

VOCATIONAL EDUCATION AND SOME FACTS FROM TURKEY

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Background of Economic Development and Labor Market in Turkey

In third quarter of 2002, the growth rates observed in agriculture, industry and services sectors have been 6.6%, 10.5% and 7.7% respectively. The growth rate in manufacturing industry in the same period has been 11.8%. Sectoral growth in the first nine-month period of 2002 has been 5% in agriculture, 8.8% in industry and 6.4% in services.

The increase observed in the manufacturing sector as of the beginning of 2002 has positively affected the services sector and in this period an increase of 9.7% in the trade sector, 5.1% in the transportation and communication sector, 7.7% in business and personal services sector and 25.6% in the import duties was observed.

In the same period a 2% reduction was observed in the construction sector. When the data of the third quarter of 2002 is compared with the data for the same period in 2001, growth is seen in all sectors with the exception of construction.

According to the SIS Monthly Industrial Production Index, the average production increase has been 8.8% in the whole of industry, 10.2% in the manufacturing sector and 5.4% in the energy sector.

However, 9.6% reduction is observed in the mining sector. In the same period of 2001, production decrease of 8.3% in the whole of industry, 9% in the manufacturing sector, 2.5% in the energy sector and 6.9% in the mining sector was observed.

While the manufacturing industry capacity utilization rate (production-based) was 74% in November 2001, it went up to 77.1% in November 2002. This rate is 75.7% in the private sector and 79.2% in the public sector.² The enterprises account for not working at full capacity by lack of demand in

domestic and international markets, insufficient raw materials for domestic and imported goods, financial difficulties and issues relating to workers.

Exports have increased by 9.6% in the January–October 2002 period compared with the same period of 2001 and reached USD 28.311 billion; and imports have increased by 15.5% and reached USD 39.735 billion. While exports of manufacturing industry products rose by 20.9% and the agriculture and forestry products rose by 7.1% in October 2002 compared with October 2001, the export of mining and quarrying products fell by 7.3%.

On the other hand, in the same period the import of capital goods rose by 89.4%, intermediate goods by 24.6% and consumer goods by 40.9%.³ Of the exports made in October 2002, 66.3% were to Organization for Economic Co-operation and Development (OECD) countries, 29.8% to non-OECD countries and 3.9% to Free Zones in Turkey. While the share of EU countries in total exports was 51.5% in October 2001, this figure rose to 52.8% in October 2002. Compared with October 2001, the total export to OECD countries rose by 23.4%, to Turkish Free Zones by 62.8% and to non-OECD countries by 7.4% in October 2002. The increase in exports to EU countries in the same period was 22.2%. Of the October 2002 imports, 65.1% were from OECD countries, 33.8% from non-OECD countries and 1% from Turkish Free Zones. The share of imports from EU countries in this period was 43.9%.

The balance of foreign trade, USD 8.567 billion in the January–October 2001 period, rose by 33.3% to reach USD 11.424 billion in the same period of 2002. While the rate in the January–October 2001 period was 75.1%, it dropped to 71.3% in the same period of 2002. In the light of the above data, the increase in industrial production and export has accelerated economic growth in 2002. This explains why exports which had reached USD 28.3 billion in the first ten months of 2002 will exceed USD 32 billion, the year-end target for 2002.

In addition, the high increase rates observed in industrial production in the March–October 2002 period, indicates that the economy, which hit bottom in the first quarter of 2002 and started growing in the second and third quarter, is continuing to grow in the fourth quarter. It is expected that the targeted growth rate of 3% for 2002 by the economic programme will be exceeded and a growth rate of approximately 6.5% will be reached.

However, when 2002 is compared with 2001, although high increase rates were seen in the economy in the first nine months of 2002, it is observed that the effects of the economic crisis have not been totally alleviated:

- Reduction in Private Final Consumption Expenditure in 2001 was 11.3%. In 2002 the increase was only 1.1%, indicating that the losses

observed in 2001 were not totally recovered and that domestic demand is weak.

- In 2001 the reduction in Gross Fixed Capital Formation (investment) was 38.6%. In 2002, this reduction was 5.7%. This negatively affects the increase in employment.

- Growth in export of goods and services for 2001 was 6.4%. This tendency continued with an increase in the first nine months of 2002 and reached 10.6%, indicating that the growth seen in the economy in 2002 was export-based. However, the increase in exports is mostly due to post-crisis factors such as the labour force, energy prices and the relatively cheap imported materials and petrol prices arising from the increase in value of the Turkish lira, etc.

Analysis of the educational status of employees shows that, while the proportion of those with basic and lower educational levels continues to fall (from 73.98% in the third quarter of 2001 to 71.04% in the same period of 2002), the proportion of high-school or university graduates continues to increase (from 26.03% in the third quarter of 2001 to 28.97% in the same period of 2002).

However, 90% of those employed comprises those with a high-school or lower educational level as well as those with no education. Nearly 60% of the unemployed are those with basic or lower educational levels. The percentage of high-school graduates among the unemployed is 27.56%, whereas it is 12.60% for higher-education graduates. (It is summarized from Short Country Report on The Latest Developments in Education, Training and Employment Policies Turkey, prepared by Aise Akpınar, translated by Nelin Lyons, November, 2002, Ankara, Turkey, visited 3 February, 2005 and available from [http://www.etf.eu.int/website.nsf/Pages/DD93072B6443A576C1256E8A003047AC/\\$FILE/ENL_ShortCountryReport_TR_03_EN.pdf](http://www.etf.eu.int/website.nsf/Pages/DD93072B6443A576C1256E8A003047AC/$FILE/ENL_ShortCountryReport_TR_03_EN.pdf)).

Policy Development and Adaptation of Legal Framework

The changes foreseen in the vocational and technical education system to better respond to the quantitatively and qualitatively skilled labor force demanded under the lifelong learning and adaptation to EU efforts, were realised under Law No. 4702 which came into force in July 2001.

The Regulation on Vocational and Technical Education, prepared to implement the provisions of the law, came into force on publication in the Official Gazette on 3 July 2002. Thus the changes were fully implemented in the 2002/03 academic year.

Previously, principles and procedures relating to the operation of the system were determined by separate regulations prepared according to type of

education, type of school or subject. For example; there was a Regulation on Apprenticeship Training, a Regulation on Adult Education Centers, a Regulation on Apprenticeship and Vocational Education Organizations, a Regulation on Anatolian Vocational and Technical Education Organizations, etc. Now, however, principles and procedures relating to the operation of all vocational and technical education, apart from post-secondary vocational education, has been brought together under the

Regulation on Vocational and Technical Education. The new approach is expected to contribute positively to coordination and cooperation between types of vocational and technical schools.

In accordance with Law No. 4771 of 3 August 2002, the Regulation on Learning Different Languages and Dialects Turkish Citizens Traditionally Use in Their Daily Lives came into force on publication in the Official Gazette No. 24882 of 20 September 2002.

Those completing basic education may directly enroll as candidates to vocational high schools. For departments where applications exceed the set quota, a listing is made according to the basic Education achievement level of students and a quota of students is placed. The above-mentioned Regulation on Vocational and Technical Education allows the direct enrolment of students under the conditions listed below. **These students can enroll with no restrictions on their achievements:**

- Those whose parents run a company and who would like to enrol in a field connected to their work area.
- Those who can certify that they have followed at least 720 hours of courses in the area in which they would like to enroll (those who would like to enroll in a vocational high school after having attended a vocational course at an informal education institution for a year on completing basic education are eligible for this provision).

No changes have been made in transitions to Anatolian vocational high schools and Anatolian technical high schools. Important developments were achieved in 2002 in transitions to post-secondary vocational schools from secondary vocational and technical schools without examinations. A quota of 196,680 places was set aside in approximately 300 programmes in post-secondary vocational schools for the purpose in the 2002/2003 academic year. The successful implementation of the protocol signed between the Ministry of National Education (MoNE) and the Higher Education Council (YOK) has had this positive impact on the education offer. The new arrangements have made it possible for post-secondary vocational schools

and secondary vocational schools to make joint use of teaching staff, workshops, laboratories and other physical environments.

