

OECD *Multilingual Summaries*

Jobs for Youth/Des emplois pour les jeunes **Greece 2010**

Summary in English



SUMMARY AND MAIN RECOMMENDATIONS

Note that the analysis included in this report was mostly conducted before the unfolding of the current major fiscal crisis and before the Greek government announced what policies it was going to undertake to respond to the crisis.

The labour market performance of young people

In recent months, the labour market conditions facing Greek youth have deteriorated markedly. Between the third quarter of 2009 and the corresponding quarter of the previous year the youth unemployment rate rose by 3 percentage points. The OECD's latest projections at the time of writing (published in November 2009) show Greek GDP contracting by over 1% in 2009, with a further decline of 0.7% in 2010. As a result, the labour market performance of Greek youth will worsen further in the short-term.



This represents a turning point to the improvements recorded until 2008. Between the late 1990s and 2008, the youth unemployment rate fell from over 30% to 21%, the incidence of long-term unemployment among youth declined from 52% to 39% and the share of youth neither in employment nor in education or training (NEET) decreased from 18% to 13%. Over the same period, the youth employment rate declined by 4 percentage points to 24%, but this primarily reflected more time spent in education and the small share of Greek youth combining work and study.

Despite these improvements, in 2008, Greek youth still lagged behind most of their OECD counterparts in terms of their labour market performance. According to several indicators of youth labour market outcomes, Greece was still among the worst performers across the OECD: youth unemployment was 7 percentage points above the OECD average; the incidence of long-term unemployment was twice as high as the OECD average; and the youth employment rate was 20 percentage points below the OECD average. In addition, transitions from school to work continue to be long and difficult in Greece, even for the most qualified. Greek youths take on average two years to find their first job after leaving education, well above the European average of 17 months and four times as long as their counterparts in the United States. Also, their entry jobs are often low-paid, *i.e.* jobs that pay less than two-thirds of the median wage. In 2006, low pay affected 57% of working youth – the highest incidence across the OECD countries for which this statistic is available – and it was hard for them to move to higher-paid employment, particularly for the least qualified. Many Greek youth also worked in temporary jobs.

However, as in many other OECD countries, the average labour market outcomes of Greek youth hide significant variation across socio-demographic groups. Young Greek women, teenagers and youth living in rural areas perform very poorly on the labour market. Greek women take longer to find their first job after completing education and their labour market outcomes are significantly worse than those of their male counterparts, which is mostly due to their higher likelihood of withdrawal from the labour force. The picture across qualifications is somewhat unusual. Upon leaving education, the unemployment rate of tertiary-educated youth is higher than that of youth without any qualifications, and it takes two to three years for this situation to invert. In addition, the phenomenon of so-called “over-qualification” – *i.e.* people working in jobs for which they are over-qualified – is widespread, with many tertiary graduates working in retail as sales personnel. On the other hand, out-of-school youth with no or few qualifications are more likely to withdraw permanently from the labour force.

Addressing the challenges outlined above is hampered in the Greek context by several structural issues spanning the domains of education and labour market policy. First, the links between the education system and the labour market are too weak and work-based learning opportunities are limited.

Moreover, many youth leave education without adequate qualifications: in 2007, 12% of 15-24-year-old Greek youth had left education without an upper secondary qualification which is regarded as the minimum level of basic skills to integrate in today's labour market. Second, the combination of relatively high minimum wages, taxes on labour and dismissal costs discourages employers from hiring inexperienced youth. Finally, despite some recent initiatives, labour market measures available at the public employment service for unemployed youth are not subject to the mutual-obligations principle and their effectiveness is unknown.

Recent initiatives

In October 2009, the newly-elected Papandréou government announced a number of measures aimed at sustaining youth labour market outcomes in the context of the ongoing economic crisis. The announced actions included cuts in social security contributions, tax exemptions, work-experience programmes and more generous unemployment benefits. The Papandréou government is proposing to cut social security contributions for each new employee aged 30 or younger hired by an SME, provided the firm does not fire any worker to take advantage of the subsidies. The subsidies would last four years and would amount to 100% of social security contributions for the first year, 75% for the second year, 50% for the third year and 25% for the fourth year. The government also plans to introduce a 5-year tax exemption for small businesses owned by young people in rural and semi-rural regions. In addition, an overhaul of work-experience programmes is envisaged so that the new programmes are six-month long, focused on practical learning, limited to the private sector, offered only once per beneficiary and targeted on post-secondary graduates. Finally, the current government has announced that unemployment insurance will be increased gradually from the current 55% of the minimum wage to 70%, for all age groups.

