Role and Relevance of Public Employment Services for Youth Labour Market Integration

A cross-European Perspective

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Background

- Unprecedented levels of youth unemployment in many European countries
  - e.g. EL 47%, ES 44% in 2016.
- Youth labour market integration has become a key issue in national as well as in EU policy
  - European Youth Guarantee/Youth Employment Initiative
- Public employment services (PES) are referred to as crucial actors in tackling youth unemployment (European Commission, 2017)

Research gap:

- A growing body of literature devoted to the causes and consequences of youth unemployment during the crisis
- However, the actual relevance of PES for youth across Europe is of little empirical interest so far

Research questions:

1. What is the actual relevance of PES support to young people with different educational levels for finding a job?
2. How do differences in the educational system and in labour market policies shape the relevance of PES support across Europe?

Theoretical framework

- Information asymmetry (IA) between employer and applicants (Spence 1973; Arrow 1973; Akerlof 1970)
  - IA in particular true for labour market entrants, e.g. youth, due to their rare or even non-existing work experience or references
  - Uncertainty → risk of a mismatch → potential turnover costs
- Reduction of IA via **signals** which can reduce the uncertainty about the productivity and motivation of a young applicant
  - Signals: Educational certificates, references, recommendations etc.
  - Low-qualified youth are expected to be in a particularly disadvantaged position concerning their possibilities to send strong signals
  - How does PES support might help in particular low-qualified youth?

Job-search with support of PES

- PES are less successful compared to informal job-search methods ➔ **selection bias**! (Addison/Portugal 2002; Weber/Mahringer 2008; Bachmann/Baumgarten 2013)
  - PES support is used mostly by already disadvantaged groups
  - Jobs offered by PES are usually of lower quality (Osberg 1993)
- PES can function as '**signal amplifier**' or '**signal substitute**'
- Lack of comparative studies or studies focusing on youth

School-to-work transition

- Job-search process is usually treated as a **black box** so far
- Highlights the crucial role of the **educational system** as well as **labour market policies** for youth labour market integration (Breen 2005; Gebel 2017; Gebel/Noelke 2011; Müller/Gangl 2003; Noelke/Gebel/Kogan 2012):
  - Degree of Stratification and standardisation (Allmendinger 1989)
  - Vocational enrolment and work-based learning (Bol/van de Werfhorst 2013; Breen 2005)
  - Expenditures for labour market policies (Russel/O'Connell 2001)
  - Labour market regulation (Gebel/Giesecke 2016)

Hypotheses

H1: Youth who receive PES support are less successful in finding a job, while this negative effect becomes weaker with decreasing educational level

H2a: The higher the degrees of standardisation and stratification, the weaker the negative effect of PES support, especially for low-qualified youth

H2b: The higher the vocational specificity of the educational system, the weaker the negative effect of PES support, especially for low-qualified youth.

H3a: The higher the expenditures for LMS and ALMP, the weaker the negative effect of PES support, especially for low-qualified youths.

H3b: The lower the labour market regulation in a country, the weaker the negative effect of PES support, especially for low-qualified youths