Registration without examinations filled 158,912 places of the quota.¹³ The principle of preparing training programmes in accordance with national occupational standards and in a modular form has been adopted in the Regulation on Vocational and Technical Education. The work initiated by the various departments concerned to prepare a training programme based on national occupational standards is continuing. The testing and assessment system will have to be restructured to suit the introduction of modular programmes.

As part of its total quality Management policy, MoNE has prepared and implemented a 'Vocational and Technical Education School Development Model' in order to raise the quality of education and training at secondary vocational and technical schools.

Another important development observed in 2002 is the integration of the programmes of secondary vocational and technical schools with that of post-secondary vocational schools. In this context, a Post-Secondary Vocational Schools Programme Development Project has been prepared and implemented with the cooperation of MoNE and YOK. The project, which was completed in six months, prepared programmes in 15 occupational areas—approximately 70% of the total capacity of post-secondary vocational schools. In the programmes concerned, the time allocated for practical applications varies between 30% to 40% of the total duration, depending on the field.

Regulation on the Principles and Procedures Related to the Training, Practical Application and Internship of Post Secondary Vocational School Students at Companies came into force on 22 May 2002 with publication in the Official Gazete No. 24762. Post-secondary vocational students have to successfully complete company internship of 30–60 working days in order to graduate.

As a natural result of the lengthening of the duration of compulsory education to eight years in 1997, the increase seen in new enrolments to secondary education is continuing. Compared with the previous academic year, the number of students enrolling in secondary education rose by 16.3% in 2001/02. The fact that this increase is 15% for boys and 18.1% for girls is evaluated as a serious indicator that gender discrimination is decreasing. While 758,000 (92.4%) of the 820,000 basic education graduates of the 1999/2000 academic year enrolled in secondary education in 2000/01, 881,000 (83.5%) of the 1,055,000 basic education graduates of the 2000/01 academic year enrolled in secondary education in 2001/02 academic year.

Analysis according to education type shows that the increase in the number of students enrolling in secondary education is 16% in general education and 16.9% in vocational and technical education. However note that while the numerical increase is 80,000 in general education, it is 43,000 in vocational and technical education. If this tendency persists, it seems that a more vocational-technical education oriented structure will be difficult to obtain in secondary Education.

While there were 218,576 students in apprenticeship training in the 1999/2000 academic year, enrolments reached 248,495, an increase of 13.7%, in the following academic year. However, it is important to note that this increase is in enrolments to master trainer courses while in fact there is a decrease in the number of students entering apprenticeship training after completing eight years compulsory Education.

In accordance with the 8th Five-Year Development Plan and the 2002 Programme, adaptation to the EU regulations on education is continuing with the participation of MoNE and other related organizations and institutions following the principles determined in the National Programme. During this phase the EU and MoNE regulations have been compared and those requiring adaptation and those in compliance determined (It is summarized from *Short Country Report on The Latest Developments in Education, Training and Employment Policies Turkey*, prepared by Aise Akpinar, translated by Nelin Lyons, November, 2002, Ankara, Turkey, visited 3rd February, 2005 available from [http://www.etf.eu.int/website.nsf/Pages/DD93072B6443A576C1256E8A003047AC/\\$FILE/ENL_ShortCountryReport_TR_03_EN.pdf](http://www.etf.eu.int/website.nsf/Pages/DD93072B6443A576C1256E8A003047AC/$FILE/ENL_ShortCountryReport_TR_03_EN.pdf))

Some considerations are below about the current status of the education-teaching services listed in the education section of the Yearly Program for 2002 from the Eighth Five-Year Development Plan for 2001-2005.

- The enrollment rate in the 2000-2001 academic year has reached 10.1% in Pre-Primary education, 100.7% in primary education, 64% in secondary education (22.2% in vocational education and 41.8% in general high schools), 28% in higher education, 17.8% of which is accounted for by formal education.

- In order to make-up for the shortage of Pre-Primary teachers, graduates of the girls' vocational school child development section have been given the opportunity to attend 2 years or 4 years of education at Anatolia University and in that context, 3,344 proficient teachers have been trained and employed. 66,880 more children have had the chance to benefit from Pre-Primary education services.

- 30.000 teachers have been appointed in 2001 in order to meet the teacher requirements in primary and secondary education.

- In 2000-2001 academic year 602,643 students from 25,520 schools have been transported to 5,051 schools in 77 cities and thus, about 5% of the primary education students in this academic year have benefited from bussed education. Also, the regulations regarding amendments to the regulation of bussed education has become effective.

- In relation to restructuring the lower secondary school education with the focus on vocational and technical education, and reorganizing the transition to higher education, the Law no 4702 has become effective to suggest modifications in the higher education law no. 2547, the apprenticeship and vocational education law no. 3308, eight years of education law no 4306 and the Ministry of National Education organization law no 3797.

- As part of computer-assisted education, efforts have been made to spread the use of computers. In the academic year 2000-2001, the number of schools with computers has reached 5.536. 235 information technology classrooms have been installed in secondary education schools.

- As of September 2001, about 136 million dollars of the 300 million US dollar loan provided by the World Bank for the Basic Education Project, which shall be carried out as part of the efforts for eight years of uninterrupted compulsory basic education.

- At the end of the year 2001, 104 school buildings have been built for 11,000 students in Pre-Primary education, 1,365 school buildings (18.934 classrooms) for 520,000 students in primary education, 31 school buildings for 24,000 students in general secondary education, 40 school buildings for 20,000 students in vocational and technical secondary education.

In the academic year 2000-2001, about 3,174 people have been given general, cultural, vocational, apprenticeship and in-service training through non-formal education in public and Private education centers. In the academic year 2000-2001, 200,000 candidate apprentices, apprentices and experienced apprentices from 109 main vocational groups have been trained.

On 19 March 2001, the Turkish Government presented the National Plan for the Adoption of the "Acquis Communautaire", which is the main document describing the reforms that Turkey needs to introduce in order to join the European Union and which actions have to be taken accordingly. The chapter covering "Education, Training and Youth" focuses on the need to reach EU standards in the field of education through the support of international donors.

The Strengthening the Vocational Education and Training System in Turkey (SVET) is one of the main programme agreed between the EU and the Turkish Government to make Turkey able to fulfill the requirements of the "Acquis Communautaire" in the field of education and training. The SVET programme is aimed at assisting the Turkish Government, through the Ministry of National Education, in the process of modernization and adaptation of the Vocational Education and Training (VET) system to the socio-economic needs of the country and to the principles of life-long learning. The total budget of the SVET Programme is 58.190.000 Euros, of which 51.000.000 Euro is non reimbursable grant assistance from the EU, and the remaining 7.190.000 Euro represents the in-kind contribution by the Government of Turkey. **The SVET programme has the following three immediate objectives:**

- Improve the quality and relevance of the VET system through the implementation of a national reform, which includes the development of a national qualification system;
- Strengthen institutional capacity at national, regional and local level of public administration, social partners' representatives and companies;
- Speed up the process of decentralization of the system, by involving local sectors in the implementation of the process of reform.

The programme's technical assistance team has started to work on September 30, 2002, and the activities are going to be carried out on a five-year time frame, until September 2007. One of the most important steps of the SVET programme is represented by the introduction of new curricula, foreseen to start from the school year 2004-2005. Such curricula will reflect an overall innovation in the national qualification structure, in the training standards, in the quality assurance system.

They will be developed both at central and at local level, in accordance with the requirements of the society and of the labor market. The amount of 25 million Euros from the above-mentioned budget is allocated to supply equipment to pilot training institutions that will participate in the development and introduction of the new curricula. The selection process has recently been completed and 105 pilot training institutions located in the 30 Provinces covered by the SVET programme have been selected. (*The Representation of the European Commission to Turkey Strengthening Vocational Education and Training System in Turkey*, Ref: 2004/TQ04/98/006 visited January 27, 2004 and

available <http://www.meb.gov.tr/duyurular/duyurular/MegepHibeBasvuruRehberi/MEGEPSvetGrantGuidelines.pdf>).

Modernization of Vocational Education and Training in Turkey Project (MVET) funded by the European Union MEDA program started operating at 07 July 2003. The overall goal of the project is to further modernize and adapt the system to make vocational education and training more responsive to the socio-economic needs of the country and to the key principles of life-long learning.