Earlier in 2009, under the Karamanlis government, two other programmes targeted on youth had been launched. The *special programme for the promotion of youth employment* targets 18-30-year-old unemployed youth with at least an upper secondary qualification and is aimed at fostering their employment in small firms through a wage subsidy. The subsidy is paid for 21 of the 24 months of employment and is equivalent to approximately 25% of the average wage of a Greek worker. The *A start an Opportunity* programme targets NEET youth aged 16-25 who have completed compulsory education and hold at most an upper secondary qualification. The programme allows youth to choose among the following options: fully subsidised work experience for five months, training in information and communication skills and integrated counselling including vocational guidance and job-search training.

In early 2009, the Karamanlis government had also introduced or strengthened some measures not targeted specifically on youth but to which youth have access. Notably, the conversion of unemployment benefit payments into wage subsidies launched in 2004 was extended to public sector employment in order to offset very

weak job creation in the private sector in the context of the economic slowdown. Also, training programmes in tourism, so-called “green jobs”, construction and ICT were launched.

These recent policies to sustain youth employment during the crisis and beyond should be seen in the context of earlier reform efforts. Indeed, a set of activation initiatives were introduced between 2006 and 2008 to help youth find work more swiftly. These included entrepreneurial training, vocational guidance and job-search training available at the public employment service, as well as financial support and counselling to start a business or open a private practice.

In the education domain, efforts to reduce early school leaving and ensure that youth leave education better prepared for the labour market have been stepped up over the past few years. Starting from the school year 2007/08, the government mandated preschool attendance for 5-year-old children. In 2006, upper secondary education was reformed with the aim of strengthening vocational education. In addition to a General Lyceum imparting academic education, the new framework includes: a Professional Lyceum providing vocational education with emphasis on theoretical knowledge and giving access to tertiary education; and Vocational Schools providing vocational training with emphasis on practical learning and laboratory practice. Moreover, a number of Vocational Schools under the supervision of the public employment service provide apprenticeship training. Although the excessively-theoretical focus of the Professional Lyceum needs to be addressed, this new framework ensures that youth wishing to attend vocational education have the option of doing so within the upper secondary system which could help raise the image of vocational learning.

In 2005, the Greek government also launched a tertiary education reform focused around two key changes. First, the reform created the Hellenic Quality Assurance Agency charged with evaluating tertiary education institutions. An *internal* evaluation exercise is being carried out for the first time in 2009 and non-performing institutions will be required to rectify problems within four years. In addition, a few departments have already undergone an *external* evaluation which will be unrolled shortly in all tertiary institutions. However, it is not yet clear how funding will be revised in line with evaluation outcomes. Second, limits were placed on study time for new tertiary entrants in the hope of reducing the large share of youth who take longer than the required time to complete their studies. In addition to the reform, the government has recently increased the test score required to enter tertiary education with the aim of restricting access to tertiary studies to students who have the basic knowledge required to graduate. This move has the potential to reduce drop-out rates at tertiary vocational institutions where most of the lowest-performing students are enrolled.

Suggested recommendations in response to the remaining challenges

The recent initiatives go in the right direction. Strengthening support available to unemployed youth is essential in view of the likely repercussions of the unfolding recession on youth labour market performance. However, the emphasis must be put on well-structured, comprehensive measures of proven effectiveness. Over the coming year, school-leavers will face very difficult labour market entry conditions. As a result, even more youth, particularly among the least qualified, are likely to drift into long-term unemployment or prolonged inactivity and, in the absence of effective preventive measures, many will ultimately become disconnected from the labour market. Minimising this long-term “scarring” effect must be a major government objective. In addition, recent reforms to the education system require stricter enforcement and need to pave the way for more radical changes.

Many of the reforms call for more public spending but the Greek government is currently confronting a major fiscal crisis, with a public deficit estimated at 12.7% of GDP in 2009 and debt above 110% of GDP. As a result, additional public spending on labour market policies, education and training must be shown to be fully cost-effective. An imperative is to rigorously evaluate any new initiative and spend only on measures that pass a positive benefit-cost test. However, given the urgency of action and the long delays involved in undertaking rigorous evaluations, current additional spending should be guided by rigorous evaluations in other countries.

