CHAPTER 1

THE CHALLENGE AHEAD

Since the early 1980s, average growth in France has been relatively weak, and it has been accompanied by high structural employment. This has particularly affected young people, who still have a difficult time entering the labour market, despite the expected ageing of the labour force. Integrating new entrants into the labour market constitutes a major challenge for France, particularly today when the crisis is hitting young people hard.

This chapter presents the basic trends affecting youth employment today (Section 1), while highlighting the factors that continue to put certain young people at a disadvantage on the labour market and comparing all this with the performance of the other OECD countries. It also examines the impact of the economic crisis on the youth labour market in greater depth (Section 2). The chapter then analyses the features of the transition between initial education and work in France (Section 3), paying particular attention to the difficulties experienced by those with the least education. Finally, it sheds new light on the situation of young people on the extreme margins of the labour market (Section 4), youth who have left the school system but do not have jobs. These youth are at high risk of finding themselves out of the world of work on a long-term basis and experiencing recurrent inactivity.

1. Situation of young people on the labour market

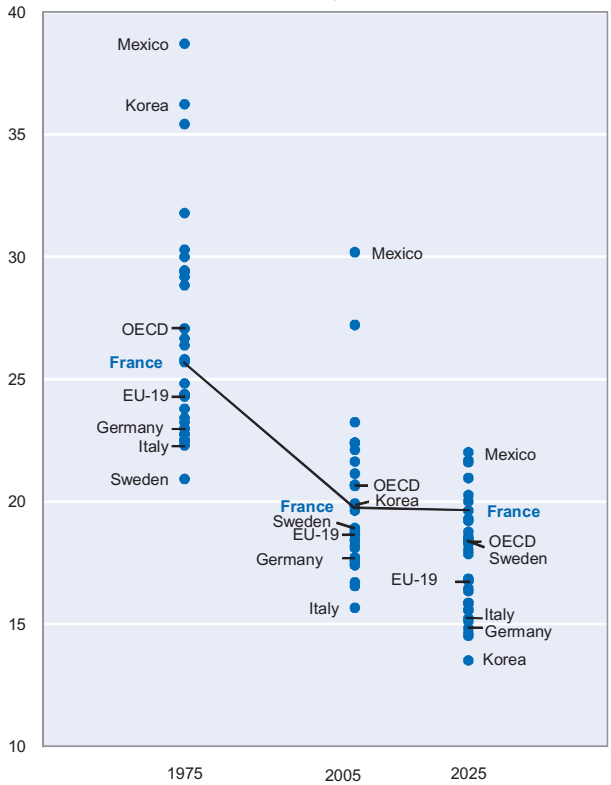
A. As in the other OECD countries, the share of young people in France's working-age population has fallen since the 1970s, but in future should be above the OECD average

Between 1975 and 2000, the combined effect of the ageing of the baby-boom generation and the fall in fertility rates seen in France since the early 1970s (from 2.5 children per woman in 1970 to 1.7 in 1994) led to a net decline of about 6 percentage points in the share of 15-24-year-olds in the

working-age population (Figure 1.1). Nevertheless, trend projections[1] to 2050 anticipate that the 15-24 age group will stabilise at about 19.6%, which places France above the OECD average.

Figure 1.1. **Decreasing share of youth in the working-age population in OECD countries, 1975-2025**[a]

Percentages



a) Population aged 15-24 relative to the population aged 15-64.

Source: National projections: 2007 for Australia, Austria, Canada, Czech Republic, Denmark, Finland, France, Greece, Iceland, Japan, Korea, the Netherlands, New Zealand, Norway, Portugal, Slovak Republic, Sweden, Switzerland and the United States; 2006 for Belgium, Hungary, Italy, Turkey and the United Kingdom; 2005 for Mexico; Eurostat projections: 2007 for Ireland, Poland and Spain; 2006 for Germany and Luxembourg.

1. The projections in Figure 1.1 correspond to the average variant of projections for the hypotheses on fertility, mortality and migration in each country. In France, the projections to 2050 were drawn up based on the following hypotheses: an average number of 1.9 children per woman, an increase in life expectancy of five years for women and seven years for men, and an average annual net inward migration of 100 000 people (Toulemon, 2007).

Despite the expected ageing of French society – one out of three in the French population will be over age 60 by 2050, compared with one out of five today (Robert-Bobée, 2007) – the share of youth among the population aged 15-64 should remain constant, in particular due to the ongoing rise in natality since 2000 and to inward migration estimated at a net 100 000 people per year.

