

# EUROPEAN POLICY BRIEF



## Making capabilities work: Young Europeans' transitions from education to the labour market

Implications for youth, education and labour market policies

July 2012

### INTRODUCTION

#### Effects on transitional trajectories of young people

One of the aims of **WorkAble** is to identify and understand the transitions that young Europeans make from education to the labour market, and to assess whether educational strategies help to expand their capabilities for work and social participation.

#### Labour market settings and educational regimes

Through seven analyses of longitudinal EU-SILC and other data, in combination with in-depth analyses of specific countries and comparative analyses of pairs of countries, the research investigated to what extent different labour market settings and educational regimes influence the successful transition from education to work of young Europeans with similar education levels. Special attention was paid to a better understanding of the varying relationships between individual wellbeing and social exclusion as well as education and transitional trajectories in different European countries.

#### Need for policy measures at all levels

The findings of the seven in-depth analyses, in line with the Capability Approach adopted for this brief, underline the need for policy measures at all levels to focus strongly on enabling young people to be active and empowered participants. Labour market and education policy settings should aim at enabling young people to develop capabilities (skills and opportunities) in order to act as capable citizens in the labour markets of European knowledge societies. Ensuring that young people are capable citizens is vital as it prepares them not only for the needs of the labour market, but helps them secure capabilities which they need to actively steer their own future development.

**Changing the political setting**

Rather new to the European understanding of preparing for work through education is how **WorkAble** highlights the fact that the capabilities for voice, work and education need to be part of the basic skills portfolio, which could change the political settings of today's mainstream education as well as social and youth policies.

This is particularly valid now in view of the dramatic rise of youth unemployment in the EU (22.4% in the age group 15-24 at the beginning of 2012) and the subsequent priority given by the European Commission to tackling the problem through the recently launched "Youth Opportunity Initiative". This aims to co-ordinate concrete actions and evidence-based labour market strategies in member states and the entire EU, for education and professional education and training policies.

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**KEY OBSERVATIONS****Young people in Europe – similarities and differences**

Young people in today's Europe are facing new though common challenges. A globalised economy demands competitive economies, which requires a highly skilled and well-educated labour force. For young people, getting a foothold in the labour market has become increasingly difficult. This is especially so for young people who fall behind in the education system. However, although education increases job chances and the capability to find a job that one values, higher education no longer guarantees success in job or career. **WorkAble** provides a series of analyses, summarised in Table 1, in order to better understand young Europeans' transitions from education to the labour market.

**Similar challenges - different capabilities**

Even though young Europeans are facing similar challenges, their capabilities to respond to these challenges vary systematically both between, and within, countries. From a European perspective it is vital to understand these variations and the structural conditions that restrict or enable young people's capabilities. Addressing structural conditions (rather than implementing individualised measures only) will make it possible to strengthen Europe's economic development and at the same time increase young people's capability to live a life they have reason to value.

**WorkAble** focuses on young people's transitions from education to work. From this angle, unemployment can be seen as a failure both from societal and individual perspectives. From a societal perspective unemployment results in a double cost: the costs of income support which either fall on the social network or the state, and the costs of unutilised capabilities. However, it is the unemployed themselves who carry the heaviest burden.

### Short- and long-term effects of youth unemployment

Using longitudinal data from the EU-SILC, **WorkAble** has been able to distinguish between different types of labour market trajectories among young Europeans and to show that extended periods of general employment insecurity is a main cause of poverty, deprivation and lack of independence. One could always argue that difficulties in the transition from education to work are commonplace and do not have long-term negative effects. **WorkAble** shows, however, that such an assumption is wrong. In the short-term, employment insecurity increases the risk that young people are deprived and will live in poverty. Difficulties in making the transition from education to work also hinder young Europeans from establishing their own households. But the negative effects are not only short-term. Analyses based on unique longitudinal data from both Sweden and the UK show that unemployment in youth has long term scarring effects on future employability, pay and often wellbeing in adult life. Hence, youth unemployment is not a problem that we can afford to ignore; it is a problem that European societies need to tackle.

### Early school leavers and positional good

Today supply side measures dominate labour market policies and the main strategy is to make young people, and young unemployed people in particular, employable. Education plays a central role in this policy, providing young people with the skills and qualifications necessary to compete in the labour market. Thus, it comes as no surprise that early school leavers find it problematic to get a foothold in the labour market. In relation to this group, active labour market policies are important and special programmes addressing the specific problems among young people in vulnerable situations are crucial. **WorkAble** highlights the importance of the latter in a series of case studies which are summarised in a second policy brief. The statistical analysis underlines these results and shows that there are immediate positive effects of active labour market programmes. However, there is considerably more doubt when it comes to the long-term effects. Young people in countries with high expenditures on active labour market policies are, for example, less likely to be fully employed over a three-year period.

