

## Thematic Studies



**Transition from education to work:  
What relevance for MEDA partners?**

**EDUCATION AND TRAINING FOR EMPLOYMENT (ETE)** IS AN EU FUNDED INITIATIVE IMPLEMENTED BY THE EUROPEAN TRAINING FOUNDATION (ETF). ITS OBJECTIVE IS TO SUPPORT THE MEDA PARTNERS IN THE DESIGN AND IMPLEMENTATION OF RELEVANT TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING (TVET) POLICIES THAT CAN CONTRIBUTE TO THE PROMOTION OF EMPLOYMENT THROUGH A REGIONAL APPROACH.

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# **Thematic Studies Transition from education to work: What relevance for MEDA partners?**

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2007*

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# INTRODUCTION

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As witnessed by reports from international bodies such as the OECD and the World Bank, and confirmed by major policy initiatives from the ILO and the EU, one of the major concerns for policymakers at the beginning of the 21st century is the deteriorating labour market position of young people. This deterioration is signalled in some cases by a persistently high level of youth unemployment, in other cases by a prolonged period of insecurity, even for those who have been successful in finding a job, and in others by a significant lowering of the wage level that prevails in the youth labour market. The situation is particularly worrying because the difficulties experienced by young people when entering the labour market are likely to have negative effects not only on their subsequent labour market careers, but also on social integration and social cohesion.

To be confronted with this problem at the end of the 20th century is in a sense paradoxical, especially for leaders of the Western industrialised world.

At the end of the 1970s the general consensus among policymakers was that in terms of their labour market situation, the future for young people looked rather bright. Several trends – the demographically induced decline of their relative supply, increased enrolments in schools that reduced the supply of young people to the labour market, and an expansion of a low-wage service sector that traditionally hired many young people (Blanchflower and Freeman, 2000) – were thought to indicate that youth unemployment was likely to become a thing of the past. Moreover, even without taking into account the forecasts made 30 years ago, one might expect that an economy becoming more and more knowledge-based and marked by technological innovation significantly biased towards high-skilled jobs would put new labour market entrants in a favourable position to compete with older categories of human capital.

Focusing almost exclusively on the unexpected persistence of youth unemployment, the dominant view initially looked for an explanation by linking the problems of the youth labour market to the broader question of so-called ‘Eurosclerosis’. According to this view, the allegedly inflexible institutions characterising the European labour market prevented smooth and rapid adjustment to external shocks and protected ‘insiders’ from having to compete with new entrants or young workers who had not yet secured a more permanent job.

Even disregarding the more general and theoretical arguments against this view, several facts concerning the transition from school to work strongly suggested that Eurosclerosis did not tell the full story. First, statistics showed significant differences in youth unemployment rates between European nations. Thus, if European labour market institutions were to blame, they were certainly not to blame to the same extent in all European countries. Second, even in the US young people entering the labour market experienced serious problems, which suggested that at least with respect to the transition from school to work the sclerotic European labour markets and their flexible counterpart in the US had something in common. Third, empirical research showed that most industrialised countries experienced a change in the characteristics of the pathways along

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which young people travelled from school to work. Determining the exact start and finish of the transition phase became much more difficult than in the past, when for most young people leaving school and finding a stable job occurred within a short span of time and was marked by a clear break between both phases of the lifecycle. Finding a permanent job now took much longer and the transition phase was typically characterised more frequently by several job changes or combinations of paid work and education. In short, compared to what had happened in the past, the process of entering the labour market for the first time became more 'individualised' (Roberts et al., 1994) or 'chaotic' (Gardecki and Neumark, 1998).

These findings implied that the key to understanding the problems in the youth labour market was not – or at the very least not only – the question of whether and to what extent labour market institutions prevented industry from adjusting smoothly and rapidly to supply and/or demand shocks, or whether they protected the position of insiders too much. What really seemed at stake was whether the skills and attitudes produced by the education and training system continued to match sufficiently what employers demanded.

This argument – that what needs to be looked at is the relation between the supply and demand for skills – was reinforced in the course of the 1990s when the 'Eurosclerosis story' was (at least partly) overtaken by a discourse emphasising the importance of 'upgrading human capital' for a well-functioning, globalising knowledge economy. It was also reinforced when commentators and policymakers adopted as their common view that, as it was phrased in an influential report by the US Department of Commerce, 'competitiveness and prosperity [...] in a changing economy depend increasingly on high-skill, high-wage jobs' and that realising this potential would require 'investing in education and learning for all our people throughout their life-times' (US summit report '21st Century Skills for 21st Century Jobs', Department of Commerce, 1999).

However, identifying 'the availability of human resources as a crucial factor in the competitiveness of national economic systems' (Regini, 1995b, p. 191) implied serious shifts at the level of policymaking. First, while the 'Eurosclerosis story' focused almost exclusively on labour market rigidities caused by minimum wage laws, benefit systems or collective bargaining practices, the new view targeted the effectiveness of the skill formation system as the prime cause for concern. Second, even if casting the problem in terms of 'the need for effective skill formation systems' did not do away with the more traditional problem of 'differential access' (or 'equality of opportunity', or 'social exclusion'), the policy measures involved might well be of a very different nature.

Although the importance of both these shifts should not be underestimated, the change in perspective had even more important consequences. First, the nature of the relationship between the institutions involved in the production of skills and the institutions creating the demand for skills became a central policy issue. Second, a globalising knowledge economy might put a great deal of strain on this relationship as it had existed until now in most industrial countries.

Reflecting on a high-level conference on Human Capital Investments and Economic Performance organised in 1993, Christoph Büchtemann and Dana Soloff noted that throughout most industrial countries 'we encounter growing concerns about skills mismatches and imminent skills shortages in the labour market and the adequacy of existing education and training systems in supplying the skills needed by firms and



workers to meet the competitive challenges facing highly industrialised, high wage countries in the decades ahead'. This concern seemed to be at odds with 'the fact that during the past three decades most industrialised countries have experienced an unprecedented expansion in educational attainments among their populations which has raised formal skill levels of the workforce far above what they were in the early 1960s' (Büchtemann and Soloff, 1994, p. 234).

Yet the apparent paradox disappears once it is accepted that the newly emerging knowledge economy requires a new institutional rapport between the production of individual skills and competences on the one hand and the production of goods and services in the economy on the other. Viewed from this angle, argued Büchtemann and Soloff, it follows as a matter of course that this new rapport does not merely involve 'a quantitative increase in education and training investments but, first of all, the development of appropriate coordination mechanisms between education systems on the one hand and work setting on the other' (Büchtemann and Soloff, 1994, p. 237).

Interpreted in this way, the problems experienced by young people entering the labour market might well be read as signalling precisely such a growing disconnection of the qualifications supplied by the (initial) education and training system from what constitute marketable skills on the current labour market. Indeed, if the empirical evidence implies that school-to-work transition patterns are not merely changing, but are in fact becoming less successful than in the past, this might give policymakers an important additional cause for concern. Instead of only having to worry about the quite likely chance that access to occupational positions (and, as a result, to social status and social inclusion) would not be guaranteed equally for all young people, they might also have to face the possibility of industry becoming stuck in a so-called 'low-skill equilibrium'. This is a situation in which the absence of adequate skills leads employers to opt for manufacturing products using low-skill mass-production techniques, and for competing on price instead of on quality, thus reducing the ability to adjust to changing markets and hampering economic growth and national welfare.

As illustrated by this brief review of how, in the course of the past two decades, the problems of the youth labour market were diagnosed, probably the most notable consequence of the change in perspective was its emphasis on the importance of coordination mechanisms when considering how to make a (national) skill formation system more effective. In other words, the new perspective forcefully confronted policymakers with the need for an overarching framework that would offer them a clear picture of education and training and employment, their potential links and the potential effectiveness of policy interventions.

This report presents two different approaches that in the course of the past decade have been influential amongst academic researchers and policymakers. Both have been used in order to understand better in a comprehensive manner the problems of the youth labour market and, more specifically, the ways in which young people make the transition from school to work.

Section 1 describes in detail the CATEWE conceptual framework (Comparative Analysis of Transitions from Education to Work in Europe). This focuses on whether or not, to what extent and in what sense the outcomes of this transition can be accounted for by the (national) institutional frameworks linking the (vocational) education and training system to the labour market. It has resulted from a major effort to study the transition from

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school to work within a holistic framework in order to understand better how national differences in institutional educational and labour market settings account for the differences in how young people transit from school to work as well as in the effectiveness of the transition.

Section 2 presents in some detail the concept of the transitional labour market (TLM) as it has evolved from its initial formulation in 1995 by the German political economist Günther Schmid, in the context of the need to rethink full employment policies in a modern, flexible and knowledge-based economy. As such the resulting framework has a more normative character and connects to a certain extent with the literature on active labour market policies (ALMPs). Hence, the final part of this section reviews briefly what can be learned from evaluations of ALMPs for young people.

Based on the evidence presented, the basic message of this report is twofold.

First, in order to understand and evaluate properly the effects and effectiveness of a particular transition channel or policy measure, one needs to consider the feature under consideration not in isolation but within the context and history of the institutional setting as a whole. In practice this implies that no element of importance for the transition from school to work should be considered without also considering the characteristics of the education system and the labour market.

Second, in order to understand and evaluate properly the effects and effectiveness of a particular transition channel or policy measure, one needs to consider carefully the social functions or policy objectives it is intended to serve. In practice this means that one needs to distinguish clearly between different societal policy goals related to an effective (or deficient) transition system.

