Why is Youth Unemployment so Low in Austria? A Critical Assessment!

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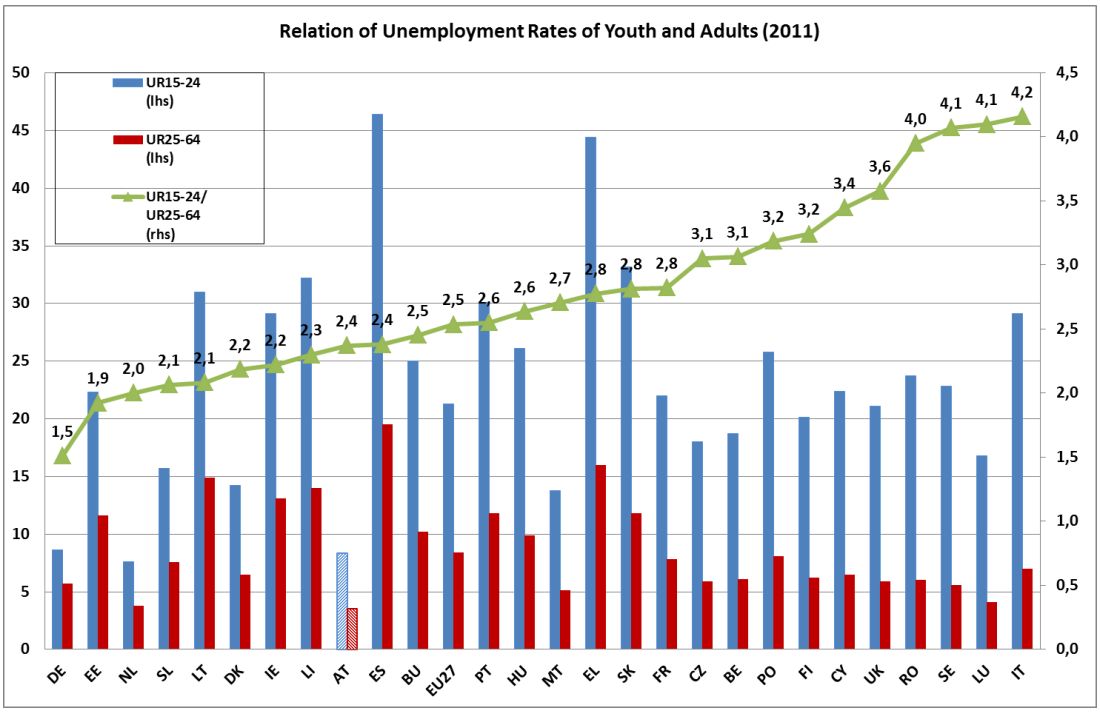
There has been a substantial debate of youth issues on SEJ [Youth Unemployment Debate http://www.social-europe.eu/category/debate-2/youth-unemployment-debate/]. This is a further contribution seen from the perspective of a so called success country.
In principle, there are two ways to answer the question raised in the title:

I. To be Frank: Nobody Really Knows!

Whenever you take a closer look to any argument put forward to answer the question, you will realize its limitations and drawbacks; may this argument refer to the famous dual system, social partnership, active labour market programmes, etc., etc.

II. Measurement Issues

Youth unemployment rates are NOT an accurate measure to grasp the situation of youngsters in the labour market because these data basically are blurred by decisions to further participate in schools or universities and by allocation issues like counting apprentices as full-time employed. [Watt 25/07/21012 http://www.social-europe.eu/2012/07/be-more-measured-in-criticising-measurement-of-youth-unemployment/] This refers more or less to every country. Taking a broader picture into account, i. e. NEET rates, employment rates, unemployment ratios, unemployment rates, it would be fair enough to say: the labour market situation for young people is particularly favourable in the Netherlands, Austria, Denmark, Germany according to an un-weighted average of these indicators.



But if labour market conditions of youngsters are defined relative to the overall labour market situation in a country to differentiate the situation of the 15-24 years old persons, as is done by the green line in the figure above, Austria moves somewhat closer to the EU27 average. Seen from this perspective, the situation for young persons is particularly bad in Sweden, Luxemburg, and Italy; this comes somewhat as a surprise.

And there are more measurement issues involved in the Austrian case: if we would count young people who are looking for apprenticeship places as unemployed, what is not done at the moment, and assume, fair enough, that apprentices are half time in work and half time in education or on the job training, then the unemployment rates for 15-24 age bracket would rise from 7.3% (national figure) to 9.3%. In addition to that, if young unemployed persons participating in active labour market programmes would be counted as unemployed (which is done nowhere in the EU), Austria would have to face a further increase in the youth unemployment rate to a level of 14%. This is almost twice the figure which is regularly published.