The MVET PROJECT is a vital component in improving the quality and relevance of the Turkish Vocational Education Training (VET) system. The up-grading of vocational and technical teacher training is a significant factor in the improvement of the overall VET system.

Teachers in the VET system will need to carry out new functions and assume different roles. In order to do this the system for training VET Teachers at both pre-service and in-service levels is planned to be adjusted to facilitate the development of teachers with appropriate competencies and relevant vocational experience.

To facilitate assistance for these activities, MVET Project is to establish FIVE Regional Offices in Ankara, İstanbul, Konya, Elazığ and Denizli. (*Modernisation of Vocational Education and Training in Turkey Project*, Project No: Dg1a-D/Medtq/15-96, visited February 3, 2005 available from: http://www.yok.gov.tr/duyuru/ta_eng.htm)

Vocational and Technical High Schools

Vocational and technical high schools are institutions which give training to young people in commercial and vocational fields and prepare them for higher education. These schools are;

1. Technical Education schools for boys
2. Technical Education schools for girls
3. Religious education schools.
4. Commercial and Tourism Education schools

Total student number in these schools was 938,028, which amounted to 1.3 % of the general population.

Technical High Schools For Boys: These schools, which function under the General Directorate of Technical Education for Boys train young people as semi-skilled labor for national industry.

Technical High Schools for Girls: The main aim of the Technical High Schools for Girls is to train young people as semi-skilled technical personnel in accordance with the general aims and basic principles of Turkish National Education. When their training is completed these young girls will be able to contribute to national industry and add to their family incomes.

Religious Education Schools: The "Imam" (religious official) or preacher high schools, established under Article 4 of the Unification of Education Law No.: 1739, are educational institutions which offer programs within the middle education system that prepare students both for higher education and for such positions as "Imam" preacher.

Commercial-Tourism High Schools: These schools train young people as skilled labor who are needed by public and private sectors in Turkey in the following fields: commerce, tourism, bookkeeping, computer science, finance, marketing, banking, secretarial, insurance, exchange services, local administration, communication, etc. They learn a foreign language.

Vocational and Technical Open Education School

Countries in which technical and vocational programs of a shorter duration account for more than 30 percent, shown in Figure 1, are perhaps best poised to face this challenge. However, because knowledge rapidly becomes obsolete, knowledge workers will have to be continuously retrained. Furthermore, some jobs will disappear in time, and some workers will have to be trained for new jobs. Continuing education of already highly educated adults is projected to be the biggest growth area in developed countries. Equipping people to deal with the complexities of the global knowledge economy clearly requires a new model of education and training, a model of lifelong learning. **The World Bank defines this model as follows:**

"It encompasses formal learning (schools, training institutions, universities); non-formal learning (structured on-the-job training); and informal learning (skills learned from family members or people in the community). It allows people to access learning opportunities as they need them rather than because they have reached a certain age."

In summary, a knowledge-driven economy not only requires higher skills in the workforce, but also continuous updating to adapt to changing demand and creation of new knowledge. Lifelong learning and continuing education are thus expected to expand, leading to a blurring between initial degrees and continuing education certificates, and perhaps also between secondary and tertiary levels both in developed and developing countries, but more so in the former. Thus tertiary education institutions, especially in developed countries, are increasingly coming under pressure to serve a more diverse clientele, including, in addition to the relevant age cohort, working students, mature students, part-time students, day students, night students, students studying towards a degree, students taking courses that lead to new vocational qualifications, etc. (Gürüz, K. (2003), visited February 4, 2005 and available from <http://www.yok.gov.tr/duyuru/economy.pdf>)

The vocational and technical open education school. is a vocational and technical educational institution which provides educational opportunities for citizens who have completed primary education either through learning-at-a distance education or regular education programs, but could not benefit from vocational training due to various reasons, and also citizens, who could not attend a higher education institution and acquire vocational knowledge and skills.

In the 2000-2001 scholastic year:

- 137,847 students attended open primary education programs.
- 368,108 students benefited from open high school programs. 330,800 attended general secondary education programs and 37,200 benefited from vocational open education programs.
- 37,200 students benefited from vocational and technical open education programs. The distribution is as follows: 60% of the students were enrolled in vocational industrial high schools, 8% in vocational high schools for girls, 23% in commercial-vocational high schools, and 9% were in the "Imam" or preacher high schools. (It is summarized from *The Structure of The Turkish Educational System*, visited February 01, 2005 and also available from <http://www.meb.gov.tr/indexeng.htm>) Table: 1 summarizes the numbers of the students and teachers for Vocational Technical Secondary Education in private and public sector in the academic year 2001-2002.

Table 1 :The Numbers Of The Students And Teachers For Vocational Technical Secondary Education In Private And Public Sector In The Academic Year 2001-2002.

FIGURES BY EDUCATION LEVELS IN THE ACADEMIC YEAR 2001-2002					
EDUCATION LEVEL	# OF SCHOOLS CLASSES INSTITUTIONS	# OF STUDENTS			# OF TEACHERS
		TOTAL	BOYS	GIRLS	
Vocational Technical Secondary Education	3.428	821.895	521.490	300.405	66.176
Public	3.406	820.810	520.798	300.012	66.075
Private	22	1.085	692	393	101

Source: The Ministry of National Education Research, Planning and Coordination Board.

Higher education System in Turkey

Higher education is defined as all education for post-secondary programs with a duration of at least from two years to four or more. The system consists of more than 80 universities (53 state and 23 foundations) and non-university institutions of higher education including police and military academies and college too.(visited February 5, 2005 and available from <http://web.deu.edu.tr>) Each university consists of faculties and four-year schools, offering bachelor's level programs, the latter with a vocational emphasis, and two-year vocational schools offering pre-bachelor's (associate's) level programs of a strictly vocational nature. Anadolu University in Eskişehir offers two-year and four-year programs through distance education. There are presently 468 types of bachelor's and 267 types of pre-bachelor's level programs operating in 2835 bachelor's and 3336 pre-bachelor's programs in universities.

Admission to higher education is centralized and based on a nation-wide single-stage examination administered by the Student Selection and Placement Center (OSYM) every year. The center was established in 1974 and affiliated with the Council of Higher Education in 1981.

The examination, named the Student Selection Examination (OSS), consists of verbal and quantitative parts. Candidates with scores between 105 and 120 points are offered a restricted choice of higher education programs. Placement of the candidate is based upon the composite score calculated by taking into account the score of the entrance examination as well as the high school grade-point average, normalized nationally using the success of the classmates of the candidate in the entrance examination and also using a factor which depends on the high school type and the program of the candidate.

Table: 2 shows the placement of the candidates in Turkish universities in the 2001-2002 academic year. In the 2001-2002 academic years, undergraduate enrolment in Turkish universities was as follows:

Table 2: The Placement of The Candidates in Turkish Universities in The 2001-2002 Academic Year.

Type of Education	Bachelor's	Pre-Bachelor's
Full Time	775,132	262,649
Distance Education	623,465	138,628

In addition, 7,654 bachelor's and 692 pre-bachelor's level students were enrolled in non-university higher education institutions, bringing the total to 1,568,384 of which 16,328 were foreign students. This amounts to a gross participation rate of 33%, i.e., the ratio of the total enrolment in higher education to the population in the age group 18-21 years of age (visited February 4, 2005 and available from <http://www.yok.gov.tr/english/part3.doc>).

Faculty: An institution of higher education conducting high-level education, scholarly research and publication; sub divisions may be attached to it. It may be divided into various departments.

Four-Year Higher School: Four-year higher school institution, which is mainly concerned with providing instruction for a specific profession.

Two-Year Vocational School: An institution of higher education carrying out two-year education programs aimed at training manpower in specific areas.

Second Education: A higher-level education, which offers two-year and four-year conventional education in the evenings in the university buildings. By the 2002-2003 academic year the number of students registered in Bachelor's or Associate's programs conducted in higher education institutions are given in Table: 3 (Bologna Declaration, 2003):

Table 3: Students in Bachelor's or Associate's Programs in 2002-2003.