Both these conclusions can certainly, and probably will, be read in the first instance as important methodological conclusions for anyone studying or evaluating the transition from school to work. It is important to emphasise that they also have an important policy consequence.

Individual policy measures or institutional reforms should be judged against the background of the wider (national) institutional framework within which they are intended to function. In order to be socially productive, newly implemented policy measures need to interlock in a positive manner with the rest of the institutional framework. This implies that the ‘cherry-picking’ of good practice is unlikely to be successful unless a careful examination is undertaken of how the original economic, social and cultural context of a particular policy measure or institutional set-up differs from the one in which one intends to insert it. An additional consequence is that the particular characteristics of a policy measure, as well as its implementation process, are of major importance in the performance of the device that is put into place.

# 1. ANALYSING THE TRANSITION FROM SCHOOL TO WORK: CONSTRUCTING AN APPROPRIATE ANALYTICAL FRAMEWORK

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## 1.1 Introduction

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Given that different nations have clearly performed quite differently with respect to the problems that young people experience on the labour market, a major topic for research in this field has been whether and how differences in (national) institutional set-ups can explain these differences in outcomes.

Clearly, this question is not only of academic concern. If different national approaches to generating and allocating workforce skills have a major impact on the fate of young people entering the labour market (and thus on the effective use of human resources), knowing which measures and institutions perform well and why they do so is also of eminent importance for policymakers. In this sense, the extensive literature comparing the institutional set-ups of the different national skill formation or school-to-work systems that emerged during the 1990s constitutes the background and basic material for the assessment of possible institutional transfers<sup>1</sup>.

1 In the course of the past decade, national and international bodies have made major efforts to help researchers to obtain a clearer view of exactly what was happening, by funding research, encouraging the production of appropriate data sets, setting up networks and organising conferences. The following limited list of research projects funded by the EU in the early versions of the framework of their Targeted Social and Economic Research programme (and its descendants) testifies to this effect:

- Education and Training. New Job Skill Needs and the Low Skilled (coordinated by Hilary Steedman, LSE)
- Schooling, Training and Transitions. An Economic Perspective (coordinated by Catherine Sofer, Paris I)
- LOWER (coordinated by Wiemer Salverda, AIAS)
- CHEERS (coordinated by Harold Schomburg, Kassel)
- Youth Unemployment and Social Exclusion (coordinated by Torild Hammer, Institut for Sosialforskning, Oslo)
- The Effects of Labour Market Deregulation on Unemployment (coordinated by Marino Regini and Gösta Esping-Andersen)
- Welfare Regimes and the Experience of Unemployment in Europe (coordinated by Serge Paugam and Duncan Gallie)
- Social Integration by Transitional Labour Markets (coordinated by Günther Schmid, WS-Berlin)
- Comparative Analysis of Transitions from Education to Work in Europe (coordinated by Damian Hannan, ESRI).

More detailed information on each of these research programmes can be found on the appropriate websites, which contain detailed reports of the research findings and summaries indicating their policy relevance.

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Notwithstanding the importance of the findings they contain, most of these studies suffer from two limitations. First, most base their conclusions on comparisons between a limited number of cases – mostly two, occasionally five – and the set of countries used also appears to be very limited (Germany, France, Japan, the UK and US). Second, in most of these studies the conceptual framework on which the comparisons are based is not explicitly stated, and this does not allow for the formulation of clear and empirically testable hypotheses.

A major attempt to move beyond this state of affairs in both these respects was made by the CATEWE project<sup>2</sup>. Funded within the framework of the European TSER programme<sup>3</sup>, the main aim of this research project was to undertake a comparative analysis of national transition systems based on an explicitly formulated conceptual framework that allowed for a more quantitative approach and involved most of the core European nations.

Although other attempts to construct a framework for the comparative analysis of systems of skill formation have become available (including, for example, Ashton et al., 2000), this section will be based only on a detailed presentation of the CATEWE conceptual framework, as well as some of its empirical results, in order to demonstrate the fruitfulness of looking at school-to-work transitions. The main reason for this is that, despite some limitations which will be briefly described at the end of this section, this conceptual framework does provide a very convenient tool for understanding the many and interacting factors that influence how young people make the transition from school to work. An additional reason for focusing on the CATEWE framework is that it proved rather influential outside the strict confines of the project itself. Indeed, leading members of the CATEWE team were commissioned to produce a position paper in the run-up to the OECD Thematic Review on the Transition from School to Work (Hannan et al., 1996) and were later involved in the review process itself.

### **1.2 The objective of the CATEWE research programme and the building blocks of its conceptual framework**

As stated above, the main objective of the CATEWE project was to describe the pathways followed in the transition of young people from initial full-time education into the labour market, and to explain to what extent, and why, the characteristics of the national institutions in which transition takes place determined its nature and success. In other words, the CATEWE team set out to discover how national institutional arrangements in education and training systems and related modes of labour market integration affect the nature of the transition process, in terms of such issues as employment returns to education/training, success in transition, and the length, sequencing and ‘turbulence’ of transition patterns.

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2 CATEWE is an acronym for ‘Comparative Analysis of Transitions from Education to Work in Europe’. It was a cooperative venture of research teams based at the Economic and Social Research Institute (Dublin), Centre d’études et de recherches sur l’éducation et les qualifications (Marseille), Mannheimer Zentrum für Europäische Sozialforschung (Mannheim), Researchcentrum voor Onderwijs en Arbeidsmarkt (Maastricht) and Centre for Educational Sociology (Edinburgh).

3 Targeted Socio-Economic Research programme.

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In order to accomplish this, the CATEWE team first needed a conceptual framework that allowed for description, comparison and explanation of the effects of cross-national differences in education and training systems on the transition patterns of young people from full-time education into the labour market. Second, they required data sets that allowed for the empirical validation of research questions and hypotheses formulated on the basis of the conceptual framework. Neither of these existed at the start of the project. Details of how they constructed their database will not be given here. Instead, the presentation will be limited to details of the conceptual framework<sup>4</sup>.

The CATEWE conceptual framework consists of five interrelated building blocks, each pointing at variables capturing the main characteristics of the major factors influencing the transition from school to work.

The **first building block** comprises variables that capture different aspects of the (national) macro-context in which transitions occur. The main factors covered by this building block are those related to the demographic situation and development, the industrial structure and the economic cycle, and characteristics of the labour market, such as the employment and age structure and the ethnic composition of the labour force. The rationale behind the inclusion of this building block is clear. National differences in any of these factors will effectively influence how successful young people are in entering the labour market, despite the fact that these differences may have nothing to do with differences in the institutional set-up of the education and training system. Hence, it is important to be able to control for these factors when assessing the influence of institutions and policy measures.

Take, for instance, some of the data presented in a recent ILO report, 'Global Employment Trends for Youth' (2004). This report estimated that over the period 2003–15 the youth labour force is expected to change only slightly in industrialised countries (growing from 64.3 to 64.4 million), whereas in transition economies it is expected to experience a substantial decrease (from 27.2 to 19.8 million), in the South Asian region a substantial increase (from 122.3 to 144.3 million) and in the Middle East and North Africa a more modest increase (from 32.0 to 35.3 million). It is clear that, all else being equal, new cohorts of young people make the transition to employment in these different regions under quite different circumstances.

In the later analyses of the CATEWE team the variables linked to this first building block of the conceptual framework are used as control variables, allowing the 'neutralisation' of several factors that might otherwise blur the picture and prevent the effects of the differences in the education and labour market institutions from emerging clearly and distinctly.

The **second building block** relates to differences in (national) education/training systems. This building block is of central importance to the objective of the CATEWE project and finds its theoretical background in the sociological literature on social stratification and status achievement processes (Allmendinger, 1989, Shavit and Müller, 1998). The metaphor that most aptly demonstrates how this literature conceptualises the role of the education and training system within the context of the school-to-work transition is probably that of a 'sorting machine'. The main elements of this building block, therefore, aim to capture the major dimensions used by the education and training

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4 Suffice it to say that CATEWE basically made use of two different data sources: (i) the European Labour Force Survey; and (ii) the existing national school-leavers surveys.



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systems to sort students, i.e. to differentiate and qualify them according to specified rules and procedures embedded in each particular national institutional set-up.

The first characteristic taken into account by the CATEWE framework is the extent of standardisation that exists within the education system. In this context, standardisation refers to the procedures used by public authorities, whether at state or regional level, to:

- define or closely regulate the content of curricula in different subjects;
- set an obligatory minimum group of subjects to be taken;
- ensure by regulation or inspection that this curriculum is taught in schools;
- set minimum 'end points' or standards to be achieved by the end of each course or period;
- set, regulate and monitor examinations so that equivalent standards are used across schools.

The extent to which such procedures for standardisation is embedded in the institutional set-up and in the actual practices of the education system will largely determine the homogeneous character of its output. Given that most European education systems are highly standardised, this characteristic does not really allow for differentiation between them. Hence, apart from distinguishing European countries from the US or Canada, this factor does not play an effective role in the typologies or analyses produced by CATEWE.

The second characteristic relates to the extent of differentiation within the education system. Three different dimensions can usefully be distinguished.