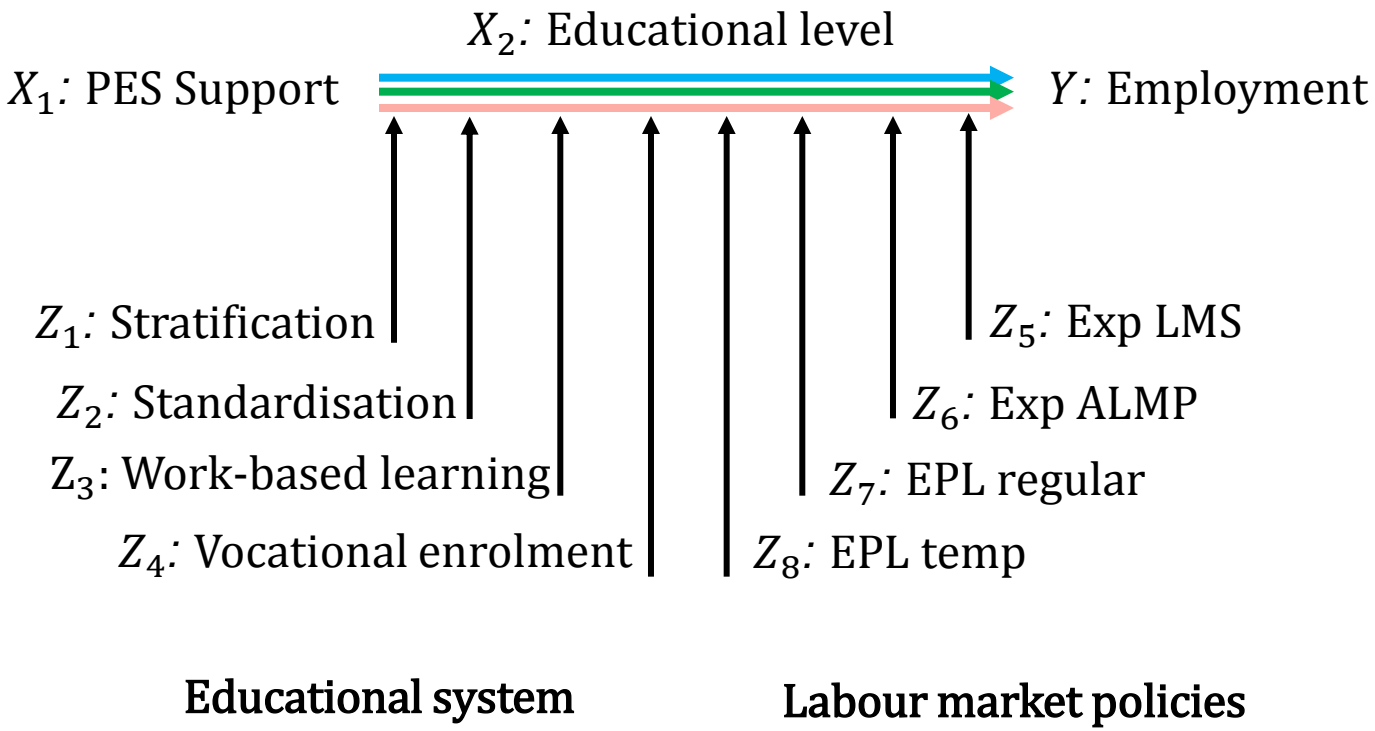
Data and methods

- EU-LFS 2016 ad-hoc module: „Young people on the labour market “
- Age 15-24 respective 15-29 years, NEET or at maximum 11 months in employment, 31 countries, (EU28 + NO, CH, IS).
- Two-level random intercept models
  - Separat models for every macro variable
  - Focus on cross-level interactions

Variables

- Employed (0=NEET, 1=Employed)
- PES support: „*Most helpful type of support for finding a job received from public agencies during the last 12 months*“
  - dichotomised (1: support | 0: no support)
- Context variables:
  - Stratification: Index of external differentation (tracking)
  - Standardisation: centralised examination
  - Vocational specificity: share of work-based learning and vocational enrolment
  - Expenditues for labour market policies: LMS and ALMP
  - Labour market regulation: EPL regular and EPL temporary

Micro-macro model



- No clear regime patterns
- Finland: highest recipient rate across Europe
- Balkan and Baltic countries with both lowest registration and recipient rate
- Crisis countries with very low recipient rates despite moderate registration rates
- Registration and recipient rates do not necessary correspond