Formal Education		Number of Students
Faculties (552)		1.394.656
Four-year Higher School (175)		61.104
Two-year Vocational School (446)		323.971
TOTAL		1.779.731
Second Education	Bachelor's	155.565
	Associate's	124.208
TOTAL of Second Education (*)		279.773
Open Education Faculty Anadolu University	Bachelor's	421.215
	Associate's	240.639
TOTAL of Open Education Faculty Anadolu University (**)		661.854

(*): This number has already been included to the total number of 1.779.731.

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At the undergraduate level higher education is provided by 53 state universities, including 2 state higher institutes of technology, and 23 private universities (*Turkish Educational System*, available from <http://web.deu.edu.tr/buca/fenbil/cogtech/education/turkey/system.html>, visited February 6, 2005, Bologna Declaration, 2003). Some of the universities started to integrate distance education technologies via web into their programs in the last years. However; Anadolu University OEF has offered a unique open and distance education system with a large variation of distance education technologies since 1982 (visited February 6, 2005, available

from <http://web.deu.edu.tr/buca/fenbil/cogtech/education/turkey/system.html>)

Today, Anadolu University has, including the distance education system, 12 faculties, 9 vocational schools, a state conservatory and 12 research institutes. There are four academic departments; Department of Distance Education, Department of Continuing Education, Department of Economics and Administrative Sciences and Department of Health Programs, among which only the latter two are active in offering associate degree study in vocational school status. Department of Distance Education is established in order to offer graduate study in the field of open and distance learning. Department of Continuing Education designs and administers continuing education programs to students coming from various backgrounds (Ozkul, E. Ali, 2001, <http://tojde.anadolu.edu.tr/tojde3/2/ekremtxt.htm> visited February 5, 2005 and available from). Following the opening of the Open Education Faculty (OEF) in 1982, programs continue to expand. Development has included subjects such as Teacher Training, Tourism Certificate programs, Vocational Education, and the Western Europe project. The Business and Economics programs, which were the cornerstone of the distance education programs, are still continuing.

There are 13 Associate's level (2-years) and 7 Bachelor's level (4-years) departments offering distance learning for approximately 800.000 students in the Anadolu University Open Education Faculty (Bologna Declaration, 2003).

- Pre-primary Teacher Education-Teaching Anadolu University, Eskisehir and Technical Education for Girls 2000-2003 for meeting the teacher requirements of Pre-primary education institutions.
- Special education Guidance and Advisory Services at 2001, for cooperation regarding language and speech difficulties by Anadolu University Open Education Faculty, Eskisehir.

English teacher training Project is realized by Anadolu University Open Education Faculty, Eskisehir, since 2000-Training English teacher through distance and face to face Education.

Conclusion

The key challenge for Turkey is represented by the demographic feature of the population, which accounts for almost 70 million people out of which 20 million are in the age cohort 0-14 years. With projections indicating that 70% of the population will be of working age by 2020, Turkey has a demographic composition that offers good scope for economic development and increased social security. To fully exploit this situation, however, adequate investment in training is needed.

Having a limited tradition in human resources development Turkey will have to address specific issues in this area such as the participation of women in the labour market and a reduction in the incidence of child labour. At present unemployment threatens the younger segment of the population in particular. The duration of compulsory education was extended to eight years in 1997. In 2001, a six-year-old male child could be enrolled in schooling for a total of 6.8 years of education, while for females this figure is 5.3 years. This shows that education is still largely a supply led affair and that the sheer number of students in need of training is imposing tremendous strain on the quality of the education provided.

In 2000, more than 220,000 students graduated from secondary vocational and technical education schools. By matching pre-market skills with the needs of the labor market, vocational education is expected to help graduates ease their way into the labor market. At present, the relatively unemployment rate of vocational high school graduates (13.3% in 2001 as opposed to 8.5% overall) is discouraging participation. Further investment in education is therefore needed. (<http://www.etf.eu.int>)

Turkish Education System mainly is structured in Formal Education [Pre-school Education, Basic Education (8 years), High School Education (3 or 4 years), University Education (2-6 years)]; High Schools [Vocational High School (%35), High School (%65)] Types of Vocational High Schools divided to five field as Vocational Lycees (three-year programs), Technical Lycees (four-year programs), Anatolian Vocational Lycees (1 year preparatory class + three years), Anatolian Technical Lycees (1 year preparatory class + four years), Multi-Programmed Lycees. Non-Formal And Apprenticeship Education And Training [to teach students reading-writing skills for them to have the opportunity to complete their education, to enable to acquire habits for

evaluating their spare time, to prepare them to have the suitable jobs according to the employment needs of the Turkish economy].

Total capacities of universities in Turkey by the year of 2004 is for Two Years College, 575.712 students including Open Education Faculty and Faculties and for the Four Year Colleges, 1.222.911 students, including Open Education Faculty. So that total capacity is 1.798.623. Open Education Faculty has 240.639 students for two year associate programs and 421.215 students for four-year degree programs. With the number of the faculties in Turkish Universities (academic staff) is 76.090 in 2004. (<http://64.233.183.104>.)

New projects on Vocational Education and Training can summarize as Modernization of Vocational Education and Training in Turkey Project (MVET). Project number is DG1A/ D/MEDTQ/15-96 collaboration with European Commission and Ministry of National Education. Contracting Consortium: British Council, Carl Bro, Del, Eduser. The goal of the MVET Project is to further modernize and adapt the vocational education and training system to make vocational education more responsive to the socio-economic needs of the country and to the principles of life-long learning. Project Duration is 42 months, inception Date: 07 July 2003. Project Funds is EU Contribution via 14.000.000€ and government Contribution is 4.500.000€. Totally Project is 18.500.000€. Secondly Strengthening The Vocational Education And Training System In Turkey. This five-year project is the result of an agreement signed between the European Commission and the Government of Turkey, and has a total budget of 58.2 Miilon €. The project aims at strengthening Turkey's VET system rather than imposing an alien structure. (visited February 2, 2005, for the detailed information: <http://www.megep.meb.gov.tr>) And thirdly, World Bank Supported Technical And Vocational Education And Training. This project is about 300 M USD and is under the negotiation between world bank and Turkish Government (Ministry of National Education). (For the detailed information from the page which is updated February 5, 2005, <http://www.megep.meb.gov.tr>)

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Employment and Education Policy for Young People in the EU.: What can New Member States Learn from Old Member States?

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Abstract*

The EU experience with young people unemployment has changed over recent years with the launch and re-launch of the Lisbon Strategy and the Bologna process. A dramatic shift has taken place from the 1990s emphasis on labour market flexibility as a tool to abate youth long term unemployment to the more recent stress on the importance of increasing the human capital endowment via a deep reform of education and training systems. This shift is also taking place worldwide, since, as recent studies show, labor market flexibility can increase employability when the human capital level of young people is sufficiently high. To reduce the “experience gap” between young and adult people, the education systems should become of a higher quality, more inclusive to reduce the dropout rate, homogeneous to other EU countries to favor labor mobility, flexible to allow young people to better find the best match, and contemplate the duality principle, by providing training together with education, to favor smoother school-to-work transitions. Apprenticeships schemes, fiscal incentives to hire the youth unemployed as well as on-the-job training schemes should help reach objectives that cannot be guaranteed simply via an increase in labor market flexibility.

JEL Classification: I2, J24, J68, P3

Keywords: Lisbon Strategy, Employment Policy, Young People, Economic Transition, Slovenia

Introduction

Income support and/or pro-active schemes have been at the core of the debate on economic transition from central planning to a market economy and for different reasons also at the core of the debate on the ensuing accession process to the European Union (EU). In particular, these instruments were part of the institutional and financial setting that should have helped define the capabilities of EU accession countries during the 1990s.

In Agenda 2000 launched in 1997 under the Luxemburg Presidency, the EU Commission defined the “accession capacity” as a determinant pre-requisite,

involving the adoption not only of the juridical, but also of the social, cultural, political and economic content of the so-called *acquis communautaire*. The ensuing pre-accession phase involved the implementation of several new policy instruments. Moreover, after entering the EU, the New Member States (NMSs)³ of Central and Eastern Europe have committed themselves also to the Lisbon and Bologna processes.