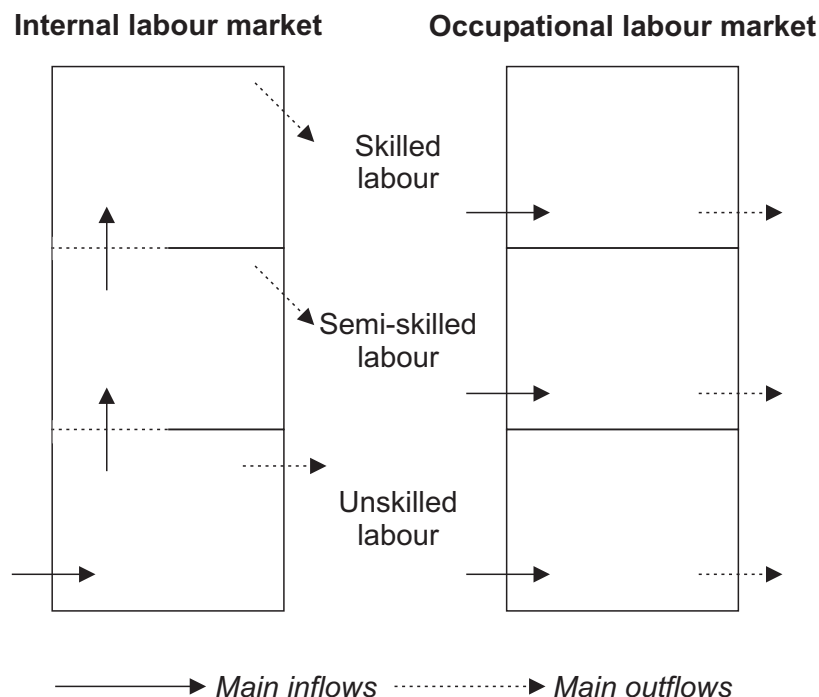
- One dimension is 'track differentiation', that is, the extent to which pupils or students are allocated to or divided up into separate 'curricular tracks', and even into separate linked school types. For instance, while in most European countries the education and training system is comprehensive/general at lower secondary level, both the German dual-system countries and the Netherlands are very different at this level in terms of their curricula and school types. At upper secondary level, or in associated full-time VET courses, the degree of differentiation between most EU countries increases.
- Another dimension is 'outcome differentiation'. Countries differ with respect to how and to what extent they measure pupils' performance levels at the end of a particular period of study, whether at upper or lower secondary level, and irrespective of curricular tracking. For instance, examination and certification systems vary in terms of the extent to which pupil achievement levels are finely graded. Some use a simple pass/fail dichotomy; others mark each subject on the basis of a finely graded scale – for example A1, A2, B1, B2, C1 to C3, D, E, F.
- A third dimension is the relationship between differentiation and progression into the next stage of the education pathway. It concerns the extent to which selection into 'tracks' or school types is random, or whether it results from neighbourhood and community-based process; or whether, on the contrary, selection is based on academic performance or other social criteria, such as gender, social class or ethnic group. At one extreme are countries with relatively open systems in which everyone who completes lower secondary level is expected or even encouraged to go on to upper second level education, but with minimal selective

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curricular/course or examination/certification requirements, as in France and Ireland, for instance. At the other extreme are highly selective systems in which progress on to upper secondary level courses is dependent on both taking and passing lower secondary level courses/examinations, or where progress on to a differentiated course, is mainly dependent on having completed a relevant lower level course in the same school/curricular type.

The **third building block** contains elements capturing the characteristics of, and the differences between, (national) labour market structures. The theoretical background for this building block is the literature on industrial organisation and labour market segmentation. A standard feature of this literature is the distinction between three types of labour market structure in which firms can operate: external labour markets, occupational labour markets and internal labour markets.

**Figure 1: Models of internal and occupational labour markets**



As Figure 1 illustrates, the essential difference between internal and occupational labour markets is that companies relying on the former will fill their lower-grade jobs from outside the firm; after a period of mostly company-specific training, employees will move on to higher positions. In occupational labour markets, jobs will be clearly defined in terms of content and will have a high level of consistency across firms or industries so that workers will generally have skills that are transferable across employers. France is a typical example of a country dominated by internal labour markets, whereas Germany is a typical example of a country dominated by occupational labour markets. Both these types of labour market are usually considered to stand in opposition to the supposedly unstructured external labour markets, in which firms hire their mostly low-skilled workers on the open market and in which workers are, therefore, exposed to competition from other workers; hence, mobility between firms is commonplace, but reflects job insecurity rather than upward mobility.

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The **fourth building block** contains variables capturing the characteristics of and the differences between the interfaces linking the (national) education and training systems to the labour market.

An important feature of any skill formation system is the nature and strength of the institutionalised relationship between what is taught (and learned) at school and what type of education or training is required in order to get a job. Is there a link between the extent of explicit and vocationally relevant curricular differentiation in the school system of a particular country and the way in which entry requirements and occupations are specified in the labour market? Obvious examples of such institutional links are apprenticeships or cases in which entry to specific occupations requires specified forms of education and training.

Two important ways in which such linkages can be forged need to be distinguished.

First, there is the extent to which employers are involved and play a specific role in the organisation of the education and training system. The CATEWE team characterised the nature of this involvement as:

- ‘direct linkage’, when employers have a direct role in providing training themselves or in cooperation; an example of a country in which there is strong direct linkage would be Germany;
- ‘collinear linkage’, when employers have influence in specifying curricula and qualifications through institutional input in mainstream education and training systems; an example of a country in which there is strong collinear linkage would be the Netherlands;
- ‘job placement function’, when firms are involved in indirect recruitment from schools or institutions; an example of a country in which there is strong job placement function would be Japan;
- ‘decoupled’ systems, when employers are not involved and are completely and exclusively dependent on the signals from the education and training system.

Second, the nature and strength of the link between, on the one hand, the standardisation and differentiation of skills as signalled by the credentials awarded and, on the other, the specific occupational or job requirements will also be affected by the characteristics of the youth training system. What level of youth training is provided? Is it formally differentiated from other forms of (vocational) education and training or from apprenticeships? Do young people or first entrants have a right to training? A particularly important phenomenon in this respect is the development in many European countries of active labour market or welfare-to-work policies. In many respects the measures taken within these frameworks border on – if they do not actually overlap with – domains that would traditionally be covered by youth training.

The **fifth building block** relates to the characteristics of the transition itself. It is intended to provide indicators that allow the degree of success of the transition to be assessed. Two different sets of outcome variables need to be distinguished here: those that capture the characteristics of the transition process and those that are related to the transition outcomes.

With respect to the transition outcomes, the following variables are listed: principal economic activity, occupational status, industrial allocation, labour market segment



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location, wages, employment security, access to on-the-job training, access to off-the-job training sponsored by employers, job and career mobility, content congruence (i.e. the match between type of education and type of job), and level congruence (i.e. the match between level of education and level of job).

With respect to the transition process, in order to get a better view of the most important features of the transition period the CATEWE team proposed two indicators: the number of transitions and the length of the transition period. However, each of these indicators can be applied to any of the jobs from a young person's first contact with the labour market after leaving the education system until that individual succeeds in obtaining a stable job; the indicators could thus also be seen to go beyond evaluating labour market outcomes on the basis of data pertaining to particular points in time. Indeed, given the right data it should be possible to construct synthetic indicators, based on transition sequences or trajectories, and add some evidence on career dynamics to the information on which transition systems are assessed.

### **1.3 To what extent is the CATEWE conceptual framework a useful, but merely heuristic, tool?**

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As with most conceptual frameworks, it is tempting to use the one constructed by CATEWE merely as a handy device allowing one to better structure and standardise the description of a particular national school-to-work transition system. Of course, there is nothing basically wrong with this. In fact the CATEWE team itself used the different items and indicators listed above as the basis for a case study of each of the countries they wanted to include in their study.

A limited version of the results of this exercise – limited in the sense that it only uses three elements of the conceptual framework (degree of standardisation, degree of differentiation and nature of the school-to-work linkage) to construct a typology – is shown in Figure 2.

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**Figure 2: A typology of education and training (ET) systems and labour market linkages**

School-to-work linkage	Degree of standardisation of ET systems	
	High	Low
	Degree of differentiation (and vocational/occupational specificity) of ET systems	
	High ← → Low	High ← → Low
<b>(a) Tightly coupled ET/employer systems: strong linkage (dual system)</b> Substantial sharing and cooperation between providers and employers in delivery of ET, e.g. in apprenticeships. High occupationalisation of the labour market.	Germany Austria Switzerland Denmark	
<b>(b) Tightly coupled ET/employer systems: collinear linkage</b> High levels of in-school provision of ET specific to particular occupations, agreed with employers. High occupationalisation of the labour market.	Netherlands	
<b>(c) Loosely coupled or decoupled ET/employer systems, but with strong market signals</b> Low degree of ET provider and employer sharing of ET provision; low occupationalisation of the labour market, and limited school involvement in employment decisions.	England/Wales Scotland Italy France Portugal Finland Sweden Ireland	
<b>(d) Loosely coupled systems, but with strong market signals and strong school placement function</b>	Japan	
<b>(e) Decoupled ET/labour market systems with weak market signals (from second level)</b>		USA Canada

Source: CATEWE

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However, the real ambition of the CATEWE project was to go beyond this purely descriptive use of the conceptual framework. Indeed, the central assumptions behind the project, as in the case of many, if not all, other studies in this field, were that:

1. of the possible combinations of the elements contained in the three sets of institutional formats, represented by the three core building blocks, some would be more common than others;
2. within the set of more common combinations, some would be more effective than others in terms of how successful young people will be in making the transition from school to work.

