Austria's success on the youth labour market – not systemic but voluntaristic

Lorenz Lassnigg (lassnigg@ihs.ac.at), January 2013

DRAFT, submitted to Lifelong Learning in Europe (LLinE; http://www.lline.fi/en/the-journal)

Introduction

Austrian politicians are currently very happy about the performance on the youth labour market, and EU politicians point to the successful small country. Indeed, the conventional indicators about youth unemployment give a very favourable picture. The youth unemployment rate is among the lowest of the OECD and the European Union after the crisis, and has been already in such a favourable position some time ago. This contribution aims at a closer look at the situation in Austria, and tries to explain this development.

Austria is one of the few countries that retained a strong apprenticeship system, together with Germany and Switzerland. As youth unemployment is also low in the latter countries, apprenticeship is seen as a major factor that contributes to the favourable situation. Recently some authors have theorized the collective skills systems as a kind of insurance against unemployment.

However, the outside views differ from perceptions from inside the country. In Austria apprenticeship is widely perceived as an endangered species, and several reforms were made to counter structural problems. On four strong indicators of the recent EUROFOUND (2012) study about the youth labour market[1] we find Austria together with the Netherlands and Denmark four times, and Germany three times among the best five countries. Austria is ranking second on average, Germany fourth; thus not only the traditional apprenticeship countries rank best.

We will show in this contribution that apprenticeship is one factor that contributes to the favourable position of the Austrian youth labour market, however, not the only one. There are two other factors of the same importance as the apprenticeship system, one is a strong system of *VET fulltime schools and colleges*, and the second is a *strong political consensus and priority* for fighting youth unemployment, and also using active labour market policy (ALMP) as an additional instrument for this purpose. In particular the third factor is underlined as a very

[1] Youth unemployment (rank 2), youth long-term unemployment (rank 5), youth employment (rank 3), youth temporary employment if not found a regular job (rank 1); two other indicators (overall temporary employment and part-time workers) were not included here because they have not such an unambiguous interpretation, at least in Austria, as temporary employment is often a kind of regular first step into employment and part-time work is very often voluntary (on these indicators Austria ranks near the average of the distribution).

important element that brings the other two into effect to some extent, as the ALMP instruments are much more flexible than the education and training (ET) institutions, and they have strongly supported apprenticeship already since the 1980s. However, the ALMP policies are also to some extent an Achilles' heel, as their effects are not completely clear.

To explore how the Austrian policies work together with the framework of institutions we will first look more closely on the transitional space between education and employment, and secondly we will show how the Austrian youth labour market came through the crisis of 2009. This chapter heavily draws on two recent analyses by the author (Lassnigg 2011a, 2012), and is supported by extended materials provided in the internet (Lassnigg 2013, link to ANNEX see additional document).

The transitional space between education and employment

‘Dualism’ of full time school and apprenticeship in the 15-19 years age group

We first look at the age group of 15-19. At age 15 compulsory school ends at grade nine, which is a transitional stage, as the upper secondary cycle *starts already within compulsory schooling*. This has provided strong incentives for young people to start a programme in full time vocational education and training (VET). A broad range of three to five years upper secondary VET programmes in full time schools is visited parallel to the academic school (traditional Gymnasium) and a one year preparatory school for access to apprenticeship (the proportion of VET to the academic school is about 3:1).

Apprenticeship starts at grade ten, after completion of compulsory school. The VET system is occupationally specialised according to more than hundred programmes and at the same time to broadly three vertical levels: (1) five years upper level VET colleges provide a double qualification for an occupational field and an equivalent to the academic *Matura* for access to higher education, these programmes are zthe main path for upward mobility in Austria whereas the Gymnasium serves primarily for status reproduction; (2) two to four years medium VET schools provide medium level qualifications to some extent equivalent to apprenticeship, and (3) the traditional apprenticeship trades are under reform towards modular programmes, that allow to combine basic occupations and specialisations. Until the recent past the apprenticeships were situated at the lowest end of this hierarchy, and with respect to the economic returns they still are. The medium level schools and the apprenticeship qualifications are separated from higher

education (HE), more recently still small but more stable bridges towards HE are under construction from the medium level (*Aufbaulehrgänge, Lehre mit Matura*).