In the frames of the re-launched Lisbon Strategy underpinned by the integrated guidelines 2005-08, bringing together in a single document the Broad Economic Policy Guidelines and the Employment Guidelines, the latter adopted by the EU Council on 12 July 2005 advocate a more employment friendly stance on benefits systems focusing on promoting more Active Labour Market Policies (ALMPs) and reform tax-benefit systems, placing emphasis on shifting from passive measures of income support for the non-employed (unemployed and inactive) to pro-active policies based on training programmes, incentives for firms to hire long-term unemployed and other similar measures. The aim is to increase employability of those out of work and to help them find jobs and remain in work.

High and persistent unemployment in all OECD member states has resulted in extensive research and public debate about adequate policies to improve labour market performance. In the 1990s the OECD launched a large scale research project resulting in the publication of the OECD (1994) Jobs Study that evaluated labour market policies in the OECD member states and provided a comprehensive framework for adjusting economic policies in order to promote higher job growth and a reduction in unemployment. Among other factors, the Jobs Study proposed to increase the extent of ALMP and to investigate the interaction between tax and benefit systems and the functioning of the labour market.

The work of the OECD has also stimulated a number of empirical studies providing evidence for the effectiveness of different types of policy interventions within the OECD area. Over time a rich data base on ALMP has been developed. Evaluation of Active Labour Market Policies, which has a long tradition in the United States, has also been applied to expanded programmes of this type in many European countries. Martin (2000) and Kluge (2006), among others, give a comprehensive overview on the experiences with evaluation of the employment impact of pro-active schemes in mature market economies, including the EU-15 member states.

According to Watt (2006), it is possible to observe a shift in the OECD strategy from the 1994 Job Study until more recent years as to the role of unemployment and related benefit systems on the one hand and ALMP on

the other hand. In the 1994 study, the OECD saw non-employment benefits simply as reducing the incentives to look for a job and accept offers, and also by pushing up the 'reservation wage' and thus reducing labour demand. The reassessment process has unearthed 'new evidence' that 'active labour market programmes can help offset these work disincentive effects'. The OECD has also drawn the policy lesson that if cuts in benefit levels and duration go beyond certain thresholds, this may compromise social objectives.

The OECD also expresses concern about the growth of 'related' benefits, especially sickness and disability benefits. It criticizes their use (as with early retirement) as a supposedly socially more acceptable 'functional equivalent' for unemployment benefit. So-called 'gate-keeping' measures are explicitly called for to address this issue. Here the shift in position is more nuanced. Generous welfare systems, especially unemployment and other benefits, are still looked upon with some suspicion, but here too an avenue is opened for a more 'technical' discussion about appropriate institutional measures, notably activation and ALMP policies, that counteract these negative effects. Similarly the reference to social objectives opens up a normative or political space for discussing possible efficiency/equity trade-offs.

On a critical note, according to Watt (2006), it is regrettable that the *Policy Lessons* did not also report the economic/efficiency arguments for decent levels of unemployment benefit that are well known in the literature; particularly that they promote efficient job match because skilled workers are not forced to take 'any job', but have a cushion that enables them to take a job more closely matching their skills (and in which they are therefore more productive).

Also the debate on young people participation on the labour market within the EU mirrors this shift from passive to pro-active schemes and again to re-evaluate the role of state support. A special focus in the EU debate, as these paper aims to show is on the reform of the educational and training systems as the core of the EU strategy to fight youth unemployment. In turn, this shift of focus on educational and training systems has its origin in the unsatisfactory impact of increasing labour market flexibility in several old member states, including France, Italy and Spain.

To reduce the "experience gap" between young and adult people, country's educational systems should become of a higher quality, more inclusive to reduce the dropout rate, homogeneous to other EU countries to favour labour mobility, flexible to allow young people to better find their best match. They should also include a duality principle, and provide therefore training together

with education, to favour smoother school-to-work transitions. Apprenticeships schemes, fiscal incentives to hire the youth unemployed as well as on-the-job training schemes should help reach objectives that cannot be guaranteed simply via an increase in labour market flexibility.

The outline of these notes is the following. Section one provides a historical reconstruction of the academic and policy debate on young people participation at the labour market. Section two focuses on EU countries in particular. Section three considers the new member states. Some concluding remarks follow.

A historical reconstruction of the debate on young people

Economic research on young people participation on the labour market has become central in the scientific and political debate especially in the USA already in the late 1970s and early 1980s. The main aim of early studies was to seek explanations of two key stylised facts, and namely that: a) young people have higher unemployment rate than their adult counterparts; b) school-to-work transitions have become increasingly longer and harder now than they used to be in the past. The answer that this research provided has become common knowledge, representing the received wisdom, which the ensuing events of the 1990s have contributed to partly overcome.

Until the late 1980s, the general feeling of economists and policy makers was based on several seminal contributions contained in an NBER book edited by Freeman and Wise (1982) on the *Youth Labour Market Problem*. That by Clark and Summers (1982) is a particularly interesting contribution within this book. They based their analysis on comparison of youth to adult transitions among labour market statuses (employment, unemployment and inactivity) in the USA⁴. This study brought to the fore a finding that was decisive in the ensuing debate on young people participation on the labour market. Young people experience much more sizeable labour market transitions compared to their adult counterparts. Especially sizeable are the transitions in and out of employment and inactivity, due to the tendency of young people to go back to education and training experiences before finding gainful employment.

The youth long-term unemployment rate is higher than that of adults simply because of the frequent unemployment spells they experience in search for the best job-worker match they can afford considering their level of education, interest and skills. When they desire a job that they cannot obtain they go back to the education and training system to attain the qualifications they need. As a consequence of the high labour turnover that young people

experience, however, while their unemployment rate is higher than average, the duration of their unemployment spells is much lower than average.

The received wisdom of the ensuing years was based on these stylised facts. They suggested a relatively optimistic view of the youth labour market problem. This, which I will call in this paper the “NBER consensus”, can be summarised as follows:

- a. Young people unemployment is essentially a temporary phenomenon. As such it is bound to shrink with age and, therefore, it should not worry much parents and policy makers;*
- b. The main reason of the difficulties that young people experience to cope with the labour market is to be found in their low level of human capital: in fact, despite their more recent educational attainment, they lack the other two components of human capital, namely generic and job-specific work experience;*
- c. The need of young people to fill the “experience gap” that separates them from the adults explains their high degree of labour turnover: young people move in and out of employment in search for the best job-worker match;*
- d. Often, this search requires them to go back to education and/or training schemes to obtain the knowledge, skills and qualifications necessary to change their job or their work status;*
- e. The fact that the adult unemployment rate is much lower than that of young people suggests that overall the market itself is able to solve the problem in the long run, at least at an individual level;*
- f. A sufficiently high degree of labour market flexibility, implemented, for instance, via the use of fixed-term contracts, are the best means to help young people to find their best match in a shorter time, therefore reducing the gap between youth and adult unemployment rates⁵;*
- g. Fixed-term contracts provide the means for employers to pay a lower wage cost when hiring young people able to compensate them for the lower work experience and, therefore, lower productivity of young people compared to their more experienced counterparts;*
- h. Moreover, short-term contracts are a means for employers to try young people and solve the asymmetric information problem arising in the selection of personnel, while helping also young people to gain experience on-the-job rather than waiting while being unemployed;*
- i. In this context, any attempt to apply to young people the same compensation mechanisms as those of adult people is bound to increase the youth to adult unemployment rate;*

j. A special intervention is necessary only in few marginal cases of particularly weak young people with low levels of education attainment. Especially the dropouts from school are to be targeted by policy measures;

k. Demand side factors are important, but the way of working of the labour market is not less important: holding constant the level of aggregate demand and growth, youth unemployment dramatically differ across countries and these differences must be related to different labour market institutions.

In spite of the optimistic view of the NBER consensus about youth unemployment, all over the 1980s the youth unemployment rate continued to go up also as a consequence of the increasing worldwide unemployment. Moreover, due to the increasingly slow school-to-work transitions, long-term unemployment was more and more common also among young people.

This caused much concern among academicians, international organisations and policy makers, suggesting that the optimism of the NBER consensus might be ill-posed and calling for immediate intervention. If youth unemployment is not a dramatic problem and if it is bound to be automatically solved with time passing, why then the youth unemployment rate and also the share of youth long-term unemployment were increasing?