To address these challenges, the government should focus on three areas: i) ensuring that youth leave education with the skills required in the labour market; ii) reducing labour demand barriers to the hiring of youth; and iii) implementing a comprehensive activation strategy for non-employed youth.

Ensuring that youth leave education with the skills required in the labour market

Reducing the share of youth with no qualifications is key to addressing the challenges facing Greek youth. While the share of early school-leavers has declined significantly from 17% in 1997 to the current 12%, it is still unclear whether Greece can meet the Lisbon objective of 10% by the end of 2010. In addition, drop-out rates are much higher than average among vocational education students, immigrant youth, minorities and youth living in the island regions.

Some structural issues are likely to be behind these poor outcomes. First, very few Greek children participate in early-childhood education and care compared with other OECD countries for which data are available. The recent measure

making attendance of preschool compulsory for 5-year-old children is a welcome development but still leaves Greece behind some European countries – notably France, Italy and Spain – where participation in preschool is universal among 3-5-year-old children. In fact, there is evidence that participation in high-quality early-childhood education and care improves retention rates and labour market outcomes after school leaving, particularly for children with a disadvantaged background. The most effective interventions are those including support during the delicate transition from preschool to primary education. As far as programmes targeted on low-income families are concerned, several US early-childhood initiatives, such as the Chicago Child-Parent Centres (CPC), provide examples of good practice. The CPC provide free centre-based early-childhood services for disadvantaged families, including education, family and health counselling and school-age services in linked elementary schools.

Second, education in Greece is only compulsory until age 14½ compared with a median age of 16 across the OECD. In addition, there is evidence that the compulsory education requirement is badly enforced. In fact, about 3.3% of children do not enrol in lower secondary education after completing primary education and another 3.2% enrol but leave without fulfilling the remaining three years of compulsory education. With several OECD countries planning to raise the age of compulsory education to 18 or tying school-leaving to the acquisition of an upper secondary or vocational qualification, Greece risks falling further behind. In this respect, the current economic downturn could provide a suitable backdrop for a move to raise the compulsory education requirement. Indeed, as labour market opportunities decrease, particularly for youth without qualifications, drop-out rates are likely to fall, making it easier to gather political consensus and to enforce the new measures. However, any reform aimed at raising the school-leaving age should be accompanied by efforts to ensure that a longer period in school leads to the acquisition of a valued qualification and there is sufficient capacity in the schooling and training system to meet the increased demand. In addition, this reform would involve significant public spending and the expected returns would need to be compared with competing claims on scarce public funds, *e.g.* from expanding early-childhood education and care services.

Third, *secondary vocational* education suffers from a very bad image in Greece, which depresses enrolments. Moreover, employers are rarely involved in the design of vocational curricula limiting the links between what is taught and (local) labour market needs. Improving the profile and quality of this learning route is essential to engage youth who have become disaffected with academic learning and are at high risk of dropping out, particularly if the compulsory education requirement is raised. The Greek government has recently strengthened the vocational guidance framework. However, counselling in schools is mostly provided by teachers with little specific expertise and the lack of local labour market data makes it difficult to provide appropriate guidance to students and their parents on post-graduation employment opportunities in each area of study.

The 2006 reform of upper secondary education raised vocational education to

the rank of academic upper secondary education and now allows entry via this route to tertiary education. Unfortunately, none of the vocational routes currently available within the Greek education system combines class-based learning with work-based training despite this being regarded internationally as the most effective learning method in vocational education. Indeed, evidence from other European countries, such as France, shows that too-theoretical vocational education pathways – such as the Professional Lyceum – fail to provide their graduates with good labour market opportunities. At present, only apprenticeships run by the public employment service include a sizeable on-the-job training component. The programme lasts for two years and includes off-the-job training alongside work practice. Apprentices are paid a fraction of the basic wage which increases with seniority. However, few apprenticeship places are available and opportunities for expansion, notably beyond the traditional trades, have not been explored.

Fourth, remedial education opportunities for youth who have left school without completing compulsory or upper secondary education are available through various programmes. However, no outreach activities are carried out to encourage drop-outs to enroll in these remedial courses. As a result, only the most motivated youth benefit from these initiatives.