III. Tentative Answers, Many Caveats

Outcomes of Compulsory Schools

The PISA results of youngsters in the age of 15-16 years are far from satisfactory: Austria has to face big gaps to the PISA champions like Finland, but also to Switzerland and Germany. In the reading domain, Austria lags behind 66 points to Finland (470 to 536), 45 points in mathematics, and 60 points in science. But even worse is the performance of the so-called low achievers, some of whom only lack adequate support and encouragement from their teachers, for example in reading: Some 10% of all pupils have a score of less than 334 points, 28% stay below 407 points, which is the cut-off point for the first out of six proficiency levels; the OECD averages are 6% and 19%, for Finland 2% and 8%, respectively. These horrible figures are not much better in maths and science and a result of early selection to different pathways after primary schools and strong inheritance effects along social hierarchies. The table below (taken from Hoeckel 2010) shows the distribution of reading competences by types of school. It reveals that youngster in the age of 15-16 with low proficiency levels end up in compulsory schools and as apprentices – this is an important fact as far as the whole transition system from school to work is concerned (see below). So all in all, school results come to a disadvantage for Austria!

Table 2.7 Distribution of students by levels of reading competencies

Distribution of students aged 15-16 by levels of reading competence in Austria, in %

Type of school	Proficiency levels. PISA 2003					
	5	4	3	2	1	<1
Academic secondary schools	23	39	27	8	2	0
Higher technical and vocational colleges	11	34	37	15	3	0
Intermediate technical and vocational schools	0	9	33	37	17	4
Vocational schools for apprentices (part-time)	0	5	21	35	26	13
Compulsory schools	0	2	11	33	34	20
Total	8	21	27	23	13	7

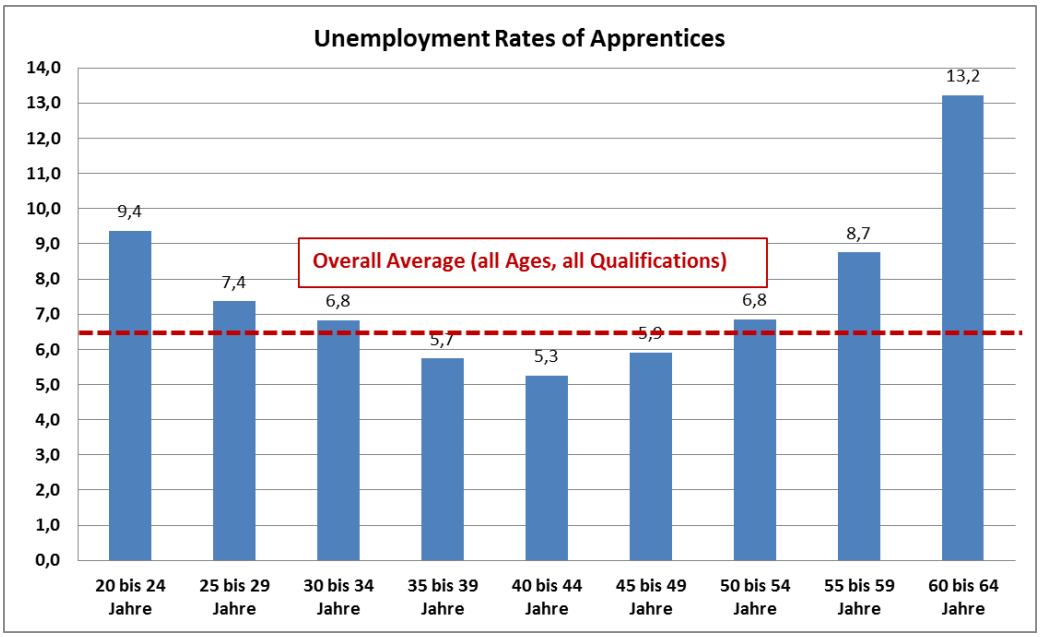
Source: Haider, G. and C. Reiter (eds.) (2004), PISA 2003 – *Internationaler Vergleich von Schülerleistungen; Nationaler Bericht – Mathematik, Lesekompetenz, Naturwissenschaft, Problemlösen*, commissioned by the BMBWK, Graz.

The Role of the Famous Apprenticeship System

What are the key success factors of the apprenticeship training system? There are several of them (ILO 2012): Firstly, one should mention the 3-4 years training on the job using the workplace as a crucial learning resource, 4 days a week, and one day in a vocational school. This training is done very close to enterprise needs, by nature - therefore, there is no need to ask "Are these qualifications relevant for further careers?" Secondly, and to counter the interests of employers, there is a strong and longstanding legal basis ("*Berufsausbildungsgesetz 1969*") which makes sure that the acquired

skills follow standardized curricula (on ISCED 3B level) that lead to diploma and recognized certifications for full professional qualifications in a trade. Everybody knows, for example, what a cook or a welder is supposed to be able to do, at least as far as minimum standards are concerned. Thirdly, to strike a fair balance between the interests of the employers in favour of firm specific qualifications and the interests of apprentices in favour of transferable skills, social partnership institutions are at hand. Fourthly, one has to mention low entry wage of some 12-46% of average wages of qualified personnel in the same profession (first year of training € 300-800, third year € 550-1600). These are similar rates as in Switzerland and Germany (Steedman 2010, Ryan et. al. 2010). Last, but not least: The apprenticeship system offers careers for youngsters with weak school results and from disadvantaged backgrounds, who are often just fed up with schools. And indeed, 26% of all apprentices in the age of 15-16 years have only a proficiency level of 1 out of 5 in PISA reading, compared to 2% of students in academic secondary schools and 3% higher technical and vocational colleges (see table above). This is a key result of early segregation.

