):

1. 1989/1998; 2.1991/2000; 3.1991/2000; 4. 1991/2000; 5.1989/1999; 6.1990/1999; 7.1989/2000; 8.1993-2000; 9.1990/1999; 10.1991/2000; 11.1992/2000; 12.1991/2000;13. 1995/1999; 14.1994/2000; 15.1992/1999; 16.1994/2000; 17.1993/1997; 18.1995/2000; 19.1993/2000; 20.1993/1999; 21.1989/1997; 22. 1993/1999; 23.1989/1999; 24.1989/1999; 25. 1994/1999; 26.1991/1998; 27.1989/1999; 28.1993/1999; 29. 1992/1999; 30. 1992/1999; 31.1994/1999.

Data not available

Table 3. Adult and youth unemployment shares for women and men, 2000

	Adult		Youth	
	2000 men	women	2000 men	Women
Canada	6.9	6.7	13.9	1.3
Czech Republic	7.3	10.6	16.7	17.4
Denmark	4	5.2	6.5	7
Finland	8.9	10.6	21.2	22
France	8.2	11.5	18.4	23.7
Germany	7.6	8.6	8.1	7.2
Greece	7.3	16.7	22.1	37.7
Hungary	7	5.6	13	10.9
Ireland	4.3	4.2	6.1	6.9
Italy	8.1	14.5	25.4	35.4
Norway	3.7	3.2	9.5	10.9
Slovakia	18.6	18.6	33.8	36.4
Spain	9.6	20.4	19.5	33.1
Sweden	6.3	5.4	12.3	11.4
Turkey	6.4	6.6	13.6	12.3
United Kingdom	6.1	4.8	13.2	10.1
United States	3.9	4.1	9.7	8.9
AVERAGE ¹	7.3058824	9.252941	15.47059	17.8
gender gap ratio ¹ :		1.27		1.15

Source: OECD Labour Market Statistics - Labour Force Statistics by sex and age (in thousands),– Standard labour market indicators, author's calculations.

1. Unweighed averages, author's calculations.