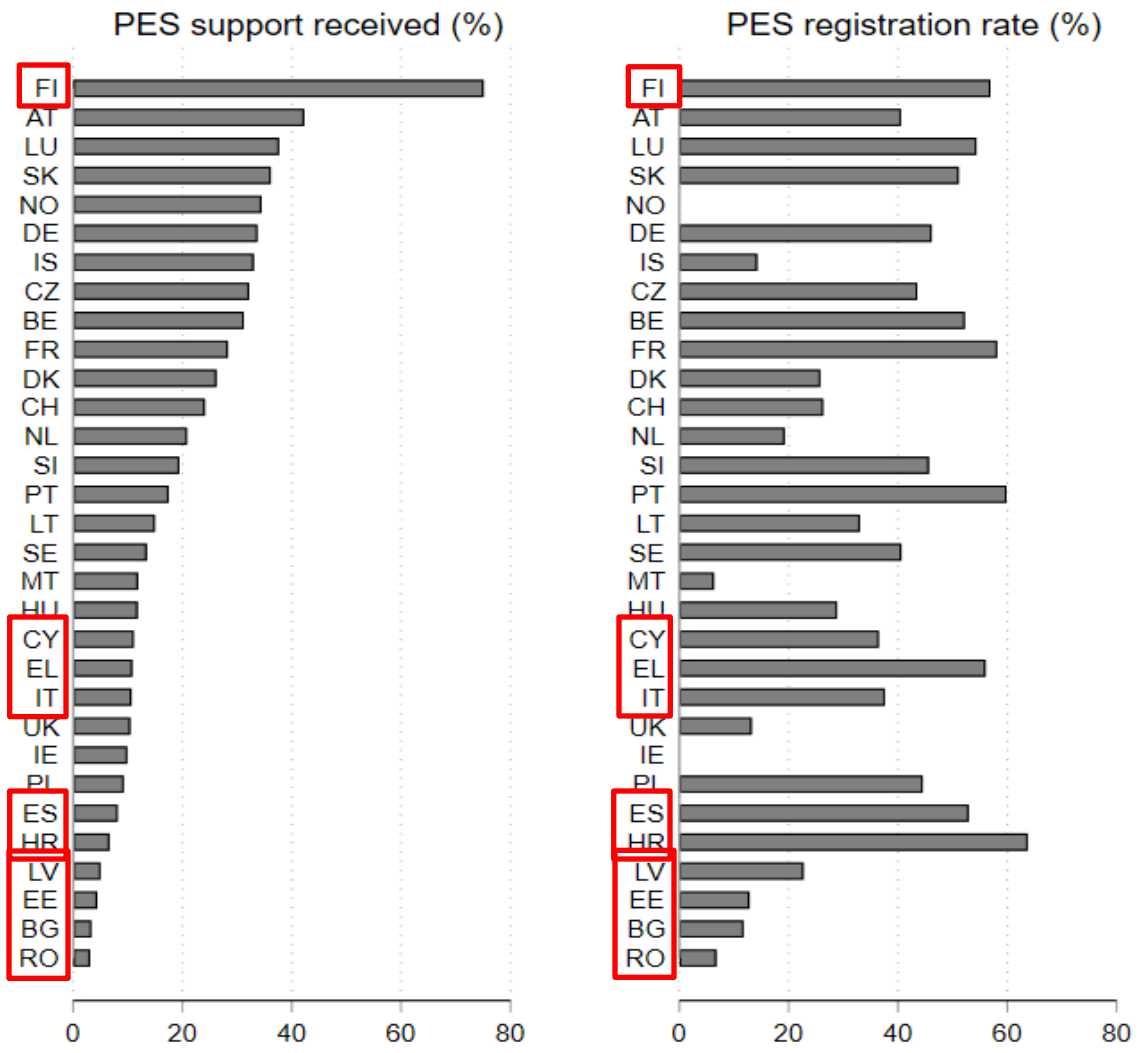


Figure 1: Proportion of young NEETs registered with the PES in 2016 and received support from PES during the last 12 months. Source: EU-LFS ahm 2016, own calculations.