### Reproduction of educational and occupational inequalities

Our analysis also confirms the consistent pattern of the inter-generational reproduction of educational and occupational inequalities. What this means is that even though today's generation of young Europeans are better educated than ever before, the relative inequalities between different socio-economic strata are more or less intact. It also means that education can be looked upon as a positional good, i.e., it is not the knowledge acquired that matters in the labour market in the first instance; rather it is the relative position in the educational hierarchy that is important.

## Summary of main findings

Country	Theme	Specific aims	Main findings
<b>26 European Countries</b>	Labour-market trajectories of young Europeans and educational and occupational intergenerational social mobility	<ul style="list-style-type: none"> <li>- Investigate inequality in access to higher education.</li> <li>- Determine to what extent expansion of higher education systems contributes to social inclusion.</li> <li>- Analyse equitable access to higher education and the relative position of higher education graduates in the labour market.</li> </ul>	<ul style="list-style-type: none"> <li>- In the great majority of EU countries higher educational levels lead to better jobs and better life chances.</li> <li>- The number of high-skill jobs in a given labour market is always limited, regardless of the educational level of its workforce, so the rewards from higher education vary.</li> </ul>
<b>UK</b>	Effects of scarring on transitions of young people	<ul style="list-style-type: none"> <li>- Analyse 'scarring' effects of unemployment and consider the progress of a UK cohort of people aged 18 to 24 in 1998 through to 2008.</li> <li>- The study investigates the effects upon pay, likelihood of unemployment and wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>- Periods of unemployment lead to scarring in terms of pay and unemployment though not in terms of wellbeing (measured by life satisfaction).</li> <li>- The impact of people losing confidence is important in all cases and indicates that psychological factors affect the capabilities of young people in the labour market.</li> </ul>
<b>23 European countries</b>	Labour market trajectories and young Europeans' capabilities to avoid poverty, social exclusion and dependency	<ul style="list-style-type: none"> <li>- Analyse young Europeans' capability to escape economic hardship and ability to form an independent household.</li> <li>- Specifically, the study aims to investigate the link between young people's living conditions and their labour market position.</li> </ul>	<ul style="list-style-type: none"> <li>- Labour market trajectories are instrumental in exposure to poverty, deprivation and ability to form an independent living.</li> <li>- Labour market trajectories explain only a minor part of country differences.</li> <li>- Especially in the Nordic countries, young people have the capability to set up an independent household. It makes them relatively poor, but not particularly deprived.</li> </ul>
<b>Sweden</b>	The long term mental health effects of two different forms of unemployment experiences	<ul style="list-style-type: none"> <li>- Analyse to what degree psychological scars remain over a person's life course.</li> <li>- Study whether time spent in ALMPs for youth has less effect than time spent in open unemployment.</li> </ul>	<ul style="list-style-type: none"> <li>- There are strong negative effects of open unemployment on mental health in the short term.</li> <li>- Participation in youth programmes does not cause the same negative short- and long-term mental health scarring.</li> </ul>
<b>Sweden</b>	A longitudinal study of parental social class, education and the non-market capabilities of subjective health, voice and agency	<ul style="list-style-type: none"> <li>- Investigate the relationship between social background and parental social class, educational attainment and the non-market capabilities of voice, autonomy and health.</li> </ul>	<ul style="list-style-type: none"> <li>- Class background matters for the non-market capabilities of agency and voice, but not for subjective health.</li> <li>- Education, primarily at university level, matters for the non-market capabilities.</li> <li>- Education matters most for youths with a blue-collar background.</li> </ul>
<b>France, Italy, Poland and Sweden</b>	A comparison of the labour market outcomes of early school leavers using a capability-based approach	<ul style="list-style-type: none"> <li>- Analyse early school leavers and ALMPs in countries that hold opposing views of the labour market and social security.</li> <li>- Focus on developments in employment rates, unemployment rates and forms of non-standard employment.</li> </ul>	<ul style="list-style-type: none"> <li>- Jobs available to early school leavers are for the most part temporary or compulsorily part-time.</li> <li>- The lack in capability of people aged 18-24 has an impact on the chance of finding a job they have reason to value.</li> </ul>

21 European countries	Empirical evidence as to whether active labour spending enhances the capability for work of entrants	<ul style="list-style-type: none"> <li>- Map the dominating labour market trajectories among young Europeans who left school.</li> <li>- Analyse differences between early school leavers and the average population of their age group, focusing on the impact of ALMP spending on labour market outcome.</li> </ul>	- On average, active labour market policies have little, if any, effect on the capability for work.
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Table 1: Summary of main findings

### Education – not all job and money

However, an analysis, based on Swedish longitudinal data, also shows that education brings non-market benefits. Higher education increases young people’s voice and agency, that is, their capability to formulate and bring forward their own opinions and take action to safeguard their rights. It also demonstrates that higher education promotes good health among young people. What is most important is that these effects seem to be strongest among young people from working class backgrounds.