In fact, the expectation was that two main models of school-to-work transition would emerge from the national case studies.

It was anticipated that countries with a highly differentiated education and training system would combine this feature with an occupationally segmented labour market and with apprenticeships as a major link between the two parts of the model. On the other hand, it was expected that countries with a less differentiated education and training system would combine this with a more open labour market and with a substantial number of young people entering the labour market as 'early leavers', i.e. directly after initial education and without any further training.

The fact that building blocks 2 to 4 constitute the core of the CATEWE conceptual framework does not, however, make building blocks 1 and 5 superfluous. On the contrary, both are vital for testing whether the different transition models perform differently with respect to how young people integrate into the labour market. Building block 1 is necessary because it provides a list of factors that should be 'neutralised' or (statistically) controlled in order to filter out differences in contextual influences that strictly speaking have nothing to do with differences in the institutional set-up. Building block 5 is needed because it lists the indicators that can be used to assess and compare the degree of success of the different transition models.

### **1.4 What can be learned from using the CATEWE conceptual framework in empirical research?**

In order to explore whether the existence of the ideal types of transition models, constructed on the basis of theoretical assumptions, could also be confirmed on the basis of empirical data, and in order to test whether a difference in performance of these models indeed existed, the CATEWE team made use of two different sets of data. These are the stock data provided by the comparative EU Labour Force Survey (LFS) (containing data for 12 EU countries, covering the period 1990–1997), and flow data taken from existing school leaver surveys (and only available for four countries, namely France, the Netherlands, the Republic of Ireland, and Scotland).

In the following brief selection of results, the analyses will be limited to the LFS data, as published in a volume edited by Walter Müller and Markus Gangl (2003).

A remarkable result of the empirical analyses is that it does not really confirm the picture of two ideal type transition models. In fact, three specific patterns emerge that can,

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broadly speaking, be interpreted as being consistent with differences in education and training systems.

One pattern pertains to a set of countries operating extensive vocational training systems at upper secondary level. This is the case for Austria, Denmark, Germany, the Netherlands, Sweden and Finland. Three typical characteristics of this pattern are as follows.

- The proportion of young people not progressing beyond compulsory education levels is very low (typically less than 15% of birth cohort).
- A significant proportion of young people obtain tertiary level qualifications (typically 25% of birth cohort, except in Austria).
- The most distinctive feature, however, is that those who leave the education system from the upper secondary level will have obtained vocational qualifications either through dual-system arrangements (Austria, Germany, and to a lesser extent, Denmark) or via school-based training (the Netherlands, Sweden, Finland).

A second pattern, which relates to the remaining northern and western European countries, is in many respects similar to the first, but reflects a slightly different structure of education. This difference needs to be expressed in qualitative terms rather than in terms of the level of education. Typical characteristics of this second pattern are as follows.

- A fairly large proportion of upper secondary level leavers enter the market with general rather than vocational qualifications (UK, but especially France, Belgium and Ireland).
- The progression rates beyond compulsory education are typically significantly lower compared to those of more vocation-oriented systems.

A third pattern applies to the southern European countries. Its most distinguishing characteristic is the significantly lower level of educational attainment, though the recent rapid educational expansion may result in this gap being closed rather quickly. The main feature of this set of countries is their weakly developed vocational training systems and, therefore, their lower levels of provision of vocation-specific training.

Moreover, although the case of southern European countries appears to signal some convergence on one specific dimension, i.e. the level of educational attainment, no such convergence between these three sets of countries can be noted on other dimensions, such as a move towards a common mix of vocational and general tracks in initial education. In particular, the institutional set-up in dual-system countries has remained quite distinct from that in other countries.

What do the data tell us about the differences in transition patterns?

The main conclusion drawn from the extensive analysis undertaken is that the transition patterns exhibit a large number of common features over all the countries involved. For instance, for all countries youth unemployment rates are strongly influenced by the overall unemployment rate. However, even if this is the case, it does not imply that all national transition patterns are identical. The following findings illustrate some of the differences involved.

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- In some countries (southern Europe, France, Ireland) the unemployment rates among entrants are well above those for more experienced workers. However, this is not the case in dual-system countries, where these unemployment rates closely parallel one another.
- Something similar can be noted with respect to occupational allocation. Many young people enter the labour market in relatively low-level occupations and then progress over their initial years in the labour market. But, again, this tendency is significantly weaker in dual-system countries, where more young people directly enter jobs at a level corresponding to their qualifications.
- The same applies in the case of non-standard employment contracts. Substantial differences exist in the proportion of entrants starting their career with a fixed-term contract (in the case of Spain this proportion is as high as 80%) or in part-time employment.

Two main conclusions emerge from the empirical evidence.

1. Across Europe labour market careers differ much more during their early stages than they do for more experienced workers. Hence, the national differences in patterns of youth labour market integration are much more pronounced than the differences in terms of labour markets for prime-age workers.
2. The observed cross-national differences align with cross-national differences in education and training systems and reflect the division in three distinct types of education and training systems.

All in all, this provides strong evidence for the claim that the structure of the education and training system is an important key to understanding how young people transit from school to working life. However, the match is far from perfect and the differences between sets of countries seem to be more pronounced at the point of entry than later in the career, and it is clear that other factors also play a significant role.

One of the major questions that the CATEWE team attempted to answer – and that is of evident importance for policymakers – concerned the relative importance of the different determinants influencing the transition process. In other words, what matters most if one wants to understand, or to impact on, differences in labour market outcomes: individual characteristics, the structure of the education and training system, or other institutional factors?

Of course, characteristics at the individual level are of great importance. Education and training are primary resources for avoiding unemployment when entering the labour market and, in general, the rule that the higher the individual educational level, the lower the risk of unemployment applies in all countries. However, in particular contexts this general rule needs to be qualified. For instance, if it is clear that higher levels of general education contribute to lower unemployment risks, this is equally the case for vocational training, at least if the vocational training is obtained in the context of dual training arrangements. But there are more examples to illustrate the differential impact of the institutional set-up in which the transition takes place.

- Returns to education are broadly similar in both groups of northern European countries. Compared to upper secondary general education, apprenticeships and similar types of dual-system training lead to lower unemployment rates in systems that are strongly occupational, as well as in systems where this is the case to a

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lesser extent. In other words, the positive effects of apprenticeships with regard to unemployment risks do not seem to depend on the particular labour market context but seem to be connected to the apprenticeship itself.

- An interesting difference between the groups of northern European countries becomes apparent when the value of school-based vocational training is compared with the value of apprenticeships. Leavers from school-based vocational training face relatively lower unemployment rates in more strongly occupationally structured contexts. Gangl, Müller and Raffe (2003) note that this finding 'seems consistent with arguments suggesting that appropriate vocational specialisation is important in integrating into markets exhibiting strong occupational boundaries (irrespective of whether the qualification is obtained from school-based or dual forms of training). In less tightly structured systems, by contrast, it is probably more the actual training contract with a particular employer (as an apprentice or otherwise) that reduces subsequent unemployment risks.'
- The strong relationship between individual qualifications and unemployment observed for all northern European countries does not hold for southern Europe, where level and type of education hardly affect unemployment risks at all. Hence, the nature of youth unemployment is likely to differ considerably between northern and southern Europe.

All evidence points to the fact that a key effect of the structure of the education and training system is the way it affects the skill structure of youth cohorts entering the market. Yet little support can be gathered for the idea that other institutional factors play a significant role. Only the level of employment protection seems to have a minor effect on unemployment risks. In other words, the better protected the core workforce, the more difficult it seems to be for young people to compete successfully in securing employment.

Finally, it is worth emphasising two observations applying to all European countries, whatever pattern applies to them. First, it should be noted that with respect to unemployment risks, macro-economic conditions are clearly important. In their early career stages young people are particularly sensitive to cyclical swings, as demonstrated by the fact that unemployment rates of entrants increase more strongly than aggregate rates in up-swings, but decline more strongly in down-turns. Second, low-qualified individuals present a specific problem group for at least two reasons. On the one hand, their chances are particularly vulnerable to deteriorating macro-economic conditions; on the other, in the longer run occupational upgrading of the workforce increasingly tends to work against the lowest-qualified school leavers, since it improves the prospects of high-skilled young workers while exacerbating unemployment risks among those who are least qualified.

Do the same determinants have the same relative importance with respect to the quality of the initial job?

As in the case of unemployment risks, the overall empirical evidence confirms that education and training function as major individual resources in job competition. To summarise the results of the analyses concisely: the higher the level of education attained, the higher the occupational status, the higher the probability of accessing a professional job at an early career stage, the lower the likelihood of entering low-skilled jobs, the lower the probability of obtaining fixed-term or other temporary job contracts, and the higher the likelihood of having a full-time contract.



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Again, however, some qualifications are warranted.