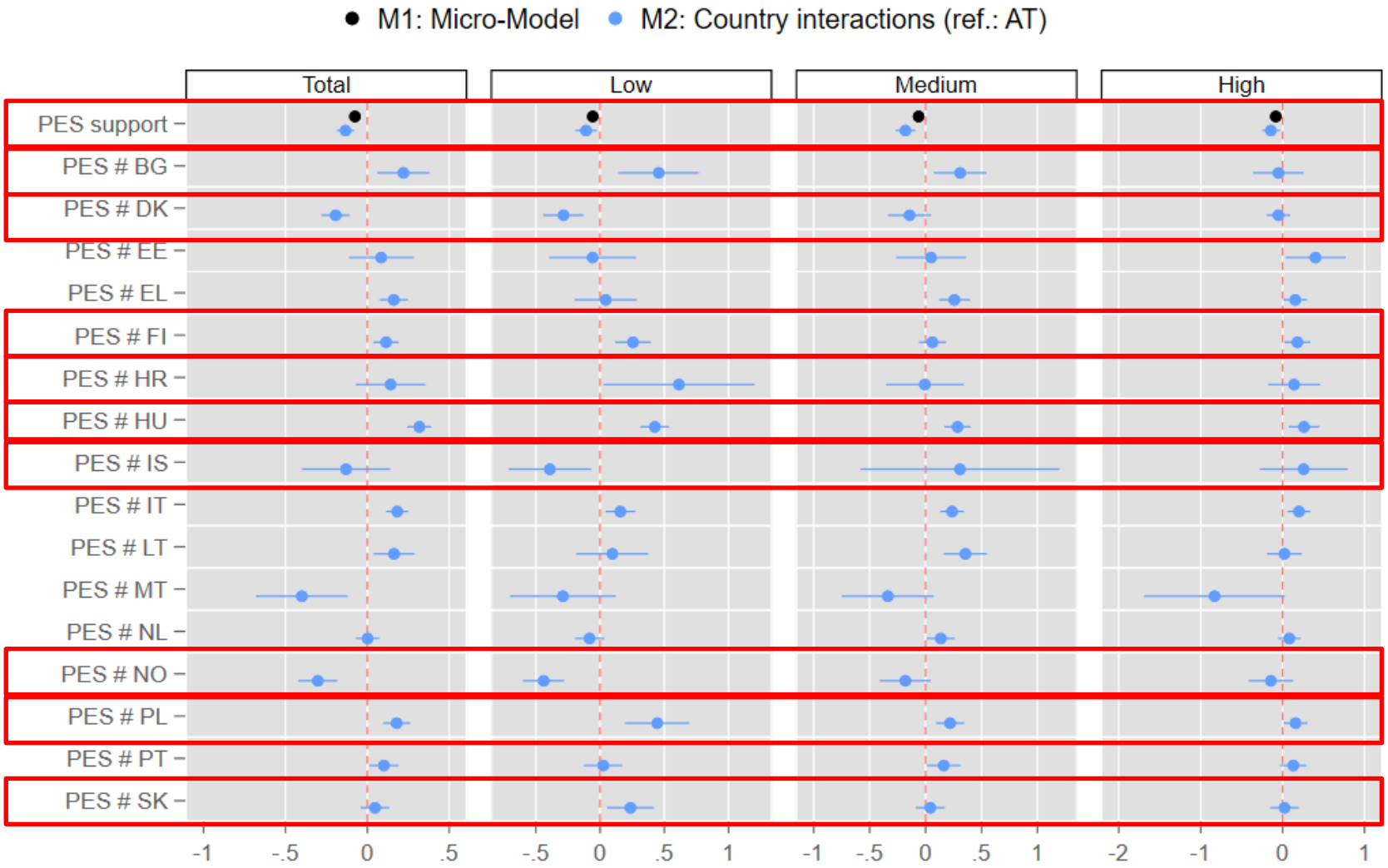


Figure 2: The effect of PES support on employment by educational level. Controlled for gender, migration background, duration since leaving school, work experience. Source: EU-LFS ahm 2016, own calculations.

Country interactions

- Negative effect of PES support weaker for low-qualified youth
- In Eastern European countries (BG, HR, HU, PL and SK), the effect of PES support for low-qualified youth is positive (compared to AT)
- In Nordic countries (DK, IS and NO), the negative effect of PES support for low-qualified is much stronger (compared to AT)

  ➔ Exception: Finland!