Our findings paint a picture of a young generation that is better educated than ever before and probably is also more capable of speaking their minds and taking action to reach their goals. However, young people are also participants in a globally competitive economy that imposes structural constraints on what is possible to achieve. At any given point of time, education can be seen as a positional good in relation to a given labour market structure. Thus, early school leavers and young people with only primary or lower secondary education are facing severe difficulties in finding a job, especially a long term one, let alone a job they value. This may come as no surprise but the question is what should we do about it?

## RECOMMENDATIONS FOR POLICY-MAKERS

### What should education, social and youth policies aim at?

There is no doubt that education is important and that any responsible policy must **ensure that all young Europeans are given the opportunity to achieve the capabilities needed to steer their own lives**. From a capability perspective, this means, among other things, that young people in today’s Europe should be able to get a job that they have reason to value. To achieve this, education and supply-side driven labour market policies are important since they provide the individual with skills. The problem, however, is that skills are not enough.

Young individual's capabilities are not only decided by the educational resources or skills they possess, this also depends on the opportunity structure that a young person operates in. In relation to the labour market, it is the combined effect of individual resources and labour market opportunities that make up an individual's true capability set. What this calls for is the development of labour market policies that **focus more on the demand-side aspects**, i.e. job creation. But sustainable job creation is not about creating just any job, it has to be built on creativity and adaption. Important resources for achieving this are the well-educated young Europeans themselves, which means that we need labour market policies that focus on how to utilise this resource. This implies that we need policies that make it possible for young people not only to be employed but also to be employed in **positions that match their skills and, most important, allow them to influence their work organisation**. If we can achieve this, we will not only be able to help revitalise European economies, we will also be able to provide young people with jobs they have reason to value.

Not everyone wishes to, or can, have a job that makes high demands on skills and creativity. It is also the case that there are tasks that need to be performed which do not necessarily require advanced education or offer many personal development prospects. These jobs do not necessarily have to be bad jobs with low pay. **What is needed is a policy that guarantees both good working and economic conditions in relatively low skilled jobs**. Even though young people benefit from education and education is a good in itself, we cannot ignore the fact that education is also a positional good. Even if considerable effort and money is put into education and supply side labour market policies – someone still has to do the relatively low-skilled jobs. Thus, we need to create a labour market where young people also have reason to value relatively low-skilled jobs, and in order to do that **we need to start talking again about the re-distribution of resources**.

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## RESEARCH PARAMETERS

### Objectives

“Making Capabilities Work” (**WorkAble**) analyzes strategies to enhance the social sustainability and economic competitiveness of Europe by strengthening the capabilities of young people to actively shape their personal and working lives in knowledge societies and to cope with today's economic, cultural, demographic and technological challenges.

## Research design

**WorkAble** follows a three-phase research design:

- 1) A comparative institutional mapping and analysis of vocational and labour market policies in all educational regimes;
- 2) case studies to reconstruct the conceptions, aspirations and practices of local actors implementing educational and training programmes; and
- 3) quantitative analyses of national and European longitudinal data which show how effectively these strategies improve economic performance and close the capability gap for young people.

This Policy Brief relates to the last phase. The core of the statistical analysis is based on coordinated European surveys such as EU-SILC and the Labour Force Survey. The EU-SILC especially has been utilized in an innovative way, using complex longitudinal information in order to map young Europeans labour market trajectories and their transition from education to work. Although comprehensive, the EU-SILC, like any other data source, has its limitations. In order to analyse long-term effects of both education and unemployment, national longitudinal data sets have been utilized.

**WorkAble's** statistical analyses provide one step in the attempt to bridge quantitative and qualitative methods, and to assess the potential of innovative European strategies for dealing with local labour-market demands and regional inequalities. Adopting a comparative and interdisciplinary approach, it systematically analyses whether and how young people are enabled to participate in working life and society. Applying the Capabilities Approach as a common heuristic framework in all three phases, 13 partners from different disciplines (educational science, sociology, economics, political studies and social work) in 10 European countries collaborate closely in a multidimensional research process.

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**Project Website**<http://www.workable-eu.org/>**Duration**

November 2009 – October 2012 (36 months)

**Related websites****Marie Curie ITN EduWel - Education as Welfare**

Enhancing opportunities for socially vulnerable youth in Europe:

<http://www.eduwel-eu.org>**Bielefeld Center for Education and Capability Research:**<http://www.bca-research.net>**International NRW Research School Education and Capabilities:**<http://www.educap.de/home>

**CAPRIGHT project:**

<http://www.capright.eu>

**Human Development and Capability Association:**

<http://www.capabilityapproach.com/index.php>

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**For further reading**

Publications in the frame of the project and beyond are available on the project website <http://www.workable-eu.org/publications> and under “list of project-related publications”