At the transition from compulsory school to upper secondary education at grade nine and ten the young people are about fifteen years old; about five per cent of a cohort, mostly disadvantaged young people who have already repeated grades within compulsory school, get immediately lost at this transition point and are going into the pool of early school leavers, the others start an upper secondary programme. Here *two different selection modes* have existed in the Austrian system, a first one into full time schooling depending heavily on susses with school achievement, and a second mode depending on the criteria of training enterprises for apprenticeship, where school grades are not being a formal requirement. The enterprises are solely selecting according to their own criteria, and therefore different capabilities of young people play a role for getting access into an upper secondary career. The access to apprenticeship is supported by the Public Employment Service (PES) by an apprenticeship market as a special sector of the youth labour market. Here imbalances between seekers and places for apprenticeship are documented and immediately visible. Since the mid-1980s, when the baby boomers reached the youth labour market, substantial support of apprenticeship has been set up within ALMP, so already at early times up to one quarter of apprenticeships have been supported in certain regions, without being visible at the first place. Gradually these support measures have been built up towards a legally based system of institutional apprenticeship (*Überbetriebliche Ausbildung - ÜBA*), which is also called training guarantee (*Ausbildungsgarantie*).

About two thirds of 15-19 year old people are enrolled in full-time programmes and less than one third in apprenticeship. Within full-time schooling the major part of young people visit upper level schools, and the smaller part enrol into medium or lower level schools. The overall quantitative relation between the upper secondary tracks is about 2 : 3 : 2 : 3 of academic upper level : VET upper level : VET medium level : apprenticeship. According to PISA results the proportion of 15 year olds with severe achievement problems is about one third, these young people are situated in the lower and medium tracks of VET; since decades the system is not able to cater well with the increasing group of young people from migrant background, who are concentrated in special schools, among dropouts and in the medium level VET schools, apprenticeship is discriminating against them.

During the grades nine to thirteen a substantial flow proceeds from the strongly selective upper level programmes to lower level programmes. About one half of beginners of full-time schooling do not finish their programme; most of them change into apprenticeship. At least ten

per cent of beginners leave their educational career as drop outs, and add up to the group of early school leavers. About 10% of the 15-19y age group are employed outside apprenticeship, and the unemployment stock is low (about 2% of 15-19 years youth). However, within these different kinds of transition the incidence of unemployment is about 10%, and many young people receive labour market training. About 3% of this age group are in the stock of active labour market policy (ALMP) training, and the inflow into training is about 6-7%. In absolute terms about 55.000 persons experience a spell of unemployment per year and about 35.000 persons in this age group are trained in ALMP measures of about 6 months duration (this figure is similar to the number of beginners of an apprenticeship, however, distributed to five one-year age groups).

A 'blind spot' of transitions into employment after completing apprenticeship

When we proceed to the 20-24 age group most of upper secondary education is completed, and about two thirds of young people are already employed, the stock of unemployment increases to 6% with the incidence of unemployment experienced by about thirty per cent of young people in this age group. About one fifth is enrolled in postsecondary or higher education, with a strong overlap of work and education, as the majority of students are in some form working beneath their studies. We have to remember here that a high proportion of students have already completed an upper level VET programme at the upper secondary cycle. Therefore they can also fall back to their previous level, if they do not complete tertiary education what is often the case (Unger et al. 2011).

Unemployment at this stage is under much lower attention in Austria despite it is substantially higher than in the lower age group. Unemployment is to some extent transitional, as many completers of apprenticeship change their employer after completion, for some part voluntarily, for some part they are not taken over by the enterprise opposing to their wishes. At this stage a kind of systematic 'blind spot' is built into the Austrian transition space, as the transition after apprenticeship into regular employment is masked behind the fact that enrolment *into* apprenticeship ('first threshold' in Germany) which is systematically a *transition within ET* is institutionally counted as transition into employment (apprenticeship is a special kind of employment relationship, with all social security requirements, and is regular part of employment and the labour force). Therefore the real transition from ET into employment ('second threshold' in Germany), which takes place after completing apprenticeship is not

counted and followed up as such. Not much valid knowledge is available about the use of the apprenticeship qualifications (synthesis), there are indications about very high outflows from the training enterprise, and about half of adult completers are not working in their occupation (Lassnigg 2010). The focus in this age group is very much laid on the higher education graduates, who are not suffering severe problems.