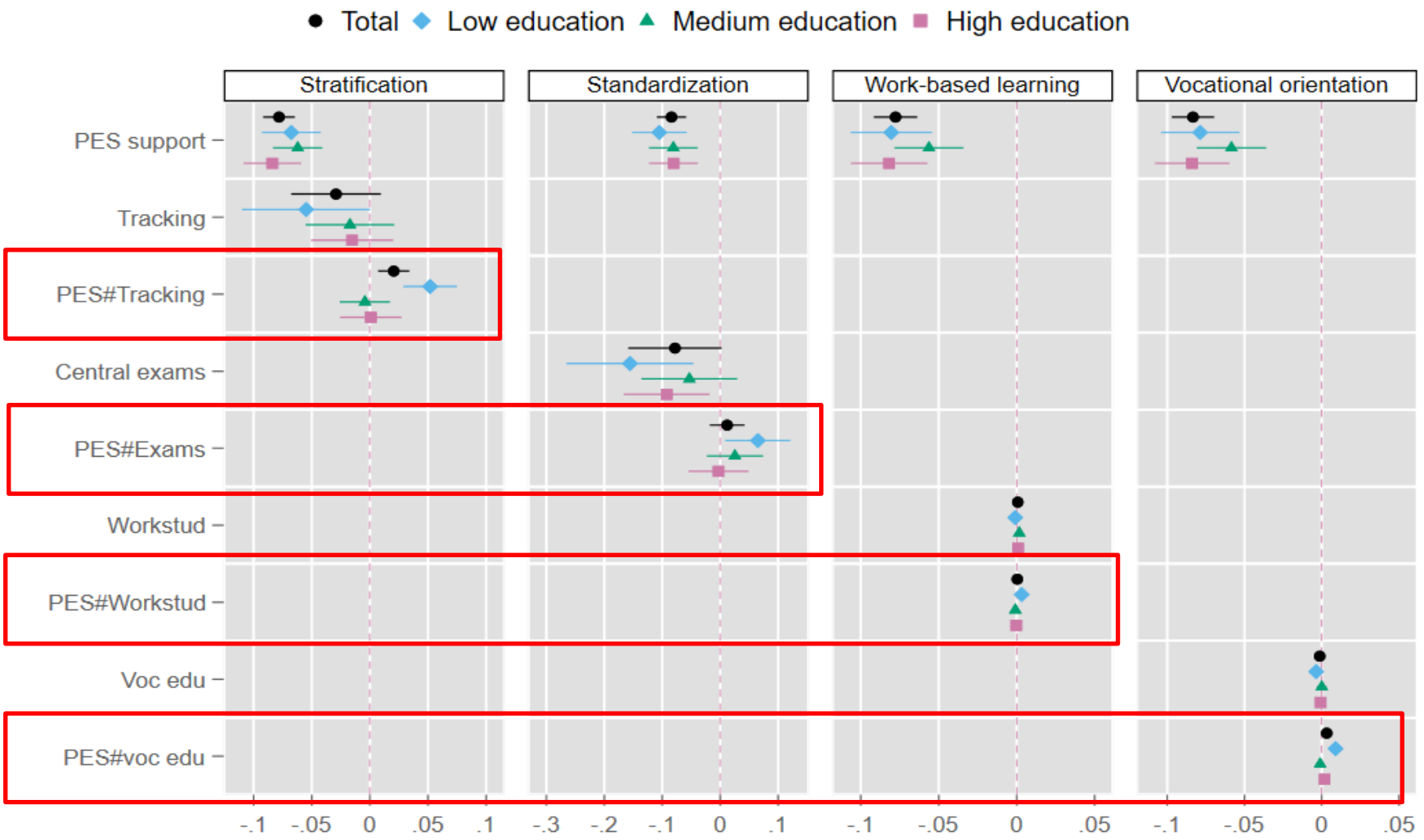


Figure 3: Cross-level interaction effects of the educational system and PES support on employment. Source: EU-LFS ahm 2016, own calculations. Controlled for all micro variables from Figure 1, GDP and youth unemployment rate..

Educational system

- Cross-level interactions only significant for low-qualified!
- A higher degree of *stratification* weakens the negative effect of PES support by **0.052**
- *Standardized* educational systems also weaken the negative PES support effect by **0.065**
- *Work-based learning* has a quite weak but still significant effect on PES support with **0.003** for each percentage point more work-based learning in the curricula
- *Vocational enrolment* weakens the negative effect of PES support by **0.009** with each percentage point more graduates in secondary vocational education