The Greek tertiary education system has also many problems. In the early stages of their career, many tertiary graduates face higher unemployment than their least-qualified counterparts, although their employment prospects and several aspects of job quality improve as they accumulate labour market experience. Returns to tertiary education are low by international standards and mismatch between work and field of study is common and persistent. Completion rates and hourly wages after graduation are particularly disappointing for tertiary vocational students. These poor outcomes can partly be blamed on the current entry system to tertiary education which has created significant distortions. In particular, available places at tertiary institutions reflect neither students' preferences nor labour demand. As a result, many students attend courses they are not interested in or decide to study abroad and many graduates face significant difficulties when looking for work. Moreover, the widespread recourse to *frontistiria* – private classes in preparation for the tertiary admission examination – has transformed upper secondary education into a mere transit point towards access to tertiary studies and one which favours students from better-off families.

Finally, very few Greek students work compared with their OECD counterparts in spite of evidence that combining work and study has the potential to improve labour market outcomes. Existing studies suggest that more efficient university offices for job placements and more internship programmes may help inform students about available work opportunities and encourage them to work.

To improve the opportunities for secondary and tertiary students to acquire the skills needed in the labour market, the following measures could be envisaged:

- *Expand existing early-childhood education programmes and emphasise sustained intervention.* The primary focus of the expansion should be children aged up to three because acting early is key and only 7% of children in this group are currently served compared with 70% of their preschool counterparts. Particular attention should be paid to ensure that early-childhood education services reach children from low-income families and/or with an immigrant/minority background. Also, children and their parents should be supported during the transition to primary education to ensure that the benefits of preschool interventions are sustained.
- *Envisage making education compulsory until age 18 or until a qualification is obtained, whichever is earlier.* Greece could enact this change gradually in order to minimise the transitional costs, raising the age of compulsory schooling to 16 first and then to 18 in a second step. It could also allow youth who wish to work to fulfil the new requirement by combining employment with training, as is the case in England. In addition, enforcement efforts to ensure school-attendance should be stepped up through: i) better information flows between primary and secondary schools to monitor enrolments; ii) monitoring of school attendance; iii) tracking of students who change school and/or move; and iv) clear responsibilities for schools, social services and the law enforcement authorities in the event of persistent non-attendance. Finally, for a move in this direction to be successful, it is essential that the profile and quality of vocational education are improved.
- *Create a single vocational route in upper secondary education combining class-based and work-based learning.* The single route should bring together the curricula of existing Professional Lyceum and Vocational Schools and provide basic skills, vocational knowledge and opportunities for laboratory and work-based practice. A tighter link with local labour market needs should be pursued through better measurement of such needs and a more active involvement of employers and trade unions in setting vocational curricula. The thorough assessment of local labour demand for vocational skills should play a key role in improving vocational guidance.
- *Expand apprenticeship training to include more professions and encourage employers, particularly SMEs, to take on more apprentices.* Greece could learn from the experience of a number of countries that have recently committed to enlarging their apprenticeship programmes through: more involvement of social partners in the

design and management of apprenticeships; appropriate financial subsidies to compensate employers for their training efforts; and the certification of the competencies acquired. In addition, SMEs should be encouraged to join forces at the local level to train apprentices, particularly in rural/isolated areas. Group Training Associations in the United Kingdom have this function and have been rather successful.

- *Undertake outreach activities to encourage participation in remedial education.* Second-chance schools should contact school drop-outs as early as possible and encourage them to enrol. These schools cater for students who have become disaffected with mainstream education by providing essential basic skills through interdisciplinary and more practical learning methods, but enrolments need to be encouraged and early action is key. One way to do so would be to offer youth without qualifications who have been NEET for some time a small allowance in exchange for the commitment to attend education, training or some form of work-based learning. A scheme along these lines – the Activity Agreement – is currently being piloted in the United Kingdom and this could serve as a model for Greece.
- *Change the university entry system.* Current reform proposals aimed at upgrading the upper secondary education curricula and creating a preparatory year before tertiary education entry go in the right direction. A similar system exists in the Canadian province of Québec where students attend colleges known as *Cégeps* (*Collèges d'enseignement général et professionnel*) to prepare for post-secondary education. In Greece, a *free* preparatory year would help to disconnect upper secondary education from the tertiary entry exams and would reduce the excessive reliance of students on *frontistiria* classes which currently generates significant disparities across income levels. However, such initiatives need to be accompanied by a change in the system of entering higher education. One option in this regard would be to have one national exam based on an improved curriculum at the end of upper secondary education, leading to the final school certificate. The selection for entering tertiary education could then be left to universities themselves.
- *Link the evaluation of tertiary institutions to funding.* Strengthening the quality of tertiary institutions is essential to improving the labour market prospects of their graduates. To encourage and reward high quality teaching and research among tertiary institutions, part of the funding these institutions receive should be linked to the outcomes of the assessment exercise.
- *Improve the labour market relevance of tertiary vocational institutions.* In addition to the reforms recommended for tertiary education overall, some specific measures are required to improve the earnings prospects of tertiary vocational graduates. Local labour market needs should inform the supply of places in each field of study and local