About one third of young people experiencing unemployment in this age group are trained in ALMP measures, on average during about four months. In absolute terms the unemployment stock in the 20-24 years age group is about 30.000 persons, with more than 150.000 experiencing a spell of unemployment during a year, the inflow in ALMP training measures is about 40.000. As a consequence of the mentioned 'blind spot' we do not know much about the effects of the training measures on young people of this age group. Evaluations are mainly geared towards the younger group, and results are not very favourable. By and large we get a picture that a high proportion of young people without a job (up to two thirds) are enrolled into measures, however, the measures work rather as a second round selection device with about one third being successfully integrated, and with widely missing accounts about the others, which are frequently affected by sequences of measures.

Three building blocks, with ALMP as the essential stopgap

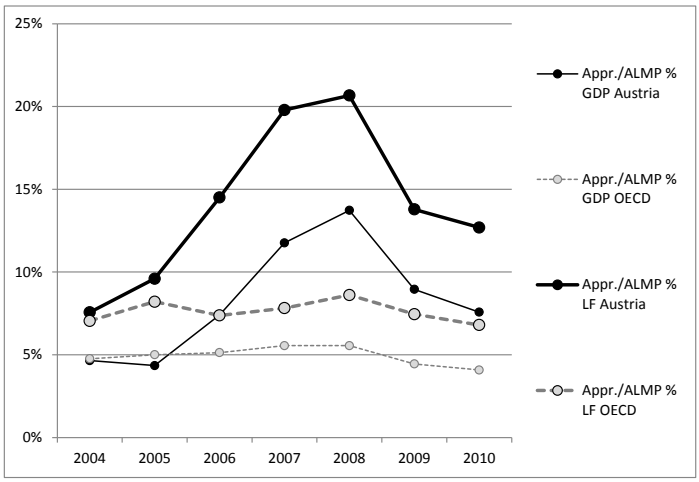
Summarizing this description and analysis of the transitional space, we get three major building blocks, (1) the vertically differentiated full-time schools, (2) apprenticeship, and (3) the framework of ALMP measures grossly comprising two parts, first support of apprenticeships and second a broad array of mainly additional training measures for unemployed young people. The support of apprenticeships has reached about half of all apprentices, if we sum up the inflow of the support of regular apprenticeships (up to one in three 2008) and institutional apprenticeships (up to one in five 2010-11), or about ten per cent of the young population. Additional 7-8 per cent of young people is participating in ALMP training, so overall more than 15 per cent of young people are served by the third building block, and these would not one to one, but nevertheless substantially increase unemployment if the measures would not exist. Therefore the success on the Austrian youth labour market can be attributed neither to education, not to apprenticeship, but to ALMP support.

We call this sector stopgap, however, because it is somehow invisible in the discourses about the reasons of success. The sectors of the education system are claiming the success for themselves

and are even criticising ALMP for questionable results of training measures and setting wrong incentives by institutional apprenticeships. From the point of view of policy provision, the ALMP measures also suffer from the common perception of being of a temporary nature only, with the consequence that the whole system and its inhabitants are basically perceived as transient and negligible, despite its in fact persistent and established character. This constellation works against professionalism and quality, and implies that the people doing the hard work in the system are carrying very commonly the characteristics of a secondary labour force, with low wages, extremely insecure employment conditions, and the like. An in-depth study about a regional ALMP training system has even found that the trainers often on the beginning of a week didn't know on which side of the labour market they will find themselves (Zilian et al. 1999, 163).

Comparative data reinforce a relative high effort of ALMP. Standardised to the level of unemployment, the ALMP expenditure in per cent of GDP in Austria ranks third among OECD countries (BMASK 2012, 5). Expenditure for ALMP have been about 40 per cent above the OECD average in 2009 and participation in ALMP relative to the labour force were about 20 per cent above the OECD. Expenditure for and participation in specific support measures for apprenticeship have risen to 14% and 20% of overall ALMP in 2009, being two to three times higher compared to the OECD average. This high effort in apprenticeship is an Austrian specifity and cannot be seen in Germany and Switzerland. Figure 1 shows the proportion of special support of apprenticeship to ALMP in terms of financing and participation in Austria compared to the OECD average. Whereas the proportion in OECD is between 5 and 8 per cent, it has increased in Austria to 15 to 20 per cent.