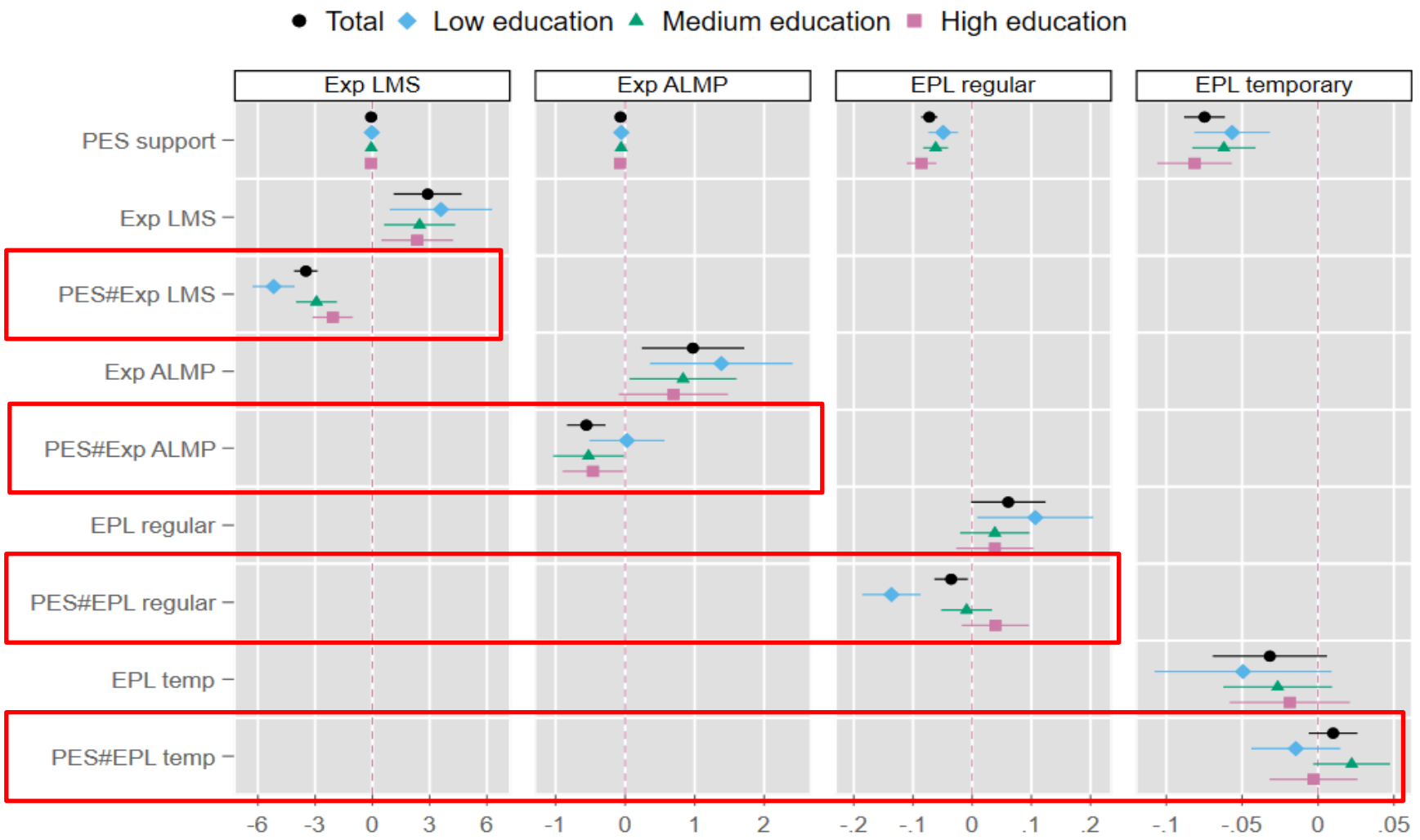


Figure 4: Cross-level interaction effects of labour market policies and PES support on employment. Source: EU-LFS ahm 2016, own calculations. Controlled for all micro variables from Figure 1, GDP and youth unemployment rate.

Labour market policies

- *Expenditures for LMS* have a surprisingly negative effect on PES support with **-5.174** for low-qualified
- *Expenditures for ALMP* have no significant effect on PES support for low-qualified
- Higher *EPL's for regular contracts* have a negative impact on the already negative effect of PES support **-0.136**
- Higher *EPL's for temporary contracts* seem to have no significant effect

Conclusion

- Tremendous cross-country differences
  - Finland as a „leading example“?
- Low relevance of PES in countries most hit by the crisis
  - Low relevance ← low registration rates ← low incentives?
- Educational systems and labour market policies highly shape the relevance of PES support for low-qualified youth
  - Especially the stratification, standardisation as well as the vocational specificity of the educational system
  - But also the degree of labour market regulation
- PES support seems especially relevant for disadvantaged labour market groups in countries that make it even more difficult for them to find a job.

Thank you for your attention!