In fact, at the beginning of the 1990s, the aforementioned OECD Job Study (1994) re-launched the NBER consensus on youth labour market participation as a solution to reducing youth unemployment, by stressing the need for more flexible labour markets, especially in the sclerotic EU continent. In fact, stricter employment protection legislation was identified as the main determinant of the very high EU youth unemployment rate and high share of youth long-term unemployment. Increasing the degree of labour market flexibility and therefore the job finding rate was pointed out as the best way to reduce long-term unemployment: in fact, with a higher degree of job finding, the long-term unemployed would have had a higher chance to find a job in a given time period, reducing therefore the length of their unemployment spells.

As a consequence, all EU countries started to reduce their degree of employment protection and to ease entry into the labour market. This involved a dramatic reduction in the hiring costs for firms via the widespread use of fixed-term contracts, but only a marginal reduction in the firing costs of adult workers (see, for an analysis of the Spanish case, the brilliant analysis of Bentolilla and Dolado, 1994, and the ensuing literature).

In the meantime, a different view on the causes of youth long term unemployment started to emerge in the debate. A seminal contribution by Heckman and Borjas (1980) had already showed that duration dependence in an individual's unemployment experience might be (and often is) an artefact

of statistical data. In the NBER consensus, as already noted, duration dependence of unemployment is a consequence of low labour turnover: almost by chance some individuals fall into unemployment because of low job opportunities.

However, once they become unemployed many individuals tend to find it difficult to obtain new employment: in fact, on the one hand, they lose their skills, while their human capital becomes obsolete; on the other hand, employers see unemployment spells as signs of scant motivation to work. Therefore, the longer people stay unemployed, the longer they remain unemployed. According to Heckman and Borjas (1980)⁶, this view is not supported by empirical evidence once appropriate econometric modeling is provided. Once controlling for unobserved heterogeneity, duration dependence in unemployment disappears. More analytically, the probability to find a job at a given time is not any more negatively related to the duration of the unemployment spell, but becomes flat.

Therefore, long-term unemployment appears to be the consequence of the low motivation and skills of those individuals who are involved rather than of permanence in the unemployment status itself. In other words, long term unemployment does not cause itself further unemployment, but is rather a consequence of unobserved heterogeneity between employed and unemployed individuals, and among the unemployed between short and long term unemployed. The long-term unemployed experience long spells because they are less motivated to find a job and they remain unemployed because of their low job search intensity.

This innovative approach to the causes of long-term unemployment called also for a different approach to the economic policy to fight it. If the high unemployment rate of some young people is the consequence of low motivation and skills, rather than of low job opportunities, then reducing the degree of protection of employment might increase the chances only of some of the unemployed young people, not of all of them. The least motivated and skilled individuals would not benefit from greater labour turnover. They should instead be helped by employment policy in general and active labour market programmes in particular to overcome their lack of skills. Formal programmes of training might be seen in this context as a means of increasing the employability of particularly weak groups of young people.

Fixed-term contracts might be seen as a solution only to reduce the gap in generic, but not in job specific work experience. In fact, the short time horizon of fixed-term contracts can be seen as a strong disincentive (as already Becker, 1962, noted) for young people to invest in job specific competences

for both the employer and the employee. Lower wages themselves might not be seen as a sufficient incentive to overcome the “experience gap” and therefore to provide sufficient incentives for employers to hire young people⁷.

According to this line of reasoning, young and adult people are hardly substitutable with each other, which suggests, in turn, that increasing labour market flexibility is not the solution to reduce the youth unemployment rate. In fact, the increasing demand for high skills caused by skill biased technical change and by sector biased international trade with less developed countries is increasing the gap between a large mass of inexperienced and therefore unskilled young outsiders and the more experienced and skilled adult insiders (see, for a survey, Acemoglu, 2002). As noted in Bentolilla and Dolado (1994) with reference to the Spanish experience of increasing labour market flexibility, any attempt to reduce the wage for young people via an increase in fixed-term contracts, and therefore a reduction in their hiring cost for firms, will mainly increase the wage and productivity gap between insiders and outsiders, with the obvious consequence of a further increase in the youth unemployment rate.

In the more recent debate, an important role is played therefore by education. The impact of labour market flexibility on employment opportunities is a positive function of the educational level of the youth workforce. More educated young people might find it important to have employment experiences, even if short, because they need to and are actually more able to increase their degree of job specific work experience. Vice versa, low educated and low skilled workers might not find any benefit from short term work experience: think of the manpower in the manufacturing sector. In other words, increasing labour market flexibility would be able to reduce the unemployment rate only if the workforce is sufficiently educated and skilled. Otherwise, it may cause only further unemployment.

This hypothesis is sometimes suggested to explain the lack of a positive relationship observed by Blanchard and Portugal (2001) across countries. The reason why low unemployment is achieved by both the low flexible Portuguese labour market and the highly flexible USA labour market might lie in the much higher educational level of the latter country. High-flexibility-high-education might be seen as a similarly good combination of complementary goods, just the same as low-flexibility-low-education. This corresponds also to the historical evolution: labour market flexibility was not a value in a traditional manufacturing based economy, say up to the 1980s, while it becomes important for the efficient functioning of a modern economy based on advanced manufacturing and services.

The EU experience

In OECD countries, youth unemployment (15-24 years), which has slightly reduced in the last decade, still remains greater than two times and in the EU about 1.9 times that of the adults. Obviously, this ratio may hide different unemployment rates across countries. It measures the specific hardship that young people experience, compared to the adults in finding a job, but is also affected by the average country's unemployment rate: it may happen, for instance, that the youth to adult unemployment ratio is relatively low, although the youth unemployment rate is very high, simply because also the adult unemployment rate is high. One should therefore look also at the unemployment rate by age group to get a full picture. In the EU, the youth unemployment rate was 17.2% for young people and 9.2% for the adults in 2000.

Within the EU, youth unemployment is particularly high in South Mediterranean countries. In Italy, for instance, the ratio of adult to youth unemployment was 3.8 in 2000, with a youth unemployment rate of 32%. This is the consequence of the fact that 60% of total unemployment is due to the so-called new entrants, those who enter the labour market for the first time. This is a clear indicator of the very slow school-to-work transitions experienced by young people in Italy, because of the inefficiency of the educational system and the lack of training opportunities. Until 1997, fixed term contracts were not allowed (Caroleo and Pastore, 2000; 2005; Bottani e Tomei, 2004; Gelmini and Tiraboschi, 2006).

The EU experience with the youth employment and educational policy follows the same evolution outlined in the previous section. In the early 1990s, it seemed that labour market flexibility was the solution to the high EU youth unemployment rate. The ensuing experience of implementation of widespread labour market flexibility in Spain, France, Italy and more recently also in Germany, Denmark and the Scandinavian countries has led to a slight reduction in the unemployment rate. However, this last has remained high, much higher than in the USA. In the meantime, there is a dramatic and widespread sense of precarious labour market experience among young people all over the EU.

This has moved the emphasis of the debate on the issue whether the small reduction in unemployment is the consequence of insufficient labour market flexibility or rather of other factors, a number of which have been evoked in the academic and political debate (see, among others, the contributions contained in Hammer, 2003):

- a. too high passive schemes, reducing the incentive for young people to search for jobs, especially in Northern EU countries;
- b. in the case of Southern EU countries, strong financial support by households to the youth unemployed;
- c. insufficient expenditure on pro-active schemes to ease the hiring of young people, via fiscal incentives;
- d. education systems which are often unable to integrate a sufficient number of young people, especially in South European countries;
- e. education systems should be more homogeneous across EU countries to ease labour mobility (Lisbon and Bologna process);
- f. the quality of education is too low, programmes are sometimes obsolete and scantily linked to the labour market;
- g. educational systems are in too many EU countries too much inflexible, in as much as they do not allow young people to move from one educational track to the other⁸. Exceptions are the UK and the Danish systems;
- h. some elements of the so-called dual system, typical of Germany should be introduced also in the sequential education systems typical of other EU countries;
- i. the need for more training schemes in Southern EU countries;
- j. the need for a better targeting of pro-active schemes in Nordic countries.

