

### Understanding school-to-work transitions

#### *The challenge*

There is increasing interest in understanding the role of specific institutional features of different school-to-work transition (SWT) regimes in affecting the youth labor market performance. This interest has soared during the recent economic and financial crisis and the ensuing recovery: they both affected youth labor markets in a different way according to the specific institutions regulating the SWT. Research shows that macroeconomic factors and the ups and downs of the business cycle are important determinants of the youth unemployment rate, which is, in fact, particularly sensitive to economic crises and recoveries. Nevertheless, the long-term performance of youth unemployment depends on structural factors like institutions.

A SWT regime denotes the set of institutions and rules that govern and supervise the passage of young people from school to adulthood. They include not only the degree of regulation and flexibility of the labor market, but also of the educational and training systems and the provision of employment services (placement and training) to help young people finding a job more easily. The household is also part of the regime, by providing, for instance, financial support during the entire transition and especially during more frequent unemployment spells.

The role assigned to each institution within a given SWT regime is different from one country to another, so that different regimes can be identified throughout the world, such as: the liberal/minimal regime, typical of Anglo-Saxon countries (e.g. Ireland, the UK, the USA, Australia); the employment centered, typical of Central-European countries (e.g. France, Germany, The Netherlands); the universalistic, typical of the Scandinavian tradition (e.g. Denmark, Finland, Sweden); and the sub-protective typical of the Latin Rim (Greece, Italy, Portugal and Spain) (Ryan, 2001; Vogel, 2002; Walther, 2006; Raffe, 2008; Pastore, 2015a, b).

The papers in this issue cover specific aspects of the SWT in such countries as the Czech Republic, Germany, Italy, Poland and Spain, contributing to a better understanding of their SWT regime. However, little is known regarding the type of SWT regime existing in other non-EU countries, especially in the developing world. This gap is partially reduced in this issue by including research on the SWT in such an under-searched country as Egypt.

In some countries, the slowness of the SWT process is a factor of concern because it persists also during periods of economic boom constraining the ability of the economic system to create all the possible jobs for young people. The case of Italy is paradigmatic in this respect (Pastore, 2018), although other countries also share many of the problems typical for Italy, such as not only the Latin Rim countries, like Spain, as shown in the contribution by Rodriguez Modronos (*infra*), but also more and more frequently for East European countries and, outside of Europe, the Middle East and North Africa, Central Asia and Latin America.

The function of any SWT regime is to reduce the gap of work experience of young people in comparison to adults. Each regime reaches the target in different ways and with a different degree of success. When the SWT regime is less effective and efficient, young people face the risk to fall into the so-called work-experience trap. This trap implies that the youngsters have an increasing level of education and, often, also enough general work experience, but firms want job-specific work experience and competences. Alternatively, the education system can follow the dual principle of the German model and provide at the same



time education and training already at school and within companies (Eichhorst *et al.*, 2015; Zimmermann *et al.*, 2013). Apprentices participate in specific school classes across companies grouped according to occupations with elements of additional general education. They get a company-independent final examination with a specific certificate from the supporting regional Chamber of Commerce and Industry. At the same time they work for most of their time in firms in particular projects, getting instructed in teams and are able to exercise learning-by-doing concrete tasks. Other systems are at least developing closer links to the labor market like in the Japanese Jisseki Kankei (Mitani, 2008) or by providing efficient and dynamic job placement services and widespread information on vacancies like in Anglo-Saxon systems (Ryan, 2001).

After posing a strong and long-lasting emphasis on labor market flexibility as the key to favor smoother SWT following among others the directions of the German labor market reforms (see, among others, Boeri and Garibaldi, 2007; Rinne and Zimmermann, 2012, 2013), from the mid-1980s up until the more recent Jobs Act and the concept of the single contract in Italy in 2015, the more recent reforms of the SWT regime are focusing on the education system. In Italy, the *Buona Scuola* reform has changed the mission of the education system which still remains sequential, but providing high secondary school students with compulsory work-related learning, based on the Scandinavian model. Moreover, in many EU countries and also outside of the EU, several reforms of the apprenticeship system have been implemented to spread the use of on-the-job training already at the school level. However, there is still widespread concern that a deeper integration of the education system with the labor market is necessary to increase the chances of young people to find suitable jobs.

For those who cannot gain work-related competences at school, which remains the main weakness of sequential education systems (work experience after education, rather than together with education like in dual education systems), the European Union is popularizing the Youth Guarantee (YG since now), an active labor market policy initiated in the Scandinavian regime and exported to all of Europe with ups and downs. The basic idea of the YG is that the state should provide an opportunity of employment, training or at least education to all the NEETs (Not-in-Employment-Education or Training) within four months of their unemployment spell. In most EU countries, the youth unemployment rate seems to have reduced also as a consequence of the YG, although less so in the South European countries, where employment services and spending in labor market policy are absolutely insufficient (Pastore, 2015b). Recent reforms have, in fact, incorporated also public and private employment services, foreseeing the introduction also in South and East European countries of a better management of the public employment services (European Commission, 2017). A recent novelty was the introduction by decree n. 150/2015 of a quasi-market organization of employment services in Italy to make them more efficient, as in the liberalist and also the Central-European regimes.