- There are few indications that these relationships vary dramatically between European countries. This suggests that macro-institutional differences play a much more limited role in employment outcomes, such as the quality of entry jobs, than in unemployment risks.
- The same observation applies to the impact of macro-economic conditions. Though young people will be disproportionately allocated to low-skilled and temporary jobs in slack labour markets, job allocation patterns seem to be much less responsive to macro-economic conditions than is the risk of experiencing spells of unemployment.
- Some of the advantages of apprenticeships in terms of unemployment risks seem to come at the price of a greater probability of being allocated to lower-level jobs. Indeed, compared to leavers from general or school-based vocational tracks at the upper secondary level, apprentices tend to attain lower-status employment and run a higher risk of entering low-skilled jobs. This finding should, however, be handled with care, since the available data do not allow control for the possible influence of occupational fields, ability requirements or social background. Moreover, young people choosing a particular track may differ in unobservable characteristics.
- There is evidence that within occupationally structured systems, such as those in Austria, Denmark, Germany and the Netherlands, more use is made of allocation mechanisms based on skills. In fact, with regard to job competition these countries seem to rely more heavily on formally certified skills than on job experience. As a result, under those conditions those entering the labour market seem relatively more competitive vis-à-vis adult workers than in other institutional contexts.

Many of the observations have clear and important implications for policy. For instance, the fact that the evidence seems to imply a large degree of context independence with respect to the effects of apprenticeships suggests that there may be reasons for more development of such linkage between the education and training system and the labour market, even in countries that one would not expect to be their 'natural' habitat.

But the main policy question to which Gangl, Müller and Raffé draw attention in their concluding chapter – and the one they obviously consider to be the most important question facing policymakers at this moment in this field – is related to the problems experienced by the least qualified entrants. Of course, the finding that low-qualified entrants are extremely vulnerable is not new. On the contrary, it is consistent with the evidence provided by many other studies, and usually leads to policy proposals implying that the remedy is basically to provide those who are the least qualified in one way or another with more skills.

Yet are more skills the answer? And, if so, what skills? What advice, if any, can be given on the basis of the evidence provided by the analyses within the framework of the CATEWE project?

Gangl, Müller and Raffé start answering these questions by drawing attention to the many indications suggesting that those at the bottom end of educational qualifications are unable to benefit from expanding employment opportunities in modernising sectors of the economy.

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One interpretation of this evidence is that it signals that the actual skill content of the tracks followed by low-qualified entrants is increasingly inadequate for the needs of structurally changing labour markets and, for that reason, is also increasingly inadequate in terms of allowing low-qualified entrants to achieve a stable working life. If this interpretation is valid, there may be a strong case for policy action designed to prevent early school drop-out and foster increasing (initial and/or second-chance) participation in advanced forms of education and training. However, this conclusion is not necessarily generally accepted. An alternative position is taken by many economists who emphasise the low productivity of low-skilled workers (or of the jobs slots they fill) but would nevertheless rely more on wage subsidies (or, more generally, reduction of wage costs) than on more education and training. Moreover, one should not forget the importance of (macro) economic policy since, as has been mentioned above, minimising unemployment in general has clear positive effects on the opportunities of young people and on those of least-qualified individuals in particular.

Although there is no easy way out of this problem, minimising might be attempted in two ways. The first strategy is to make sure that all workers possess at least a level of qualification that is marketable for a broad number of jobs. Since there will always be a group that does not reach this level, the second strategy is to ensure that this group stays as small as possible and that other forms of support are available.

‘Whichever way one looks at the issue of inequality in educational participation,’ write Gangl, Müller and Raffe, ‘it is those at the lower end that require primary attention in educational policy [...] There is certainly room for improvement and for more efficiency in high-level education and training. But the core area for remedial action providing all citizens with fair chances in modern labour markets, and preventing long-term social problems is at the bottom end of the educational system. Providing all young people with an adequate fund of basic skills for their working lives (including numeracy and literacy) remains a serious issue that deserves special attention in the context of rapidly changing economies.’

Although its results show the urgency of the problem, CATEWE was clearly not designed to show what measures would be most effective in advancing educational participation on the part of potential early drop-outs. Therefore, there is little scope for giving concrete policy advice on the basis of the evidence resulting from using the CATEWE conceptual framework, nor for answering, even tentatively, the main question: ‘Why do some individuals leave the education system with low and potentially insufficient levels of education, and how might this be remedied in the future?’

However, one general recommendation is evident from the very structure of education systems and educational processes. ‘As these systems are hierarchically organised and education is a cumulative process, it is crucial that every effort be made from the very beginning of education to ensure that those who tend to perform poorly receive most support so as to prevent them falling behind early in the process and finally dropping out altogether.’



## **1.5 Potential further extensions of the CATEWE framework**

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The very least that can be said is that the evidence presented above confirms the central intuition behind the CATEWE conceptual framework, i.e. that the characteristics of the education and training system, the structure of the labour market, and the nature of the linkages between the two sides of the skills market are of crucial importance to understanding properly the specific character of the transition process and the degree of success with respect to transition outcomes.

As such, the CATEWE conceptual framework not only provides a handy heuristic tool to describe and compare the different pathways followed by young people in their transition from school to work. It also provides the nucleus or skeleton of an approach that could explain why some transition models are more successful than others. However, without really changing the original intent and purpose of the construct there is certainly scope for broadening and deepening it.

One direction in which the scope of the framework could be broadened is suggested in a recent article by Richard Breen and Marlis Buchmann (2002). Discussing the relationship between (national) institutional variation and the social position of young people, Breen and Buchmann use a conceptual framework very similar to CATEWE, the only significant difference being the use of an additional building block. This additional block is intended to capture the difference in welfare regimes of the countries studied, and is inspired by the well-known typology contained in the work of Gösta Esping-Andersen (1990). As a matter of fact, such an extension of the conceptual framework may well explain why many papers originating from the CATEWE project were forced to conclude that the data revealed the existence of not two but three groups of countries.

A deepening of the scope could be achieved through potential (theoretical) refinements of the original building blocks and variables contained in the CATEWE framework. Take as an example the part of the framework inspired by labour market segmentation theory. This theoretical framework raises several questions. For instance, in relating the differences in labour market regimes to the differences between internal and occupational labour markets, the conceptual framework does not really (nor sufficiently, nor explicitly enough) take account of the way firms tend to compete for markets, or, more precisely, of the way their competitive strategy feeds back into their utilisation of human resources. For instance, in a much-cited article, Marino Regini (1995b) distinguishes between five different production regimes:

1. diversified quality production;
2. flexible mass production;
3. flexible specialisation;
4. neo-Fordist firms;
5. traditional small firms.

In both cases it would be most interesting to explore further whether it is possible to graft these additional elements onto the CATEWE conceptual framework without weakening its initial appeal, and to investigate in which instances these additional factors eventually allow enriched analyses.



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### 2.1 A change of perspective?

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As the former section illustrates, the CATEWE conceptual framework provides a useful tool for organising the facts about school-to-work transitions. It allows consideration of the linkages between the education and training system on the one hand and the labour market on the other, from a coherent and holistic point of view. In itself this is an important contribution to academic research as well as to policymaking.

Nevertheless, in one particular sense the CATEWE approach is quite limited. Indeed, the key question that the CATEWE project intended to answer is whether or not the different characteristics of the national education/training and labour market institutions affect how initial educational qualifications translate more or less successfully into labour market outcomes. The related policy question is whether, and how, changing the institutional set-up in a particular country would bring more equality in relation to the life chances and prospects of young people, both within that country and between countries.

Of course, this is what one might expect from a conceptual framework that finds its initial inspiration in the tradition of status attainment models, i.e. models that aim at an understanding of which factors (such as social background, gender and educational outcomes) determine one's status in society. Even if these models are amended using elements taken from labour market segmentation theory in order to provide a more realistic view of the social structure, adding these features leaves the models themselves essentially unaltered.

An important question is whether this focus on questions of unequal access and equality of opportunity neglects the question of effective skill formation. Indeed, nothing in the set-up of the CATEWE conceptual framework seems to link it to questions of competitiveness, productivity or economic growth.

In other words, despite its usefulness both as a heuristic device enabling one to describe better the relationship between the different factors and institutions impacting on the school-to-work transition and as an approach for explaining why some transition models are more effective than others, one of the main questions concerning the CATEWE conceptual framework is whether it is either linked too closely to problems of social stratification and related policy questions, or is too silent on the mechanism driving the production and the use of skills in modern economies. Can it distinguish between

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states of affairs that are equally successful with respect to the transition from school to work, but that would have quite different medium- and long-term effects on the formation of the kind of human capital that is needed by modern economies in order for them to be successful in terms of competitiveness and reaching 'real' full employment?

This section deals in some detail with the transitional labour market (TLM) model, which has gained wide currency in recent years among sociologists and economists interested in labour market problems, as well as among policymakers.

For most users the most attractive feature of this model is probably that it can be used as a device to describe in a comprehensive and systematic way the many policy measures introduced during the past two decades in most European countries as part of their active labour market policies (ALMPs). As explained below, in a manner reminiscent of the heuristic use of the CATEWE conceptual framework, this reading of the TLM framework seriously limits its potential as a normatively based policy framework. Given the common practice of mapping the TLM concept on the domain of ALMPs, this section will end with a brief review of the available evidence on the effectiveness of these labour market measures, specifically with respect to the problem of youth unemployment.

### **2.2 What is meant by the concept of a transitional labour market (TLM)?**

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The concept of a transitional labour market, as used in the current European literature and debate on labour market policy, was first introduced in a public lecture by the German political economist Günther Schmid on 8 September 1994. The lecture was in honour of Rudolf Meidner, an economist who, in collaboration with Gösta Rehn, is considered to be the main architect of the so-called Swedish Model.

Schmid introduced the concept as part of an argument in which he claimed that in order to bring full employment back into the reach of industrialised nations, two important strategic policy changes were needed.