The EU debate on the European Employment Strategy, deepened in the re-launched Lisbon agenda of the early 2000s, moves from the discontent also among neoclassical economics for the trust of the NBER consensus to the cures for youth unemployment. First, as already discussed in the previous section, fixed-term contracts may fail to provide job-specific work experience to young people, simply because the short time horizon represents a disincentive to invest in job specific training. Temporary employment and low entry wages are insufficient to overcome this market failure. In fact, they worsen it, since employers themselves will not find it sufficient to hire young inexperienced people whose contribution to the business might be initially zero.

Another argument against labour market flexibility, already discussed in the previous section, is that numeric flexibility is unable to fight negative duration dependence of unemployment (Heckman and Borjas, 1980; Heckman and Singer, 1986; Hosmer e Lemeshow, 1999). The policy implications of both these arguments are that to fight long term unemployment labour market flexibility might not be enough. Together with increasing labour market flexibility, more active schemes, such as education, counseling and training,

are necessary. Moreover, training cannot be provided only through the market, via fixed-term contracts.

The experience of several EU countries with increasing labour market flexibility seems to confirm this skepticism. The Spanish experience with widespread, unconstrained use of fixed term contracts suggests that this is conducive often to precarious work experiences, rather than to stable employment.

The Italian experience is based also on observation of some negative outcomes of the Spanish experience. In fact, Italy has introduced labour market flexibility in the form of allowing temporary employment in 1997, together with several constraints to the use of short term contracts by employers, such as: a) the possibility to use temporary work only when at least part of previous workers hired with temporary contracts have been employed on a permanent basis; b) the need to hire permanently workers employed temporarily after a number of years.

The Italian approach seems to be based on the assumption that fixed term contracts should be encouraged when they are issued on a voluntary base. The reason for employers to hire temporary workers is to face positive demand shocks when it is not clear whether they are temporary or permanent. Once the shocks are permanent temporary contracts should become permanent. For young people, temporary employment is voluntary when it does not last more than a given number of years.

An important pillar of the re-launched Lisbon strategy is the educational and training system. Training should generate additional positions to those naturally yield by the market. It should be provided on a large scale, like in Germany, Sweden and other Scandinavian countries. In Southern countries, where training schemes are marginal, the educational system should be used instead. The educational system is widespread on the territory and is often underused.

EU countries feature very different educational and training systems. The Scandinavian and the Saxon countries have a welfare system based on a prominent role of the State and generally accompany young people with many opportunities providing them with education, training and other pro-active schemes on a large scale. England and Ireland have a market based welfare system, where the state intervenes only when the market fails. Generally speaking the education system is very efficient, while training programmes are evaluated continuously to improve it. The Southern and Latin European countries, instead, have a household based welfare system. Only recently, the introduction of labour market liberalisation has provided an additional

opportunity to the large number of youth unemployed. Training systems are generally underdeveloped.

Strong differences exist within the EU as to the type of education system. In short, two seem to be the main features of an educational system: its degree of rigidity/flexibility and the dual versus sequential principle in mixing education and training. The youth unemployment rate is generally lower in countries where the educational system is flexible and applies a duality principle.

Typically, educational systems are flexible in Anglo-Saxon countries, in Finland, Norway, Scotland and Sweden, whereas they are rigid in Central and Southern Europe. A flexible educational system makes it easy to students moving from one curriculum to another, in case the student feels he is on the wrong way. **Other aspects of a flexible educational system include:**

1) the possibility to choose their educational track not too early and to have the freedom to change it later;

2) the possibility to finish educational programmes in a relatively short time. In the Anglo-Saxon countries, the Bachelor degree allows University students to obtain their degree in three years and on demand to continue education at a graduate level⁹;

3) the possibility for adult people that have abandoned the educational system too early to catch up and obtain a degree with special programmes especially designed for them (adult and life-long learning). Generally, a flexible educational system yields high education attainment rates, low dropout rates and youth unemployment rates.

Moreover, educational systems can be sequential, like in most EU countries, or dual, like in Germany, but also in Austria, Denmark and Switzerland. The first and more common sequential system is based on the assumption that young people should enter training after they have completed formal education. The dual education and apprenticeship system envisages the young person going through a period of apprenticeship or traineeship while being involved in formal education. The dual system can be school-based as well as workplace-based. A huge number of apprenticeship and vocational education schemes are combined with government-led programmes in the dual system. The apprentice is employed on a three- to four-year contract with an employer. Each year (s)he is supposed to spend a certain number of weeks in vocational school. The wage during the apprenticeship is set through collective agreements and is subsidized by the state. In this way, at the end of formal education, when seeking employment, the young person will count not only on education, but also on some work experience. In so doing,

the dual system aims to prevent potential market failure in the market for firm-specific human capital. The main drawback of the dual system is that it requires a strong commitment by all parties involved. In various countries, for instance, it is difficult to create a sufficient number of apprenticeships.

The sequential system is implemented with different degrees of flexibility across EU countries. Another related issue is the tendency of Southern European education systems to be centered on those students who are successful in their curricula. However, given the complexity of the system, the number of dropouts is quite high at every stage of the educational career. Until recently, no alternative in terms of training was offered to these young people. In fact, ALMP expenditure is traditionally very low. Market-based systems of training, such as temporary contracts, have been introduced only recently on a large scale in Spain and moderately in Italy. As a consequence, especially in high unemployment areas, school dropouts foster a stagnant unemployment pool.

Northern European countries have a more flexible sequential education system and, hence, more efficient school-to-work transitions. The Northern education system is commonly characterized by a three-track system: a general education track that leads to work through higher education; a vocational track, and a work-training and/or apprentice track. Young people do have to make choices early in their lives concerning which 'pathway' they want to pursue, but they have the opportunity to move from the vocational to the academic pathway and vice versa. The Nordic system is characterised by a low dropout rate and by higher expenditure in training for school dropouts. As noted in Calmfors *et al.* (2002), over the 1990s, a period of emerging unemployment, ALMP was given the role of closing the circle of sequential education systems in Sweden, providing the last resort of human capital formation on a large scale.

The Northern European system also has drawbacks. The main problem is the cost and the unavailability of young people and/or firms to attend or organise the pathways foreseen by policy makers. Moreover, the 'stigma' surrounding some training schemes in northern countries has encouraged young people to feel very reluctant to participate (for England, see O'Higgins, 2001, p. 119).

There are differences in the effectiveness of the two systems. A beneficial consequence of the dual system in Germany is the low youth unemployment rate, which was 9% for young adults (18-24 years) against a EU average of 19.1% in the second half of the 1990s. The gap with the prime-age (25-54 years) unemployment rate has been almost closed. Nonetheless, young

adults (20-24 years) tend to have slightly higher unemployment rates than the teenagers (15-19), which is a peculiarity of Germany (O'Higgins, 2001, Figure 2.1). This could be due to the fact that some teenagers easily find a job during their apprenticeship, only to lose it later.

Therefore, in some cases, the German system tends simply to postpone, rather than eliminate the risk of unemployment. The unified Germany has represented an important testing ground for the dual system. The increasing unemployment rate of the 1990s suggests that the dual system works well when the average unemployment rate is low.

Although higher than in countries adopting a dual system, the unemployment rate of young people in northern European countries is traditionally lower than in southern European countries: for those aged 18-24, in 1997, it was 17.8% in Sweden and 34.2% in Spain. The rigid sequential system is often associated with high and persistent youth unemployment.

Confirming a finding of the literature relative to the previous decades, the youth unemployment rate also noticeably decreased in the second half of the 1990s, together with the average unemployment rate.

Another important factor of youth unemployment is the household. It is well-known that those young people who experience long unemployment spells and, therefore, marginalisation when not social exclusion have inherited a poor economic and educational background from their families. This is one way through which household remain in a poverty trap from one generation to the next. Specific interventions are envisaged to avoid young people with a poor family background to dropout from education and to have training opportunities when out of the educational system.

Reducing youth unemployment, especially long-term unemployment, is one of the main objectives of the EU employment policy. According to the European Employment Strategy defined already in the late 1990s, every member state should provide an employment or training opportunity to young people within six months of their unemployment spell.