Figure 1: Special support of apprenticeship in relation to total ALMP, % GDP and % labour force (LF), 2004-2010



Source: OECD LMP data base, own figure, calculation

The policies for the support of apprenticeship have taken another path than in Germany, where a high proportion of young people are enrolled in the so-called 'transition system' (*Übergangssystem*) of preparatory, but not directly to the Dual System related measures. Amongst other factors this is due to the fact, that the German apprenticeship system is situated later in the careers rather at the post-secondary level with a high take-in of completers of upper secondary programmes (amongst that *Abitur*). In Austria apprenticeship is still clearly situated at the 16-18 years age group after the end of compulsory school with only slight tendencies to postpone it in the career course. When transition problems into regular apprenticeships became more persistent in the 1990s supportive training measures were established by a specific law for the protection of youth training in 1998 (*JASG-Jugendausbildungssicherungsgesetz*).
Those programmes were directly linked to apprenticeship, by giving them the purpose to prepare the participants for a transition into a regular apprenticeship contract within a year. A very dense politico-bureaucratic procedure run by the social partners was established for the yearly prolongation of the participation in the measures by individual cases. This law had to be periodically prolonged, and a broader system emerged during a decade.
In 2008, after ten years of development, this system was integrated into the vocational training law (*Berufsausbildungsgesetz*) as a regular form of 'institutional apprenticeship' (*ÜBA-Überbetriebliche Ausbildung*). Young people who could not find an enterprise based apprenticeship can establish an apprenticeship contract with a training institution, a reduced apprenticeship wage is paid by the unemployment insurance, and the practical training is

acquired by internships in training enterprises. The main purpose of ÜBA is still to transfer the participants as early as possible into a regular apprenticeship, and to use the internships for this purpose; completion of the whole apprenticeship programme is also possible within ÜBA in special cases. The periods of apprenticeship contracts in the ÜBA are normally recognised as part of training in case of the transition into a regular enterprise based apprenticeship.

The way through the 2009 crisis

If we look at the policies concerning the youth labour market we can observe the first massive interventions in the beginning of the 1980s, after the 'baby boomers' born between the late1950s and the mid-1960s started their transition into the labour market at the moment when the economy was hit by the oil crises of the late 1970s. Already in the 1970s the chancellor Bruno Kreisky declared his strong conviction of fighting youth unemployment at all cost and this conviction was echoed by the leader of the conservative opposition. In 1982 a youth LMP programme was developed by the Ministry of Labour that had already the basic structure of today, with the support of apprenticeships and measures for orientation and training as its elements.

In the context of the big and expensive problems of social and labour market policy the measures against youth unemployment have always been relatively small and cheap, and signs for an increase of unemployment were immediately answered with policy responses. In the mid-1990s a big government programme was developed that included reforms of apprenticeship, ALMP measures and the extension of places in full time schools (OECD 1997). Here we can already see the three mentioned building blocks in action. In addition to the specifically designed youth programmes most of the common ALMP measures are also heavily used for the support of young people which comprise one third to half of participants in these measures.

Figure 2 indicates the relative quantitative development of the building blocks of the Austrian transition space between 2004 and 2012. Figure 2a shows the 15-19years age group. The population is fairly stable; full time schools have expanded a little more than the population. Apprenticeship shows a slight decline after 2009 following an increase in the years before, and the development follows grossly the demography. Strong increases of twenty to thirty per cent are shown by tertiary and postsecondary education and ALMP. In figure 2b we can see the very slight decline of unemployment in this age group, and at the same time the threefold increase of support of apprenticeships until 2007 that was reduced somewhat in the following years. Within

full time schooling the lower and medium level VET schools are on decline, whereas participation in the upper level schools are on increase; medium level schools for health occupations which are organised as a separate sector show a similar strong increase as tertiary education.