- The first strategic change implied a new mode of coordinating monetary, fiscal and wage policy so as to stimulate qualitative economic growth, i.e. growth mainly occurring in sectors such as health care, education and environmental protection.
- The second strategic change implied a modernisation of the concept of full employment, and it is within this latter context that the TLM concept takes on its full force and significance.

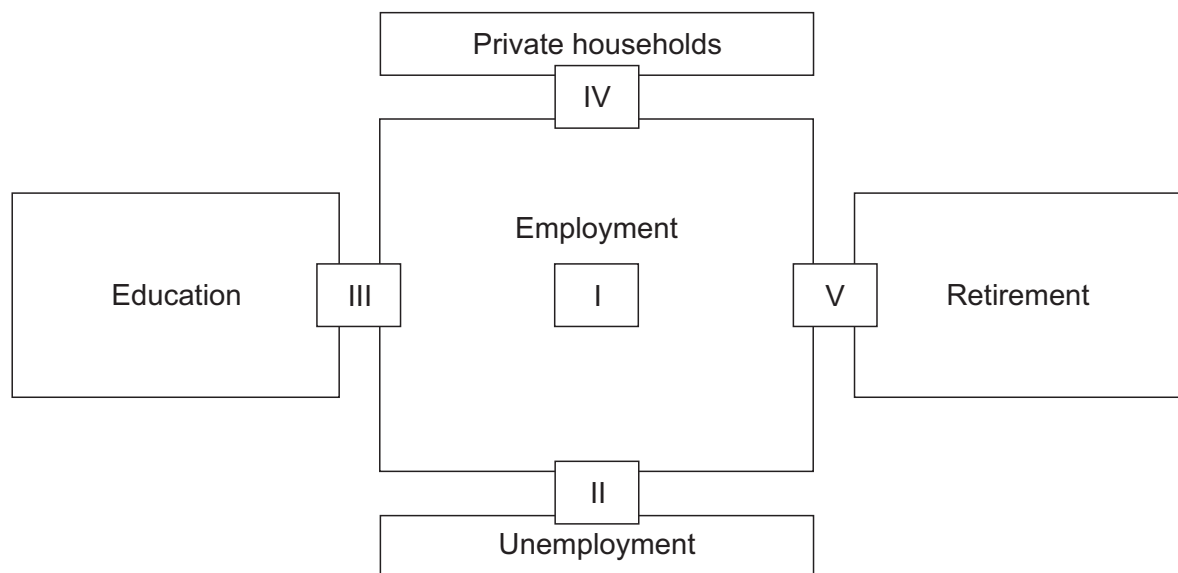
The central idea on which Schmid operated was that the traditional concept of full employment – based on the view that everyone should be employed for forty-five years, five days a week and eight hours a day – is no longer appropriate to a flexible, globalising knowledge economy and, therefore, no longer tenable as a central objective of economic policy. Hence, it is proposed that this traditional conception be replaced with a model based on a standard weekly working time (in hours) averaged over the career, but allowing the actual number of hours worked in one particular week to deviate (substantially) from the standard. It was Schmid's contention that such a model is in line with social developments, and since it is beneficial for all parties concerned, it might even

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provide a basis for a new social consensus. From the point of view of employers, such a system would be appropriate to their need for more flexible organisational structures. From the point of view of workers and citizens, the system would satisfy their demand for more flexible lifestyles and more opportunities for choice. For society as a whole it could trigger a new wave of (qualitative) economic growth and social progress.

In order to explain why the construction of TLMs was an integral and essential part of the new strategy for full employment, Schmid used a figure schematically representing a labour market; this was placed centrally in the picture and was surrounded by four boxes, representing four different spheres of life or domains of activity: education (or learning), retirement (or leisure), household (or informal) activities, and unemployment (or looking for paid work) (Figure 3).

**Figure 3: Labour market policy as a strategy of TLMs**



*I Transitional arrangements between short-time working and full-time employment or between dependent work and self-employment*

*II Transitional arrangements between unemployment and employment*

*III Transitional arrangements between education and employment*

*IV Transitional arrangements between private domestic activities and employment*

*V Transitional arrangements between employment and retirement*

*Source: Wissenschaftszentrum Berlin*

One characteristic of each of these four domains is that they were not traditionally considered to be 'employment', and in most case not even 'work'. In fact, in most Western industrialised states, combining institutionalised activities in one of the four stated domains with the status of paid employment was in principle not possible, except in extraordinary circumstances. Indeed, social institutions regulating the distribution of income and work – such as labour law and social security regulations – were initially built on the (implicit) assumption that one was employed, in education, retired, unemployed or caring for family members. Most institutions and regulations also assumed that if one was engaged in one of these domains, it was of necessity 'full time'. As a result, only in exceptional circumstances could a combination of income streams from different social statuses be received by the same person.

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The major negative consequences of this social protection structure, which rigidly prevents the combination of wages and social benefits, are that it creates significant barriers to mobility in and out of the labour force, and that people moving from one domain to another are forced to make 'transitions' that are in most cases definitive. This is particularly the case for people moving out of the labour force. Under these circumstances, even if this move is intended to be only temporarily, it appears to be quite difficult to return. As research on the subsequent effects of career breaks shows, those who do return to the labour market experience negative effects (for instance, on their wages) for the rest of their career.

Of course, in recent decades this picture has changed quite substantially. Social developments as diverse as the increase in female labour market participation (and the need to combine paid work with child care), the growing importance of contingent employment relations and of part-time work (and the consequent demise of internal labour markets) and the pace of technological advancement (and the resulting necessity to continue learning or retrain during the overall occupational career) have led policymakers in most European countries to implement policies that result in the construction of institutional bridges allowing people either to combine statuses in different domains or to move more easily between different domains. Examples of such policies are the opportunity to choose to work part time in order to combine paid work with unpaid household or care work, systems allowing young people to combine employment and education, systems of career breaks, time credits, and part-time retirement systems.

Yet the implementation of this diverse set of measures risks serious problems. These policy measures were neither conceived as part of a broader programme of institutional reform, nor guided by any clearly formulated positive vision of the opportunities offered by current social dynamics. In most cases policy interventions have been ad hoc. They have resulted from piecemeal interventions, attempts to address, at a particular moment in time, a particular problem thrown up by the existing institutional framework that is no longer able to cope with a particular aspect of the social developments. As a result, there was no guarantee – if ever there can be – that the individual policy measures would interlock in a positive way. On the contrary, at best one might hope that newly implemented measures would not be in conflict with the other parts of the institutional framework. Fitting examples are to be found in the literature on the working poor, and in the policy debate on in-work benefits; these effectively illustrate that it is not at all clear whether an approach based on giving stronger incentives to move from welfare to work can guarantee that every paid job provides a decent living standard without having to combine wages with some other source of benefit or subsidy.

Moreover, and probably most importantly – though this approach no longer (at least implicitly and in practice) considers a full-time, lifelong job as the standard on which to fine-tune the regulations related to paid employment and social protection – policy interventions were not based on a clear and explicit model of what could function as an effective and legitimately accepted alternative standard.

In view of this, it can easily be understood that for researchers as well as for policymakers the main attraction of the TLM concept is that it constitutes a comprehensive framework that enables a wide and diverse set of existing policy measures to be seen from a more general, unifying perspective. This is especially the case since several features of the TLM concept itself seem to mirror the main characteristics of the 'new' employment policy that emerged in the European nations in

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the 1990s under the impulse the European Employment Strategy. Hence, it should come as no surprise that the concept of a TLM, as originally sketched by Günther Schmid, has been used frequently by labour market researchers and has exerted an important influence as a heuristic model that can bring some order and clarity into what has until now appeared to be a less clear and diverse set of policy instruments.

### **2.3 Why the heuristic use of TLM does not take into account its specificity**

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Yet this use of TLMs as a merely heuristic model seriously limits the importance and the significance of the concept. In fact, it takes away much of what constituted the initial intuition and inspiration behind it, and deprives it of both its specific policy relevance and normative flavour. There follows a brief examination of why this is the case, and why rescuing the concept from being read and used in this restrictive manner is of vital importance for a correct interpretation (and, eventually, implementation) of TLMs.

Remember that originally, in his 1994 Meidner lecture, Günther Schmid introduced TLMs as a potential solution for the labour market problems experienced by European economies. More specifically, TLMs were presented as a device explicitly intended to bring full employment back into reach. Since the TLM concept was not the only approach claiming to be able to deliver this objective, it is important to grasp clearly what sets it apart from other contemporary approaches to labour market reform. It is therefore useful to consider in a little more detail the diagnosis leading to this specific proposal and to compare it with its main competitor.

Prior to 1995 Günther Schmid had been involved in a series of international research projects looking into the influence of labour market institutions on economic performance as well as into the effectiveness of labour market policies. The results of this comparative research led him to conclude that the basic problem for European labour markets resided in something he called 'institutional' unemployment. This was different from 'voluntary' and 'involuntary' unemployment as traditionally defined, and resulted from the lack of proper coordination between the different parts of the framework governing labour market regulations and social protection.

Building on this initial insight, Schmid argued in later work that the main problem with the standard employment relationship was that it was intrinsically modelled on jobs typical of the traditional industrial sectors. As such it has been remarkably effective as an important ingredient of the post-war economic growth model. But it could hardly be expected to be a useful and productive institutional framework for creating sustainable qualitative growth in a 'new' economy, i.e. in a system that required greater flexibility – including contingent employment, short-term contracts, part-time jobs, 'period of wait' unemployment and more frequent career changes – than allowed for by the traditional employment relationship and its allied institutional framework.