employers should be involved in setting the curricula. Measures of this type have been successfully applied in Finland and are being introduced in New Zealand.

- *Promote students' work, particularly at the tertiary level.* This could be done by extending the requirement of a period of compulsory practice in a real labour market environment, as presently used in some areas such as medicine (in hospitals) and education (in schools). This work practice should be validated by the university and the employer and participating students should be rewarded with credits towards the completion of their degree. There is also scope for broadening the role played by placement/career offices at tertiary institutions to provide support and information to students wanting to combine study and work. Finally, a Summer Jobs scheme targeted on at-risk students – like the one that the US government has recently re-introduced – may provide important work opportunities for students with limited family networks.

Reducing labour demand barriers to the hiring of youth

During this economic downturn, youth labour market conditions are deteriorating rapidly and the short-term outlook is grim. Given current OECD projections of GDP growth in Greece, the youth unemployment rate could reach 28% in 2010. In this context, measures supporting labour demand are essential to prevent the crisis from wiping out the progress made since the mid-1990s. In addition to policies aimed at stimulating economic growth, the hiring of youth could be boosted by removing some existing structural barriers.

In Greece, national minimum wages negotiated by social partners relative to the median wage are high by international standards even when the lowest rate applicable to a single blue-collar worker without experience is used in the assessment. In addition, no special provisions apply to youth or trainees. In 2007, a Greek 17-year-old on the lowest minimum-wage rate earned 51% of the median wage compared with just 36% in countries where a sub-minimum wage for youth existed. Premia applicable to married workers, white-collar workers and based on work experience would widen the difference between Greece and the OECD average. Available econometric evidence from other countries suggests that this high minimum-wage rate can have serious negative effects on the youth employment rate, particularly in the context of the current economic downturn. In addition, it may encourage the youngest to leave education prematurely for work.

Two solutions could be envisaged to reduce the cost of hiring youth for employers. First, social partners should be encouraged to discuss the introduction of a sub-minimum wage for youth coupled with training obligations for these employees. Second, a reduction in non-wage labour costs could be envisaged for youth employed at or around the minimum wage. This

option could be particularly interesting for Greece where non-wage labour costs are high by OECD standards and the relative cost of hiring a minimum-wage worker is above the OECD average. In this respect, the cuts in social security contributions recently announced by the Greek government would reduce non-wage labour costs but would cause significant deadweight losses unless they are narrowly targeted. Finally, a reduction in social security contributions around the minimum wage would be costly to the public finances and, if the fiscal balance were to remain unchanged, would imply increased contribution rates for higher earners, hence disemployment effects among them.

The employment opportunities of Greek youth are also hampered by one of the strictest sets of employment protection regulations in the OECD. White-collar workers are protected against dismissal by notice periods and severance payments which are several times more generous than the OECD average. These firing costs along with complex dismissal procedures play a key role in depressing hiring rates on permanent contracts of new labour market entrants, such as youth. In addition, very short trial periods are likely to discourage the hiring of young people whose productivity is difficult to judge *ex-ante*. Finally, the use of fixed-term contracts and temporary-work agencies is highly regulated although loose enforcement translates in their frequent use. This strict protection of formal workers may be one factor behind the spreading of informal employment and disguised self-employment whereby an employee-type relationship is masked as independent work for a single client/employer.

As a result, the following actions are recommended:

- *Introduce a sub-minimum wage for youth or reduce labour costs for minimum-wage earners.* Special minimum-wage provisions for youth should be linked to training provision in the workplace. An alternative would be to cut labour costs for minimum-wage workers by reducing employer social security contributions on earnings around the minimum wage.
- *Move towards a single contract of work with moderate protection against dismissal.* This single contract would entail moderate protection against dismissal that rises with tenure and no distinctions between blue- and white-collar workers or between permanent and temporary workers. Because some groups may see their protection against dismissal reduced by such a reform, the change should be accompanied by more effective re-employment services and more generous unemployment benefits within a mutual-obligations framework.
- *Lengthen the trial period in permanent contracts.* The current trial period of just two months is among the shortest in the OECD. Raising it – for instance, to about ten months as in Denmark – would make employers less reluctant to hire inexperienced youth under permanent contracts and could prove a crucial boost to hiring.