This issue contains seven articles dealing with relevant elements of the challenges that SWT regimes are facing currently. The first three articles study the direct passage between school and work. The other four articles deal with the transition from university to work. The papers are expected to be the start of a new debate about the persistent pressure to reduce youth unemployment relative to adult unemployment that is typically twice as high in many countries. This initiative is led by the SWT cluster of the Global Labor Organization and its Head, Francesco Pastore.

### **Schooling and work**

Are there gender differences in entering work after school? Gabriella Berloff, Eleonora Matteazzi, Alina Sandor and Paola Villa (Gender inequalities in the initial labour market experience of young Europeans) deal with this question by studying two phases: the first

three years after leaving education (phase 1) and the three years after (phase 2). Using European Union data, they find that there are no gender differences in the initial labor market entry (phase 1). However, in the second phase females are less successful than males even if they have no children. These findings of the emergence of gender differences in early career are a topic that is attracting much interest in the developed (see, among others, Manning and Swaffield, 2008; Bertrand *et al.*, 2010) as well as in the developing world (e.g. Pastore, 2010).

What happens after periods of large economic and political changes? Irene Selwaness and Rania Roushdy study the SWT from subsequent school exit cohorts to a first job in Egypt in the aftermath of the Arab Spring (Young people school-to-work transition in the aftermath of the Arab spring: early evidence from Egypt). Young people exiting school after the Egyptian uprising (2011) are shown to have a significantly higher probability to find a job than those before. But this success came at the expense of job quality. The reaction of young people to crisis periods has attracted a lot of attention by economists. Kahn deepens the analysis of the long-run consequences on young people exiting college during the recent economic and financial crisis in the USA. The panel data analysis by Choudhry *et al.* (2012) provides evidence that young people are more affected by a financial crisis than adults.

What can policy do to improve the speed and effectiveness of the SWT? Paula Rodriguez-Modroño in her paper on “Youth unemployment, NEETs and structural inequality in Spain” investigates Spanish policies developed to promote youth employment dealing with the country’s many structural inequalities. The focus is on NEET, namely the probability to be not in employment, education or training, highlighting the low potential of the executed policy measures. This study introduces to the literature the case of Spain as an example of the Latin Rim regime of SWT and, as such, will surely be a reference for those interested in studying institutional differences across countries.

### University study and work

It is sometimes argued that a university study, even if not successfully completed, provides still an advantage over just finishing high school. Emanuela Ghignoni, Giuseppe Croce and Alessandro d’Ambrosio (University dropouts versus high school graduates in the school-to-work transition: who is doing better?) present now evidence for Italy on this open question. Unfortunately, the result is negative. Being out of employment or education or having a lower quality job is more likely for dropouts, while earnings are not different from high school students without that type of experience. There is increasing interest in the labor market effect of dropping out of the university, which is a widespread and growing phenomenon, but still not much studied, not only in Italy, but also not in the USA and several Central and Northern European countries. As shown in Altonji’s (1993) model, university dropouts represent a challenge for the classical human capital model and suggest that the choice to invest in human capital should be conceived as one in which the choice whether to continue or dropout is not done once forever, but sequentially, being as such affected by the evolution of returns and costs of the investment (see, for a survey, Aina *et al.*, 2018).

What do university students expect from a job? The paper by Simona Demel, Petr Mariel and Jürgen Meyerhoff explores the “Job preferences of business and economics students” of five universities in three European countries through a choice experiment. This enables to simulate the monetary value of the willingness to accept specific job attributes. The authors find across all universities that the possibility of working at the company in the long term has the highest relevance. Experimental economics may contribute importantly to our understanding of the motivation of the choices of young people.

Some people suggest that job-related training after general education (school or university education) is helpful for a sustainable labor market integration. It is also the basis of the

success story of the low unemployment rates in Germany and Austria. While most of the literature deals with the low-quality youth, Corinna Ghirelli, Enkelejda Havari, Giulia Santangelo and Marta Scettri concentrate on the high-quality end, namely on graduates (Does on-the-job training help graduates find a job? Evidence from an Italian region). They find a significant impact of a program for an Italian region that consisted of on-the-job training for unemployed graduates and wage subsidies on the likelihood to be employed or to receive an apprenticeship contract. The innovation and contribution to the literature of this paper is that it is the first evaluation study of active labor market policy in Italy, a country which was previously not possible to cover in a survey of the existing literature (Card *et al.*, 2010). In addition, the study confirms by means of a counterfactual method that on-the-job training is exactly what university graduates are missing to find a job more smoothly, which is supportive of both the validity of the youth experience trap and an important indication about the new direction that reformed YG should follow. It suggests that on-the-job training of university graduates and students is valuable.

Does it pay to study abroad? In this final paper of the special issue (Does it pay to study abroad? Evidence from Poland), Jacek Liwiński provides an answer using the Polish experience after EU enlargement. The focus is to investigate the impact of international student mobility on the first wages of tertiary education graduates. Yes, Poles who graduated abroad earn significantly more in their first job than those who studied in Poland only. However, the study abroad needs to be followed by a period working abroad to receive the wage premium. Studying abroad alone does not help. So the question remains whether it is not the foreign education as such but the international work experience that drives earnings.

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