Figure 2c shows the respective indicators for the 20-24 years age group. The population has very slightly increased and employment remains fairly stable. Unemployment has incr. eased by about 10 per cent, and the most expansive indicators are tertiary and postsecondary education and ALMP training. However these changes did not preclude the increase of unemployment in this age group.

Figure 2a: Relative development of population, upper secondary schooling, apprenticeship and ALMP measures among 15-19 years olds, 2004 to 2012, Index 2004=1

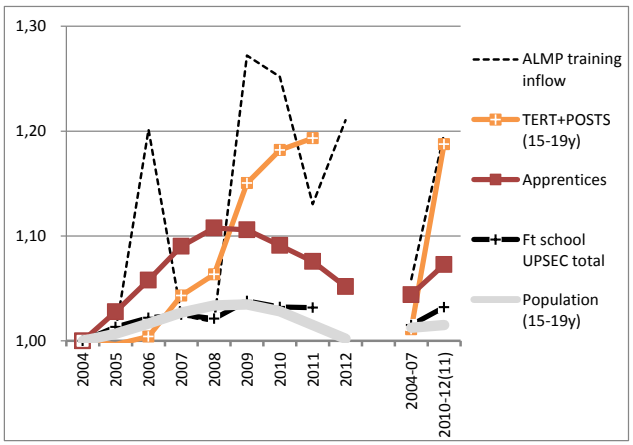


Figure 2b: Relative development of unemployment, ALMP training and support for apprenticeship among 15-19 years olds, 2004 to 2012, Index 2004=1

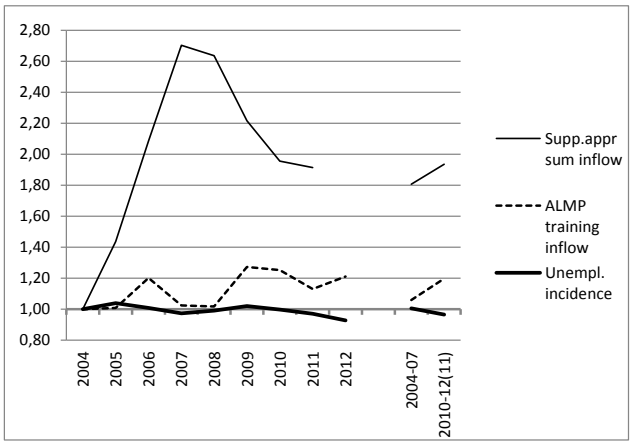
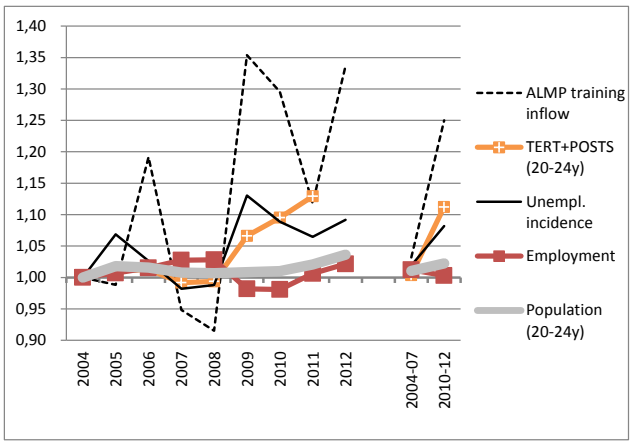


Figure 2c: Relative development of unemployment, ALMP training and support for apprenticeship among 20-24 years olds, 2004 to 2012, Index 2004=1



Source: Source: BMASK Bali web (population, employment, unemployment, ALMP, apprenticeship), Statistics Austria, BMUKK, BMWF data warehouse (education)

Conclusion: how the building blocks play together

We have asked in this contribution which factors might explain the success of Austria on the youth labour market. We have given a sketch of the transitional space that is constituted by three major building blocks: VET and academic schooling, apprenticeship and active labour market policy. Young people shift to a substantial proportion between these building blocks. In terms of success the younger 15-19 age group has more favourable conditions than the older 20-24 age group.