	Tracking	*Central Exam*	*Work-based learning (%)*	*Vocational enrolment (%)*	*Exp. LMS (%)*	*Exp. ALMP (%)*	*EPL regular*	*EPL temporary*
AT	1.817	0	46	37	0.030	0.099	2.12	2.17
BE	1.018	0	33	23	0.023	0.062	2.14	2.42
BG	-0.019	1	15	22	0.003	0.015		
CH	-0.138	0	49	29			1.50	1.38
CY		0	16	10	0.002	0.008		
CZ	1.621	1	59	48	0.024	0.060	2.87	2.13
DE	1.862	*1	16	35	0.078	0.058	2.53	1.75
DK	-0.870	1	18	15	0.081	0.231	2.10	1.79
EE		1	26	22	0.018	0.016	1.74	3.04
EL	-0.474	0	9	15	0.000	0.008	2.07	2.92
ES	-1.020	0	12	11	0.007	0.020	1.95	3.17
FI	-0.870	1	71	32	0.012	0.091	2.38	1.88
FR	-0.474	1	67	26	0.024	0.064	2.60	3.75
HR			18	50	0.004	0.023	2.32	2.88
HU	1.421	1	50	31	0.010	0.121	1.45	2.00
IE	-0.302	1	13	10	0.005	0.048	1.50	1.21
IS	-0.805	1	17	5			2.04	1.29
IT	0.166	1	18	30	0.003	0.035	2.55	2.71
LT		1	35	14	0.006	0.027	2.23	3.33
LU	0.700	1	43	1	0.010	0.078	2.28	3.83
LV	-0.576	1	25	20	0.004	0.011	2.57	1.79
MT		1	23	14	0.028	0.019		
NL	0.937	1	53	27	0.035	0.075	2.84	1.17
NO	-1.043	1	15	13	0.029	0.086	2.23	3.42
PL	-0.083	1	30	34	0.010	0.051	2.20	2.33
PT	-0.327	0	13	14	0.004	0.038	3.01	2.33
RO		1	6	38	0.008	0.003		
SE	-0.870	0	38	21	0.029	0.136	2.52	1.17

	Model 1a	Model 2a	Model 1b	Model 2b	Model 1c	Model 2c	Model 1d	Model 2d
	Total	Total	Low	Low	Medium	Medium	High	High
Micro-variables								
PES support	-0.08*** (0.01)	-0.13*** (0.03)	-0.06*** (0.01)	-0.11* (0.04)	-0.06*** (0.01)	-0.18*** (0.05)	-0.08*** (0.01)	-0.14** (0.06)
Control variables	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Country interaction effects (Ref.: AT)								
PES support * BG		0.22** (0.08)		0.46** (0.16)		0.31** (0.12)		-0.05 (0.16)
PES support * DK		-0.19*** (0.04)		-0.29*** (0.08)		-0.14 (0.10)		-0.05 (0.07)
PES support * EE		0.08 (0.10)		-0.06 (0.17)		0.05 (0.16)		0.40* (0.19)
PES support * EL		0.16*** (0.04)		0.04 (0.12)		0.26*** (0.07)		0.15* (0.07)
PES support * FI		0.11** (0.04)		0.26*** (0.07)		0.06 (0.06)		0.18* (0.08)
PES support * HR		0.14 (0.11)		0.61* (0.30)		-0.01 (0.18)		0.14 (0.16)
PES support * HU		0.32*** (0.04)		0.43*** (0.06)		0.29*** (0.06)		0.26** (0.10)
PES support * IE		-0.19*** (0.06)		-0.10 (0.12)		-0.14 (0.08)		-0.26* (0.12)
PES support * IS		-0.13 (0.14)		-0.39* (0.16)		0.31 (0.45)		0.26 (0.27)
PES support * IT		0.18*** (0.03)		0.16** (0.06)		0.24*** (0.05)		0.20** (0.07)
PES support * MT		-0.40** (0.14)		-0.29 (0.21)		-0.34 (0.21)		-0.83 (0.44)
PES support * LT		0.16* (0.06)		0.10 (0.14)		0.36*** (0.10)		0.02 (0.11)
PES support * NL		0.00 (0.04)		-0.08 (0.06)		0.14* (0.06)		0.08 (0.07)
PES support * NO		-0.30*** (0.06)		-0.44*** (0.08)		-0.18 (0.12)		-0.14 (0.14)
PES support * PL		0.18*** (0.04)		0.44*** (0.13)		0.22*** (0.06)		0.16* (0.07)
PES support * PT		0.10* (0.05)		0.02 (0.08)		0.16* (0.08)		0.13 (0.08)
PES support * SK		0.05 (0.04)		0.24* (0.09)		0.04 (0.07)		0.02 (0.09)
Constant	0.83*** (0.01)	0.84*** (0.02)	0.74*** (0.02)	0.76*** (0.03)	0.73*** (0.02)	0.76*** (0.02)	0.84*** (0.02)	0.85*** (0.03)
N	36813	36813	10151	10151	15564	15564	11098	11098

Source: EU-LFS ahm 2016, own calculations. Standard errors in parentheses. Legend: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001.