But what about the drawbacks of the apprenticeship system? Again, there are several of them: Firstly, over the years, employers have become more and more reluctant to supply a sufficient number of apprenticeship places. In the last thirty years, they have been reduced from 194.000 to 128.000. Several thousand young people are not able to find a regular place in a firm or have to look for a state-financed alternative. Secondly, Austria supports the whole system with € 320 millions per year (or € 650 millions when costs for vocational schools are included), i.e. some 0.1-0.2% of GDP. Otherwise the system would have come to a standstill already. Thirdly, there are high drop-out rates of some 17% ("*vorzeitige Auflösung*") and some 20% fail in the final exams. These disappointing outcomes might point to the problem of a lack of quality assurance of the apprenticeship training, particularly in SMEs and in the vocational schools (Hoeckel 2010). Fourthly, as far as access to the system is concerned, migrants are under-represented, a clear signal of discrimination. And finally, many apprentices change their professions during their careers, a fact that is partly reflected in higher than average unemployment rates when they are in their fifties (see graph below). As evaluations show (Hofer/Lietz 2004), persons with apprenticeship diploma perform better than unskilled labour as far as unemployment and earnings are concerned, after partly correcting for selection. High schools graduates do better than apprentices in their employment career but not with respect to earnings.



VET schools and colleges

Approximately 40% of learners in the tenth year are in the apprenticeship system, but another 40% attend either a VET school at ISCED 3B level or colleges at ISCED 4A level. They prepare not only for work in advanced occupations but in the case of colleges also for universities. These career paths are considered particularly successful because of highly relevant curricula and a high reputation of graduates. Two years after exams, most of the graduates are either in further (tertiary) education or employed, very few are unemployed or out of labour force! These schools are considered the real national champions!

Active Labour market programmes for Youth

In many ways, labour market policies have to cure failures resulting from an insufficient school system. This is particularly the case in Austria. In 2012, some € 612 have been allocated for youth measures (€ 322 for supporting the apprenticeship system), some 110.000 youngsters took part in active programmes (i.e. 18.6% of labour supply of persons below the age of 25 years; according to LMP data, in Austria some 10% of labour supply participated in programmes compared with an EU average of 14.4% in 2007). "Supra-Company-Based"-apprenticeship places (ÜBA), "Integrated Vocational Training Programmes" (IBA), "Production Schools", "Youth Coaching" are all measures designed to support vulnerable groups and dropouts to find their way into regular jobs. According to evaluations, not all of them are effective in a strict sense; for example, active search and training for young women work, wage subsidies do not. But they serve their purpose in a broader sense to convey the crucial message to the young generation – we care!

Overall economic situation in Austria

Although there are differences in the relation of youth and adult unemployment rates (see figure above), there is a strong correlation between both of them (of 0.77) in a cross-country perspective. Overall labour market conditions are a good predictor for the labour market situation of young people. And there are several aspects to mention, why the Austrian economy is in good shape [J. Schweighofer 27/11/2012 *http://www.social-europe.eu/2012/11/a-modern-approach-for-fair-inclusive-pro-active-labour-market-policies-lessons-learned-from-the-austrian-experience/*]: This is a result of different factors like an export oriented growth strategy, social partnership to balance divergent economic interests, and the right balance of protection, innovation and coordination.

IV. Transferability – Lessons to be Learned

There are several points to be highlighted: Firstly, it is extremely difficult to transfer key institutional features from one country to another, in particular when they are deep-rooted in traditions and cultures. Secondly, it has to be stressed that some countries, like Greece and Spain, are in a situation of severe economic depressions. Therefore it is nearly impossible to transfer experiences from a country like Austria that has never experienced this kind of disasters. BUT there are, of course, some positive lessons. Thirdly, school outcomes are extremely important. Fourthly, but take care of curricula being relevant for labour market needs. Fifthly, provide different measures and policies for potential problem groups. Sixthly, reflect on introducing key aspects of apprenticeship system and VET schools and colleges – but make sure they fit to national institutions and policy understanding. Key is the involvement of employers and striking the right balance of interests.

V. Conclusions

Firstly, youth unemployment is so low in Austria because overall labour market is in good condition. Secondly, this is a result of a broad consensus in Austria across all political parties to fight

unemployment immediately and forcefully with all means at hand. Thirdly, this is particularly true for youth unemployment: Here several policies work hand in hand - active programmes for youth – the apprenticeship system – the VET schools and colleges – tertiary VET. These are the key factors for success (see Lassnigg 2012, 2013).

VI. References

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