Given this background analysis, it is easy to understand the following two principles, which, according to Günther Schmid, should govern any programme of institutional reconstruction based on the TLM approach.



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First, the stated objective of the TLM approach is the replacement of the existing rigid institutional framework of the European welfare systems with a new, more flexible one. This may sound rather similar to policy advice following from a diagnosis of Eurosclerosis. But the similarity is only superficial. According to Schmid, the move towards more flexibility does not relate merely and primarily (or even at all) to wage flexibility that is imposed for reasons of efficiency or competitiveness by external forces such as globalisation or technological development. On the contrary, Schmid's prime concerns are problems of flexible coordination, i.e. problems that may unavoidably occur but that contain the positive promise of opening up opportunities for better social integration and more freedom of choice, if only because in a period characterised by individualisation, greater flexibility not only profits firms but also coincides with the possibility of a greater diversity in lifestyles and career choices for all citizens.

Second, and equally important, the proposal implies the principled claim that moving towards more flexibility or more opportunity for choice should not come at the expense of the basic forms of security guaranteed by the current welfare state system. In other words, stimulating qualitative economic growth and returning to full employment by implementing TLMs does not necessarily involve turning away from the very foundations on which the European Social Model has been built. In this respect the TLM approach distinguishes itself quite clearly from much of the literature that relies on the Eurosclerosis diagnosis. In the case of TLMs the search is definitely for effective functional equivalents, i.e. for alternative but equally effective (though flexible and flexibly integrated) instruments to safeguard citizens from the major risks of the (post)modern world.

In short, the paradigmatic shift involved in a TLM approach consists of an emphasis on putting in place a coordinated set of institutions that protect individuals against major social risks, without impairing their sense of initiative or willingness to make transitions when needed.

Thus, TLMs can appropriately be described, according to Günther Schmid, as a set of policy measures aimed at allowing and even inciting individuals to opt for transitional employment. This definition may seem quite tautological, but it has the advantage of stressing two important and specific features of the institutional reform implied.

- First, there is an important difference with respect to the status of TLMs at the micro versus the macro level. For Schmid, TLMs are permanent features of the (macro-) societal structure. Yet this does not imply that individuals are expected (or even allowed) to use them permanently or continuously over a very long period of time. On the contrary, these measures are conceived as temporary support systems during individual (or micro-) transition periods.
- Second, paid employment remains explicitly, and with much emphasis, at the core of all transitions. Not only are all transitions expected to have some relationship with the (formal) labour market, either as a starting or end point. It is also the clear intention that (partial) transitions out of the labour market are made with a view to returning to it fully later.

It is clear, therefore, that describing the TLM approach as being to build bridges that allow people to move more flexibly between paid employment and other social domains is only part of the story.



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An essential underlying principle of the approach is that a reform programme based on the introduction of TLMs will only deliver a competitive full employment economy if it does not cause a dramatic increase in social risks for the individual workers. Many presentations of the TLM framework neglect the fact that the major contention on which the original TLM advocates rested their claim is that the 'bridges' will not be socially productive unless they take into account the side constraints implied by this underlying principle. More specifically, TLMs are supposed to function as buffers, i.e. as a set of instruments protecting individuals against the risks they run when making important transitions. In most cases these measures will therefore imply some form of income transfer or income guarantee, which should then be conceived as some kind of subsidy conditional on undertaking an activity considered to be useful and in line with a later return to the labour market.

Schmid's conviction that such a system could work and that it would be socially beneficial stems partly from his earlier personal experiences with systems that allowed workers to be active in the agricultural sector in periods when experiencing a temporary reduction of working time in their industrial jobs because of slow demand. From these experiences Schmid concluded that periods of unplanned or even forced unemployment might not necessarily have negative or disastrous effects. The important point was that such forms of flexible coordination were accepted as legitimate and as conducive to positive synergy between individual and collective flexibility needs.

### **2.4 Do active labour market policies inform us about the likely impact of TLM?**

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Given that ALMPs are mostly conceived to serve the threefold objective of upgrading workforce skills, making opportunities to access the labour market more equal, and fostering social integration and cohesion, it is not surprising that for many observers they constitute a particular, if not prime, example of TLMs, and that the literature on TLMs contains many references to ALMPs – a concept that originated in the US Manpower Planning programmes in the 1960s and that is considered the hallmark of the much-lauded Swedish Model.

At the end of this section consideration will be given to the question of whether existing ALMPs do indeed constitute a good example of an institutional reconstruction based on TLM principles. However, there will first be a brief examination of the results of some attempts to evaluate their results.

A much-cited survey of recent OECD research on the effectiveness of ALMPs by John Martin (2000) paints a rather bleak picture. It describes the results as 'not terribly encouraging' and 'mixed in terms of raising the future employment and earnings prospects of job seekers and producing benefits to society' (p. 106). The effectiveness of ALMPs is said to depend on the economic environment. 'Since one of the main objectives of active measures is to assist the unemployed to get back into work, they require a reasonably buoyant supply of job vacancies in order to be effective. If an economy is generating few vacancies, one should not be surprised if active measures prove to be relatively ineffective' (p. 107).

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With respect to the category of 'special youth measures', the result is even bleaker. One must unavoidably conclude, writes John Martin, 'that almost all evaluations show that special measures are not effective for disadvantaged youths. This holds not only for public training programmes, but also for targeted wage subsidy measures. Given the depth of public concern about youth unemployment and the large public spending devoted to special youth measures, a high priority must be assigned to discovering the reasons for the dismal track record of such measures and designing and implementing more effective programmes.'

On the basis of these results one could easily be inclined to dismiss ALMPs as ineffective, and as a consequence also to distrust seriously the TLM approach. Yet this might well lead one to disregard some important conclusions that could be drawn from the ongoing experience with this type of policy measure.

For instance, based on a review of evidence from the few successful education and training programmes for disadvantaged youths in the US, Martin lists five precepts that enhance the potential success of these programmes.

- They have a close link to the local labour market and target jobs with relatively high earnings, strong employment growth and good opportunities for advancement.
- They contain an appropriate mix of academic education, occupational skills and on-the-job training, ideally in an integrated manner.
- They provide young people with pathways to further education so that they can continue to develop their skills and competencies.
- They provide a range of supporting services, tailored to the needs of the young people and their families.
- They monitor their results and use this information to improve the quality of the programme.

One of the main problems with respect to the current evaluations of labour market policies in general and ALMPs in particular is the lack of sufficiently stable results that would allow definite conclusions to be reached. Yet a clear view on why the results of these exercises are so unstable may contain some instructive clues. The following three reasons could explain why it might be difficult to reach stable results when evaluating labour market policies.

A first possible reason that, on the whole, studies looking at the performance of ALMPs fail to report robust results, relates to the standards most commonly used when evaluating policy interventions.

Reviewing the literature in the mid 1990s, Schmid and Schömann (1994) remarked that there might be a particular reason that it proved difficult to evaluate the success of ALMPs. In fact, they argued, given the resources that a particular country may have at its disposal, as well as the prevailing context, it may very well be that the measures implemented are 'optimal', even if the results are far from impressive, or are not as good as others in an imaginary ALMP league table.

A second possible reason is suggested by research results implying that the greatest pay-off for disadvantaged young people comes not from ALMPs but from policy measures intervening early – i.e. while still in primary or secondary school – and being sustained over a longer period.

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This argument for ‘front-loaded educational policies’ has been most fully developed in a series of papers and articles by James Heckman, a recent laureate of the Nobel Prize for Economics. According to Heckman, the current conventional wisdom regarding education and training rests ‘on fundamental misconceptions about the way socially useful skills embodied in persons are produced’. Focusing as it does on (traditional) formal education and cognitive ability, conventional wisdom ignores non-cognitive skills and motivations despite their being socially and economically valuable, neglects the importance of unregulated informal learning at home or in the workplace, and does not take sufficiently into account that skill formation is a dynamic process with strong synergistic components. Methods currently used to evaluate educational interventions ignore these non-cognitive skills, mainly because of lack of appropriate data, and therefore substantially understate the benefits of early intervention programmes such as mentoring and teenage motivation programmes. Based on the view that ‘significant improvements in the skill levels of American workers, especially workers not attending college, are unlikely without substantial improvements in the arrangements that foster early learning’, Heckman urges policymakers to focus more than they currently do on the early part of the school career. ‘We cannot afford to postpone investing in children until they become adults, nor can we wait until they reach school age – a time when it may be too late to intervene’ (Heckman, 2000, p. 50).

If this argument holds, two alternative courses of action seem to be possible. Either one concludes that the present investment in ALMPs is not great enough to have any significant effects on traditional indicators, such as total employment and future earnings, and that that it is necessary to enlarge its scale. Or one concludes on the basis of Heckman’s argument that still greater emphasis should be put on front-loaded educational policies.

A third possible reason for the lack of robust results relates to the heterogeneous and multi-dimensional character of the policy measures.