Implementing a comprehensive activation strategy for non-employed youth

The deterioration in the labour market performance of Greek youth over the course of 2009 calls for additional financial support coupled with effective re-employment efforts. The initiatives launched in 2009 go in the right direction but much remains to be seen as to their implementation and effectiveness. Moreover, a number of additional measures are needed urgently to upgrade activation measures managed by the Greek public employment service.

Greek youth with sufficient work-experience are entitled to unemployment insurance. However, given current eligibility conditions, only about 6% of unemployed youth receive unemployment insurance, compared with a European average of 17%. On the other hand, Greece is one of only a few countries where unemployment assistance is available to youth without any work experience. However, only 20-29-year olds who have been registered unemployed for at least one year are eligible and the allowance is small, at just EUR 73 per month for a maximum duration of five months. These two benefit schemes leave the vast majority of unemployed youth uncovered and make it difficult to mandate participation in re-employment programmes. Given current coverage levels, the planned gradual increase in the generosity of unemployment insurance will benefit a very small number of unemployed youth.

In 2006, Greece spent the equivalent of 0.14% of its GDP on active measures – including training, subsidised employment and financial support to self-employment – compared with 0.41% in the OECD on average. This accounted for about one fourth of total expenditure on labour market programmes. Although data are not available by age group, programmes for youth tend to concentrate in the same three areas as for the unemployed as a whole. Also, active labour market measures put in place to address the current economic crisis amount to an additional 0.18% of GDP per year for the years 2009-11.

Two key limitations affect the Greek activation framework. First, labour market programmes in Greece do not apply the mutual-obligations principle by which jobseekers must actively seek work in exchange for targeted actions to help them find a job. Job-search requirements on benefit recipients are rarely enforced and existing sanctions for non-compliance have never been applied. Similarly, participation in targeted re-employment actions is not compulsory and the unemployed are *advised* but not *required* to participate in the programmes that are judged most suited to their needs. However, the application of the mutual-obligations principle to young programme participants is complicated by the fact that many registered unemployed youth do not receive benefits, invalidating the threat of benefit cuts. Second, no rigorous evaluation of activation programmes has been carried out in Greece and even performance measurement – i.e. the recording of participants' outcomes after they have completed a programme – rarely takes place.

Among training programmes, entrepreneurship training is the most popular one with Greek youth, reflecting the availability of subsidies to start a new business and a higher share of self-employed youth in total youth employment than in most other European countries. On the other hand, very few unemployed youth choose to participate in job-search training despite empirical evidence suggesting that this is one of just a few training measures that are effective. Employment subsidies have been extensively used in recent years and have been the main focus of the measures introduced in 2009 as a response to the economic downturn. Their amount varies from 25% of the average wage to full coverage of wage and non-wage labour costs. A number of rules apply to ensure that these subsidies result in net job creation. However, evidence shows that employment subsidies also incur significant deadweight losses if they are not narrowly targeted on the neediest groups. In Greece, a large share of beneficiaries in existing subsidies schemes is likely to be short-term unemployed young adults holding upper secondary qualifications, i.e. youth who could have been hired even in the absence of the subsidies. Indeed, at least 67% of participants in the *special programme for the promotion of youth employment* have to be short-term unemployed. Also, while *A Start an Opportunity* is also open to youth aged 16-17, no outreach efforts are foreseen to encourage participation of NEET youth who are not registered with the public employment service. As mentioned above, the recently announced cuts in social security contributions make no exception to this practice.

In order to improve the effectiveness of its activation strategy for disadvantaged youth, the Greek government could look at some examples of good practice from other OECD countries. In the United Kingdom, through the New Deal programme, the unemployed are gradually guided towards actions that are increasingly focused on their specific needs and NEET youth are fast-tracked into the programme. France, New Zealand and the United Kingdom have set up one-stop information/counselling services aimed at making contact with NEET youth and directing them to available training and employment programmes. The United States has extensive experience with programmes aimed at the hard-core group of youth at high risk of labour market and social exclusion. Job Corps – the longest-standing federal initiative aimed at this difficult group – is one of only a few interventions across the OECD that has yielded promising outcomes for this group of highly disadvantaged youth. The programme combines learning, employment assistance and adult mentoring in a residential setting. However, such an initiative would be costly: Job Corps slots cost approximately USD 25 000 each. But the social benefits can be significant: some, but not all, evaluations have shown positive benefit-cost ratios for participants.