Model	*Educational system*	PES support on employment			
		Total	Low	Medium	High
	PES support	-0.078***	-0.068***	-0.062***	-0.084***
		(0.007)	(0.013)	(0.011)	(0.013)
3 a-d	Tracking	-0.029	-0.055+	-0.017	-0.015
		(0.020)	(0.028)	(0.019)	(0.018)
	PES support * Tracking	0.021**	0.052***	-0.004	0.001
		(0.007)	(0.012)	(0.011)	(0.013)
	PES support	-0.084***	-0.105***	-0.081***	-0.081***
		(0.013)	(0.024)	(0.021)	(0.021)
4 a-d	Central examinations	-0.078+	-0.156**	-0.053	-0.092*
		(0.041)	(0.056)	(0.042)	(0.038)
	PES support * Central examinations	0.012	0.065*	0.025	-0.003
		(0.015)	(0.029)	(0.025)	(0.026)
	PES support	-0.078***	-0.080***	-0.056***	-0.082***
		(0.007)	(0.013)	(0.011)	(0.013)
5 a-d	Work-based learning	0.001	-0.001	0.002+	0.001
		(0.001)	(0.001)	(0.001)	(0.001)
	PES support * Work-based learning	0.000	0.003***	-0.001+	-0.000
		(0.000)	(0.001)	(0.001)	(0.001)
	PES support	-0.083***	-0.079***	-0.058***	-0.084***
		(0.007)	(0.013)	(0.011)	(0.012)
6 a-d	Vocation enrolment	-0.001	-0.004	0.000	-0.001
		(0.002)	(0.002)	(0.002)	(0.002)
	PES support * Vocational enrolment	0.003***	0.009***	-0.001	0.002
		(0.001)	(0.001)	(0.001)	(0.001)

Source: EU-LFS ahm 2016, own calculations. Controlled for all micro variables from Model 1a-d, GDP and youth unemployment rate. Standard errors in parentheses. Legend: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001.

		PES support on employment			
Model	*Labour market policies*	Total	Low	Medium	High
	PES support	-0.065***	-0.029*	-0.062***	-0.075***
		(0.007)	(0.013)	(0.011)	(0.012)
7 a-d	Exp LMS	2.896**	3.592**	2.471**	2.349*
		(0.907)	(1.365)	(0.950)	(0.958)
	PES support * Exp LMS	-3.486***	-5.174***	-2.929***	-2.079***
		(0.314)	(0.561)	(0.549)	(0.536)
	PES support	-0.068***	-0.056***	-0.059***	-0.076***
		(0.007)	(0.013)	(0.011)	(0.013)
8 a-d	Exp ALMP	0.975**	1.384**	0.832*	0.694+
		(0.376)	(0.523)	(0.393)	(0.401)
	PES support * Exp ALMP	-0.559***	0.026	-0.528*	-0.464*
		(0.142)	(0.275)	(0.259)	(0.222)
	PES support	-0.072***	-0.049***	-0.062***	-0.085***
		(0.007)	(0.013)	(0.011)	(0.013)
9 a-d	EPL regular	0.061+	0.107*	0.038	0.038
		(0.032)	(0.050)	(0.030)	(0.033)
	PES support * EPL regular	-0.036*	-0.136***	-0.009	0.039
		(0.014)	(0.025)	(0.022)	(0.029)
	PES support	-0.075***	-0.057***	-0.062***	-0.081***
		(0.007)	(0.013)	(0.011)	(0.013)
10 a-d	EPL temporary	-0.032+	-0.049+	-0.027	-0.019
		(0.019)	(0.03)	(0.018)	(0.020)
	PES support * EPL temporary	0.010	-0.015	0.022+	-0.003
		(0.008)	(0.015)	(0.013)	(0.015)

Source: EU-LFS ahm 2016, own calculations. Controlled for all micro variables from Model 1, GDP and youth unemployment rate. Standard errors in parentheses. Legend: + p<0.10, * p<0.05, ** p<0.01, *** p<0.001.