In their substantive review of research findings pertaining to school-to-work policies, Ryan and Büchtemann (1996) (for an updated and more elaborate review of this literature, see also Ryan, 2001) initially distinguished between three types of policy:

1. policies regarding the schooling content, focusing on factors influencing study incentives, on the effects of curriculum content, on the nature of the link between education and work, and on career counselling;
2. payroll cost policies, aimed at cutting the costs for employers of youth activity in the workplace in order to increase youth employment and training;
3. labour market programmes, offering young workers various combinations of remedial education, training, work experience and support services as antidotes to low skills and joblessness.

Forced to conclude that there is no firm and convincing evidence of the positive effect of these types of policies, Ryan and Büchtemann remark that, in a sense, this should not come as a surprise. One reason is the immense technical difficulties involved in using proper (quasi-experimental) methods to carry out a proper evaluation and provide hard evidence. But their review reveals two other major problems.

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The first relates to the multiplicity of policy objectives mentioned in school-to-work discussions. The (non-exhaustive) list compiled by Ryan and Büchtemann (p. 310) contains the following items:

- widespread completion of upper secondary general education, along with appropriate achievement and certification, as well as access to continuing education thereafter;
- high-quality vocational preparation for all, including vocationally oriented education, work-related training and preparation for lifelong further training;
- rapid transition to stable, career-oriented and well-paid employment;
- low rates of youth unemployment, particularly long-term unemployment;
- effective matching of young workers and jobs;
- enhancing equal opportunity among young people with options both for changes of career track and for second chances on particular tracks.

The point is that if a policy programme, let alone any specific policy measure, is expected to deliver several of these objectives simultaneously, evaluating the success of the programme or policy measure runs into major problems. First, it will be difficult to decide which objective(s) needs to be given priority or to construct a composite index giving each stated objective the importance it is due. Second, in a welfare theoretic framework most of these objectives will be considered as merely intermediate goals, instrumental for the ultimate goals of equity and efficiency. Third, even if priority was to be given to any of the intermediate goals, the appropriate policy to pursue them depends on how one thinks the economy is perceived to work. Fourth, not all goals of a school-to-work policy – think, for instance, of personal development, social cohesion, political unrest and child welfare – are reducible to efficiency and equity, nor are they all measurable in terms of commonly and universally accepted dimensions.

The second problem relates to the heterogeneous nature of labour market policy programmes. In order to tackle this problem, Ryan and Büchtemann propose, for instance, to distinguish between ‘shallow’ approaches (labour market programmes or traditional vocational schooling) and ‘deep’ approaches (apprenticeships or technical education). On the basis of existing indications, they argue that it is quite likely that deep (or ‘more ambitious’) options could be successful, even when shallow (or ‘less ambitious’) measures are not. However, one should not lose sight of the fact that in order to use this difference between shallow and deep policies constructively, policymakers as well as policy evaluators will need to address important issues of a kind usefully illustrated by the following two examples.

1. Apprenticeships or low youth payroll costs can flourish only with sustained political commitment and institutional development, a scenario that involves the key interest groups of employers, employees, government and young people themselves.
2. Most disadvantaged young people are unlikely to benefit directly from apprenticeships and technical education. This does not mean that nothing can be done: there is a strong case to be made in equity for providing gainful activity for the most disadvantaged young people.

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### 2.5 Three concluding comments

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This section contains a brief review of a conceptual framework – TLM – that originated little more than a decade ago. It has since gained currency in the literature on European labour market policy and has made a mark in many policy documents. To conclude this presentation of the TLM approach, three points remain to be made.

The first relates to the main difference between the CATEWE framework and the TLM approach. CATEWE explicitly aims at developing a framework with explanatory power. In contrast, Günther Schmid presents TLMs first and foremost as part of a policy approach. In this respect it is not unreasonable to evaluate the potential effects of implementing TLMs by examining the track record of ALMPs. However, this leaves out one important element of Schmid's account. Indeed, although the major aim of TLMs is to create a system that does not prevent, but allows and incites people to make transitions, it does not follow that in these matters – to borrow a phrase from the philosopher of science, Paul Feyerabend – 'anything goes'.

This leads on to the second point. Contrary to what the emphasis on flexibility might lead one to expect, the TLM approach does not imply that transitions are of necessity good. In fact, at several places in his writing Schmid presents indicators to distinguish 'good' from 'bad' transitions. From this it follows that TLMs should be evaluated on their capacity to make the former happen and to prevent the latter. According to these criteria, TLMs, in order to be 'good', should lead to transitions that empower people, that lead to sustainable situations with respect to employment and income, that allow for flexible coordination, and that rely on cooperation between different parties.

In fact, for Schmid one of the most important common characteristic of the measures to be taken is that individuals are, and are seen to be, legitimately entitled to make use of these bridges when undertaking a transition.

The third and final point relates to how the TLM approach relates to the transition from school to work.

Given the emphasis on transitions, one might expect to find within the literature on TLMs a fair amount of work on the transition from school to work. However, this is not really the case, and certainly not with respect to the initial transition from school to work.

In a sense, this is not surprising. As argued above, TLMs are primarily intended to enhance mobility between the labour market and other social domains by providing instruments that reduce the risks of such transitions and allow for combined statuses. Instead of focusing on making jobs pay off, the main aim of this approach is to make transitions pay off. It is somewhat to be expected, therefore, that the initial transition from school to work does not constitute its main focus, and in fact falls more or less out of its scope.

The negative side is that the role and characteristics of the educational structure are given much less emphasis in TLM literature than in, for instance, the CATEWE approach, in which they were the main focus. The positive side is that in the TLM approach the initial transition from school to work is placed within the wider framework of lifelong learning. It constitutes, as it were, a subset of a domain that also includes, for instance, on-the-job training and adult education. Moreover, as argued by Klaus Schömann – one of Günther

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Schmid's closest collaborators – the TLM approach also implies a broadening of its target group. TLM theory indicates a need for a shift away from an education and training system centred upon those who are employed towards a training policy based on access, participation and completion, irrespective of employment status (Schömann, 2002, p. 186).



### 3. CONCLUSIONS

*[The] 'efficiency' of an educational and training system – in the specific meaning of its ability to minimise mismatch between supply and demand of skilled labour – cannot be assessed in general, but only relative to the differing and changing economic structure of a region or country. [...] we should be on our guard against superficial impressions of a spontaneous convergence among development models and among institutions [...] and against the even more superficial recipes of imitation of successful systems.*  
Regini, 1995b, p. 199.

A detailed review of the available material on the transition to adulthood shows that societies with such diverse pathways as those of Sweden, Italy, Germany and the US do not differ markedly with respect to many characteristics of the position reached by the age of 35 (Cook and Furstenberg, 2002).

Hence the question: does the transition from school to work really matter in the longer run? And, as a consequence, should it be of great concern to policymakers?

The answer, of course, depends on the perspective taken. In any case, from the attempt to construct a coherent and holistic conceptual framework by the CATEWE team, as well as from the review of the literature on the evaluation of ALMPs, two main lessons seem to emerge.

First, most existing comparative analyses of the school-to-work transition relate to only a few cases. Time and time again the countries compared are Germany (and its apprenticeship), the UK, the US, Japan and, more recently the South Asian countries. The question is still open as to whether this limited set of cases provides enough variation to draw conclusions that are applicable to countries differing strongly from them in many dimensions.

Second, even if such conclusions could be drawn legitimately and with confidence on the analytical plane, this does not necessarily imply that transferring parts of the institutional framework from one country to another can be undertaken as a matter of course.

For the purpose of this report, the latter conclusion is possibly the most relevant.

Based on work on the transferability of practices in continuing vocational training, Jill Turbin (2001) concludes that policy borrowing and the transfer of training practices continue to pose particular problems for policymakers and practitioners alike. 'Although in principle, there is much to be learnt from studying the best practices of other countries, in reality it is difficult to extract such practices or policies from their wider societal conditions and produce the same effects in a different environment' (p. 109).

This position also seems to be the one taken by Büchtemann and Soloff (1994). Considering education and training policies 'as but one necessary component within an

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overarching policy framework designed to assist individuals, firms, and public policy agencies in managing the transition towards an emerging post-Fordist economic growth regime' (p. 244), they stress important challenges and priorities for national education and training policies that follow from it.

- 'Experience with ongoing reform efforts made clear that education reforms are likely to fail if they are not synchronised with the prevailing cultural, institutional, and labour market structures in which they are intended to operate' (p. 244).
- The trend towards increasing school and especially higher education enrolment rates among recent cohorts of labour market entrants resulted in a concomitant shift in initial skills provision from employers to school settings. As a result the redesign of the links between education and employment and between schools and businesses has become a paramount issue in the policy debates of all the countries represented at the conference on Human Capital Investments and Economic Performance in 1993.
- 'Improving the links between education and employment appears to be all the more important since the enhanced volatility in the economic environment of highly industrialised countries calls into question the future viability of internal career labour markets and, instead, tends to favour vocational or, better, professional labour market structures, which allow a greater degree of technical specialisation and worker mobility and are known to provide workers with a stronger sense of self-identification with and commitment to their work' (p. 244).
- The pervasive trend towards school-based initial skills acquisition is balanced by the demographically and technologically induced rise in the importance of lifelong learning and skills adaptation, which hitherto have largely resided in the hands and at the discretion of employers and, consequently, been guided primarily by micro-economic considerations rather than by social equity criteria. However, with the continuing trend towards higher skill requirements even for operative tasks, the trend towards an increasing exclusion of unskilled workers from employment opportunities and the participation in overall welfare increases is likely to continue and thus seems to create serious challenges for corrective 'active' labour market policies.



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