At age 15, after compulsory school ends, two systemic factors are considered very important until now: (1) the high incentive to start upper secondary education because its first year is situated within compulsory education, and (2) the existence of two different selection models into VET, one based on school achievement into fulltime schooling, and one based on enterprises criteria, and relatively detached from school achievement into apprenticeship. These factors have come under strain in more recent years, because of the delayed start of apprenticeship one year after fulltime VET schools, and because the results of school achievement are becoming generally more important also in apprenticeship due to the tendency of upgrading of skills requirements.

We argue that the 'dualism' of full time VET schooling and apprenticeship is one of the strengths of the system. Apprenticeship has absorbed parts of youth who were not successful at school, and upper level schools and tertiary education have absorbed young people during economic downturns. However, the comparative success on the Austrian youth labour market cannot be traced back alone to the quality of education or the existence of the apprenticeship system either. Active labour market policy plays a decisive but somehow disguised and neglected role as a third building block in the success story. Two channels work in this area; firstly apprenticeship is strongly supported by ALMP, secondly a broad array of LMP training measures has been built up during the decades since the early 1980s.

Not enough is known about the efficacy of the ALMP measures. More recently a debate has developed about shifting the emphasis from curative ALMP measures to preventive strategies, which hold people in education rather than to catch them up after failures at the labour market. A new pilot measure called youth coaching (*Jugendcoaching*) is trying to establish more direct links between ALMP and the education system by identifying young people at risk already in education and establishing support on a case management basis.

The interplay of apprenticeship and ALMP, and the development of the institutional apprenticeship indicate a successful solution for problems to provide enough places for apprenticeship training, at least in the short run. In the longer run the ongoing changes will require more severe adaptations.

Overall, we can learn from Austrian experience, that the political will and action following from it are a key requirement for the successful development. However, the analysis also points to some more problematic issues in the development of the youth labour market. If we take into account broader aspects of the quality of education and the longer term career opportunities of young people we must admit, that low youth unemployment does not unambiguously point to the successful working of all the institutions involved. The OECD scoreboard that compares several indicators of 2011 to 2001 shows that the Austrian performance is still favourable, but at most of the indicators the positive distance to the OECD and EU averages is getting smaller.

In sum the relative good situation in Austria cannot be explained by the apprenticeship system alone, but the high policy priority and the diversity of a broad range of institutional offers are probably more important. A good design of these measures is also important, as otherwise the vulnerable young people who are sheltered from unemployment by various measures during youth age, might be transferred to adult unemployment, when they do not belong to the youth-age-group any more. This might be a negative side effect of the high policy priority, as this might put sometimes low unemployment figures over real solutions. Moreover, the labour market indicators do not say anything about achievement and selectivity problems in the education system, which are quite severe in Austria.

Literature

Alteneder, W. (2007). Wie gut gelingt der Berufseinstieg nach dem Lehrabschluß? Karriereanalyse von Personen des Geburtsjahrgangs 1980 [How does transition from apprenticeship to employment work? Careers of the 1980 birth cohort]. *AMS info 92*. Vienna: Communicatio. Retrieved February 15, 2013 from http://www.forschungsnetzwerk.at/downloadpub/info92.pdf

BMASK-Federal Ministry of Labour, Social Affairs and Consumer Protection (2012). *Aktive Arbeitsmarktpolitik in Österreich 1994-2012*. Vienna: BMASK. Retrieved February 15, 2013 from http://www.bmask.gv.at/cms/site/attachments/2/7/9/CH2124/CMS1249975678352/dokumentation_aktive_arbeitsmarktpolitik_1994-2012_final_121213.pdf

EUROFOUND (2012). *NEETs. Young people not in employment, education or training: Characteristics, costs and policy responses in Europe*. Luxembourg: POEU. http://www.eurofound.europa.eu/pubdocs/2012/54/en/1/EF1254EN.pdf

Lassnigg, L. (2010). Herausforderungen für Berufsbildung und Forschung: Demografie, Lifelong Learning und Berufe im Lebensverlauf [Challenges for VET and research: demography, lifelong learning and occuptaions in the life course]. *Zeitschrift für Berufs- und Wirtschaftspädagogik, Beihefte*(24), 207–234.