To ensure the effective activation of non-employed youth in the context of the current major economic slowdown and beyond, the following actions are recommended:

- *Temporarily relax unemployment benefit eligibility conditions for unemployed youth but apply stricter job-search requirements.* Given the severity of the current economic downturn, a temporary reduction in the contributory history required to qualify for unemployment insurance would help prevent some youth from disconnecting from the labour market. Alternatively, the Greek government could extend the allowance paid to long-term unemployed youth without work experience to include the short-term unemployed and 16-19-year olds. If this were to occur, it should be matched by stricter job-search requirements backed by the threat of moderate benefit sanctions in order to avoid benefit dependency.
- *Envisage the application of the mutual-obligations principle to unemployment benefit recipients.* The application of this principle would provide an opportunity to direct unemployed youth to the employability programmes best suited to their needs, particularly if eligibility for unemployment benefits was extended to more youth. It would also align practice in Greece to that prevailing in several other OECD countries. Completing the merger of offices responsible for benefit payments with those in charge of re-employment measures is a necessary condition for the effective application of the mutual-obligations principle in Greece.
- *Set up rigorous evaluations and performance measurement of services provided by the public employment service.* Experimental evaluations are the best way to assess whether activation programmes work, i.e. whether participants achieve better outcomes than those they would have achieved had they not taken part in the programme. This is done by comparing programme participants with a control group of non-participating youth with similar characteristics. In addition to rigorous evaluations, the recording of post-programme outcomes – such as employment rates, job characteristics and earnings – upon completion and at several intervals after completion, is essential to evaluate and incentivise public employment offices.
- *Require participation in job-search training of all unemployed youth after a period of independent search.* To date, most evaluations of the effect of training programmes on re-employment rates of unemployed youth have been quite disappointing. Job-search training is the only measure that has been shown to work. Unfortunately, only about 1 000 unemployed Greek youth choose to participate in such a measure each year. Job-search courses should be the top priority in individual action plans drawn with the help of personal advisers and participation should be mandatory after a period of unfruitful

independent job search. However, mandating participation would only be credible if eligibility requirements to unemployment benefits for youth were relaxed making moderate benefit sanctions possible.

- *Target employment subsidies on unemployed early school-leavers and long-term NEET youth and limit their use to jobs with training.* Deadweight loss from employment subsidies should be minimised through narrow targeting on the most disadvantaged youth. The focus should be put on supporting employment opportunities for long-term NEET youth and unemployed youth without upper secondary qualifications who are at high risk of withdrawing from the labour force. Employers should be required to provide training in exchange for the subsidy. For the short-term unemployed, early action should take the form of job-search support rather than the intensive and expensive interventions – notably, subsidised employment – used at present.
- *Revise the structure of A Start an Opportunity along the lines of more comprehensive programmes available in other OECD countries.* One example of good practice is provided by the New Deal in the United Kingdom. In the programme, clients are directed to job-search training and monitoring, intensive counselling and direct placement assistance after 6 months of unemployment. Those who are still unemployed after 12 months are referred to specialist return-to-work providers for more personalised actions. A personal adviser accompanies participants from the day when actions start to when they become re-employed or are moved on to even more focused follow-up such as targeted training and/or subsidised employment. Participation in the programme is mandatory on the pain of a benefit sanction.
- *Set up outreach services for NEET youth.* The services could be modelled on those existing in other OECD countries. Their mission should be to pursue contact with youth who are disconnected from the labour force and from education and training and to direct them to available re-employment measures.
- *Consider the introduction of a residential-type programme to provide intensive support for the hardest-to-place young people.* This hard-core group is likely to include youth with complex needs who are very difficult to mobilise. For this group, a residential programme with a strong focus on remedial education, work experience and adult mentoring may well represent a new start in a proactive environment. A programme of this type would be particularly suited for long-term NEET youth. Outreach efforts should focus on enrolling at-risk youth who are not registered with the public employment service.

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