All over Europe, various proactive schemes have been implemented in the past two decades as a consequence of the implementation of the Lisbon strategy. According to international conventions, they include:

- (i) job-broking activities with the aim of improving matching between vacancies and unemployed;
- (ii) labour market training; and
- (iii) job creation (subsidised employment). Training schemes, such as work and training contracts, apprenticeships and scholarships, are considered the

most suitable measures for young people, as they activate the accumulation of human capital necessary to find gainful employment.

The case of Transition countries

The labour market position of young people in the new member states is on average worse than the EU average and close to that in Southern European countries (O'Higgins, 2005). The ratio of the adult to youth unemployment rate fluctuates between 2 and 3 from one country to the other. Beleva et. al. (2001) find a ratio of 2.1 for Bulgaria, whereas Pastore (2005) and Domadenik and Pastore (2006) find a ratio of 2.8 for Slovenia and 3 for Poland.

To fully understand the recent debate and policy orientation towards contrasting passive income support *versus* pro-active schemes in the case of new member states one should consider first the debate relative to the late pre-transition and to the early transition period. Previous opinions regarding benefit schemes and their use by the pervasive welfare system existing during the Socialist period and by the politically weak and inexperienced post-transition governments for the alleviation of the unemployment generated during transition will surely affect the current and future debate on passive and active labour market policy for the unemployed and inactive people.

During the socialist system, in Central and Eastern European Countries (CEECs), workers were used to a pervasive welfare state. Unemployment was virtually non-existent due to the commitment of socialist regimes to full employment as a way to exploit all the labour surplus available (Kornai, 1992), but this implied also the commitment of state firms to provide jobs for all, though at very low wages. Moreover, the state used to provide also several other benefits to the most in need as well as free social services for all, including childcare facilities, health care, hospices and other services for the elderly. This was possible thanks to very soft budget constraints for state firms, the hidden state budget deficit and strong unions.

When transition began unemployment started to emerge as a new reality and with it a debate started on the need to introduce some kind of employment protection legislation, state subsidies to the unemployed, early retirement schemes and support to inactive people. This type of new welfare started under the auspices of the early Optimal Speed of Transition models (Aghion and Blanchard, 1994), which suggested that passive income support schemes might be useful to buy out workers from state owned enterprises and win their resistance to the reform process. At that time, the emphasis on

rapid restructuring versus gradualism was dramatically affected by the fear of a return to the past and the need to make the transition process irreversible.

This way of thinking found an encouraging consensus in the population as well as in all political parties worried to make the increasing unemployment, inequality and poverty socially acceptable. Also a widespread feeling was that the state, not the households should bear the social cost of reforms. The almost immediate consequence was the explosion of the social public expenditure, the pressure on the pension system, the dramatic increase of the dependency ratio, all factors that led the CEECs state budget to the edge of a dramatic collapse.

Only in the late 1990s, when transition seemed to have become irreversible and state budget were suffering dramatic imbalances, the debate has shifted from the gradualism/shock therapy debate to a debate on the optimal design of labour market institutions. Two streams of literature have emerged that this research aims to discuss theoretically and test empirically. Some scholars (Boeri, 2000) started to point to passive schemes as the origin not only of threat for the financial and monetary stability, but also as a source of social distress for the actual way of working of the labour market and, consequently, for the speeding up of a transition process which seemed to experience a dramatic slow down.

Boeri (2000) claimed that the right sequence for the implementation of non-employment benefits would be the opposite of that actually followed: the governments should have started from low passive income support schemes to facilitate the flow from the state sector to non-employment and back to employment in the private sector. Only at a later stage, when unemployment was really involuntary, the governments should have started to provide income support to the losers of transition, namely those who were actually not employable in the private sector.

Other scholars (Micklewright and Nagy, 1999; 2002) advocated that the sequence of reforms was the right one and that income support schemes in the early stages of transition were indeed necessary to help people bear the dramatic early stages of the transformation. Moreover, in the early stages of transition, unemployment was essentially probably involuntary, whereas later when long-term unemployment started to emerge, unemployment benefits should have been reduced to increase incentives to work for unemployed people. Finally, unemployment benefits have been very low in CEECs also compared to the low average wages.

Also in new member states, youth unemployment is worrisome, among other reasons, because it contributes to make harder a dilemma that the Lisbon

strategy defined by the Special EU Council of March 2000 aims to fight, by suggesting the importance for young people of investing in human capital accumulation for the future of Europe as “the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion”. Young people in CEE have to face a trade-off between continuing to invest in their own education, therefore reducing the household’s budget, on the one hand; and accessing immediately the labour market, therefore contributing to the household income, but reducing their own chance to find gainful employment in the future, on the other hand.

As noted in Pastore (2005), the case of Poland is typical of the changes new member states are currently facing. Poland is the transition economy experiencing the highest degree of structural change and the highest unemployment rate in the area. It adopted a Big Bang approach to the reform process, by introducing simultaneously price and trade liberalisation, together with privatisation and macroeconomic stabilisation already in the early 1990s. A massive flow of foreign direct investment has triggered the process of technological change, on the one hand, and generated the need for skill upgrading of the workforce, especially of the youngest segments, on the other hand.

Over the years, similar to other transition countries, the share of individuals with high education attainment has dramatically increased in Poland, together with the progressive abatement of the share of people with vocational secondary degrees (Boeri, 2000). Domadenik and Pastore (2006, Tab. 5 and A5) find that from 1997 to 2002 the percentage of young teenagers (15-19) in education increased from about 84 to 88, while that of young adults (20-24) increased from 20 to 31. The corresponding figures for the early 1990s were 45 and 13 percent respectively. In both cases, Poland seems to be close to the educational targets fixed within the Lisbon strategy for the year 2010.

However, these figures raise an important issue, namely what is the reason of the striking contrast between the excellent (at least quantitative) achievement in educational attainment and the delay in increasing employment and unemployment rates, which remain well below the Lisbon objectives.

Concluding remarks

The EU experience with young people unemployment has changed over recent years with the launch and re-launch of the Lisbon Strategy and the Bologna process. A dramatic shift has taken place from the 1990s emphasis

on labour market flexibility as a tool to abate youth long term unemployment to the more recent stress on the importance of increasing the human capital endowment via a deep reform of education and training systems.

This shift is also taking place worldwide, since, as recent studies show, labour market flexibility can increase employability when the human capital level of young people is sufficiently high. To reduce the “experience gap” between young and adult people, the education systems should become of a higher quality, more inclusive to reduce the dropout rate, homogeneous to other EU countries to favour labour mobility, flexible to allow young people to better find the best match and contemplate the duality principle, by providing training together with education, to favour smoother school-to-work transitions. Apprenticeships schemes, fiscal incentives to hire the youth unemployed as well as on-the-job training schemes cannot guarantee the same objectives as an increase in labour market flexibility.

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³ The Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovenia, The Slovak Republic entered the EU in 2004. Bulgaria and Romania followed in January 2007.

⁴ Clark and Summers (1982) provide also one of the first examples of analysis of the labour market dynamics based on analysis of labour market transitions.

⁵ This view was also based on the hypothesis that long-term unemployment is generally caused by low labour turnover causing in turn state dependence. Factors from the demand (the employers' preference for supposedly more motivated short term unemployed) and from the supply side (the inevitable loss of skills due to increasingly longer unemployment spells) would cause state and duration dependence in unemployment.

⁶ See also Heckman e Singer (1986); and Hosmer e Lemeshow (1999).

⁷ The Nobel Prize winner, Gary Becker, had already pointed to the need to invest in job specific work experience as the reason of the worldwide diffusion of life-long jobs. Formal training is necessary in this context to raise employability more than lower wages or short term employment experiences.

⁸ An educational system can be inflexible *de facto* if the time necessary to obtain a degree prevent a young person from obtaining a second one in case he feels that the first degree was insufficient. This is, for instance, the case of Italy, where a student needs about 6-7 years to obtain a degree. This is a strong disincentive to obtain a new degree if the students finds it difficult to find a job using the qualification obtained in her first degree (see, among others, Pastore, 2006)

⁹ An educational system is sequential when formal education is followed by formal off-the-job and then informal on-the-job training; conversely a dual educational system is one where education and training coexist in several ways.