Lassnigg, L. (2011a). Arbeitsmarktbedingungen und Beschäftigung [Labour market conditions and employment]. In BMWFJ-Federal Ministry of Economy, Family and Youth (Ed.), *6. Bericht zur Lage der Jugend in Österreich* (S. 133–154). Vienna: BMWFJ. Retrieved February 15, 2013 from http://bmwa.cms.apa.at/cms/content/attachments/1/9/7/CH0618/CMS1315399105832/sechster_jugendbericht_teil_a_b.pdf

Lassnigg, L. (2011b). The „duality" of VET in Austria: Institutional competition between school and apprenticeship. Journal of Vocational Education and Training, 63 (3), 417–438.

Lassnigg, L. (2012). Die berufliche Erstausbildung zwischen Wettbewerbsfähigkeit, sozialen Ansprüchen und Lifelong Learning – eine Policy Analyse [Initial VET between competitiveness, social demands and lifelong learning – a policy analysis]. In B. Herzog-Punzenberger (Ed.), *Nationaler Bildungsbericht Österreich 2012, Band 2* (S. 313-354). Graz: Leykam.

OECD (1997). Thematic review of the transition from initial education to working life. Background report Austria. Paris: OECD. Retrieved February 15, 2013 from http://www.oecd.org/edu/skills-beyond-school/1908225.pdf

Steiner, P. M., Schuster, J., Vogtenhuber, S. (2007). *Bildungserträge in Österreich von 1999 bis 2005*. [Returns to education in Austria 1999-2005]. Research report. Vienna: IHS. Retrieved February 15, 2013 from http://www.equi.at/dateien/Bildungsrendite_IHS-STATA-05.pdf

Unger, M., Dünser, L., Fessler, A., Grabher, A., Hartl, J., Laimer, A., Thaler, B, Wejwar, P. & Zaussinger, S. (2011). *Studierenden-Sozialerhebung 2011. Band 2* [Student social survey 2011]. Research report. Vienna: IHS. Retrieved February 15, 2013 from http://ww2.sozialerhebung.at/Ergebnisse/PDF/Studierenden_Sozialerhebung_2011_BAND_2_Studierende.pdf

Zilian, H.G., Lassnigg, L. & Wroblewski, A. (1999). *Arbeitslosenschulung in der flexibilisierten Wirtschaft: Am Beispiel der Evaluierung und der Analyse eines Schulungssystems*. Munich: Hampp.

Data sources

Austria

BMASK- Federal Ministry of Labour, Social Affairs and Consumer Protection, Bali web http://www.dnet.at/bali/Default.aspx

BMUKK- Federal Ministry for Education, the Arts, and Culture, http://www.bmukk.gv.at/medienpool/13314/biwi_2006.pdf, http://www.bmukk.gv.at/medienpool/15071/stat_tb_2006.xls

BMWF- Federal Ministry of Science and Research, uni:data, Datawarehouse Hochschulbereich http://eportal.bmbwk.gv.at/portal/page?_pageid=93,140222&_dad=portal&_schema=PORTAL

Statistics Austria, Schulen, Schulbesuch http://www.statistik.at/web_de/statistiken/bildung_und_kultur/formales_bildungswesen/schulen_schulbesuch/index.html

Statistics Austria, Bildung in Zahlen [Figures about education], Tabellenbände, 2010/11, 2007/08, 2006/07.

Comparative

EUROSTAT, Dashboard of EU Youth Indicators
http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_social_policy_equality/youth_policy/dashboard_youth
EUROSTAT, Labour market policy database
http://epp.eurostat.ec.europa.eu/portal/page/portal/labour_market/labour_market_policy/database
OECD, Employment policies and data, Online OECD Employment database
http://www.oecd.org/employment/employmentpoliciesanddata/onlineoecdemploymentdatabase.htm#unr
OECD, Employment policies and data, Online OECD Employment database, Scoreboard on youth aged 15-24
http://www.oecd.org/els/employmentpoliciesanddata/scoreboard%20EN.xlsx
OECD 2012, Public expenditure on active labour market policies % of GDP, Employment and labour markets: Key tables from OECD http://www.oecd-ilibrary.org/employment/employment-and-labour-markets-key-tables-from-oecd_20752342