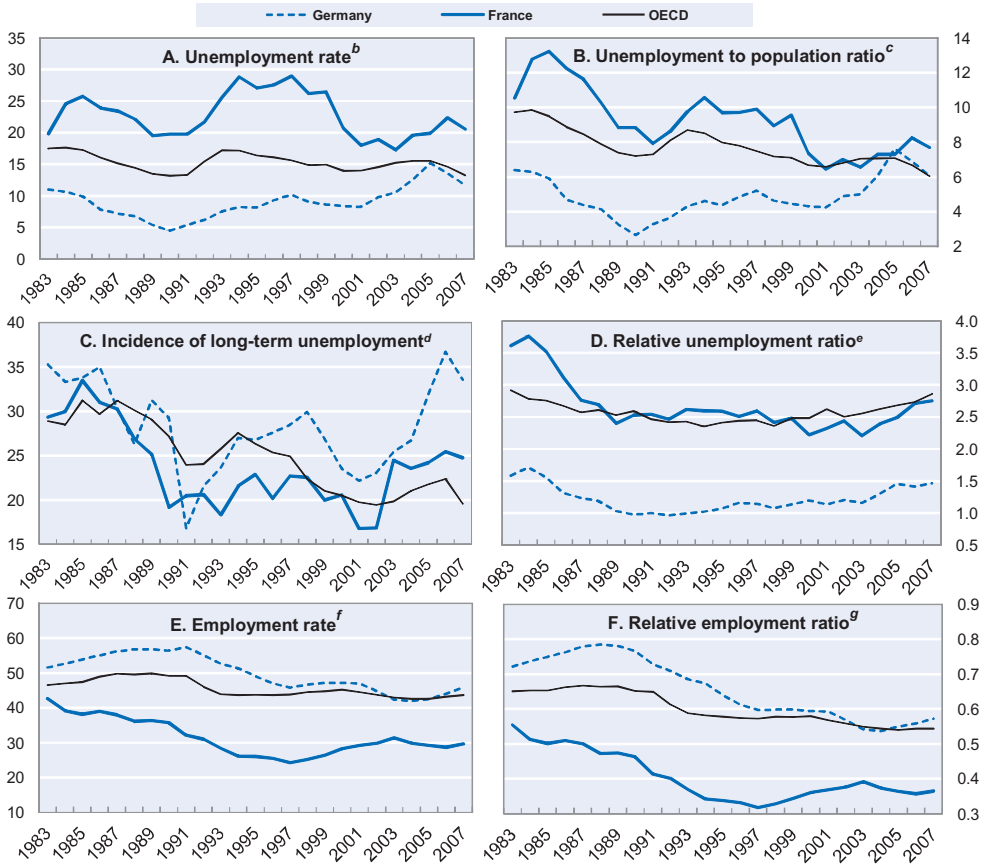
B. Young people suffer from high unemployment rates, and their employment rate remains one of the lowest in the OECD

The total unemployment rate in France is still higher than the OECD average (in 2007, 8.3% versus 5.6%). This rate is particularly high among youth, and has remained above 18% for about 30 years (20.6% in 2007, with a peak of 29% in 1997; Figure 1.2, Panel A). This is more than 7 percentage points above the OECD average. The unemployment rate of French youth is also about three times higher than the rate for adults aged 25-54 (Figure 1.2, Panel D). While this ratio is close to the average for the OECD and the European Union (Table 1.1, Section 3.B), young Germans stand out for having the same exposure to unemployment as their elders.

The poor French performance does, however, need to be put into perspective, particularly if consideration is given to another undoubtedly more relevant indicator, which consists of comparing the number of unemployed in a given age group to the entire population of that age group (Figure 1.2, Panel B) (Marchand, 2006; Gautié, 2009). The unemployment rate concerns only the proportion of unemployed *job-seeking* youth, those who have thus already left the school system, sometimes with a lack of qualifications, which can explain their greater difficulties on the job market. When the age effect is taken into account, unemployment affected only 7.7% of young people in 2007. This still leaves France above the OECD average (6%), but only by 2 percentage points.

While young people have difficulty entering the labour market, they seem on the other hand to suffer less than their elders from long-term unemployment (and are thus more affected by transitory or recurrent unemployment). In 2007, only one unemployed youth out of four was still jobless 12 months later, compared with two out of five unemployed in the 25-49 age group (Chevalier *et al.*, 2008). Nevertheless, in recent years France, like Germany, has seen the rate of long-term unemployment also rise for unemployed young people. In France, this rate has risen to 5 percentage points above the OECD average (Figure 1.2, Panel C).

Figure 1.2. **Unemployment and employment indicators, youth aged 15-24[a], Germany, France and OECD, 1983-2007**



a) For the calculation of the OECD average: 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom, and the United States; and 15-24 for the other countries.

b) Unemployed as a percentage of the labour force of the age group.

c) Unemployed as a percentage of the total population of the age group.

d) The share of jobless who are unemployed for 12 months or more.

e) Unemployment rate for age 15/16-24 divided by the unemployment rate for age 25-54.

f) Employment as a percentage of the total population of the age group.

g) Employment rate for age 15/16-24 divided by the employment rate for the 25-54 age group.

Source: EU labour-force survey for France; national labour-force surveys for Germany and the other OECD countries.

France also does not perform well in terms of youth employment rates, as only 30% of 15-24-year-olds had a paid job in 2007, ranking France 21st among the 30 OECD countries, more than 14 percentage points below the OECD average (Figure 1.2, Panel E).[2] This can be explained by the above-mentioned difficulties facing youth entering the labour market, by the change in the actual age of school-leaving, which has increased by almost two years since the early 1980s, and by the traditionally low rate of combining work and study (see Chapter 2).

An indirect indicator of the greater difficulty French youth face in finding a job is the ratio of the employment rate for youth aged 15-24 to that of adults aged 25-54 (Figure 1.2, Panel F). In 2007, this ratio was low in France (0.4) relative to the OECD average (0.5), but particularly compared to the four countries that had ratios equal to or greater than 0.8 (Netherlands, Australia, Denmark and Iceland).

C. Young women are still more vulnerable than young men to unemployment and inactivity, but the gap has been shrinking significantly

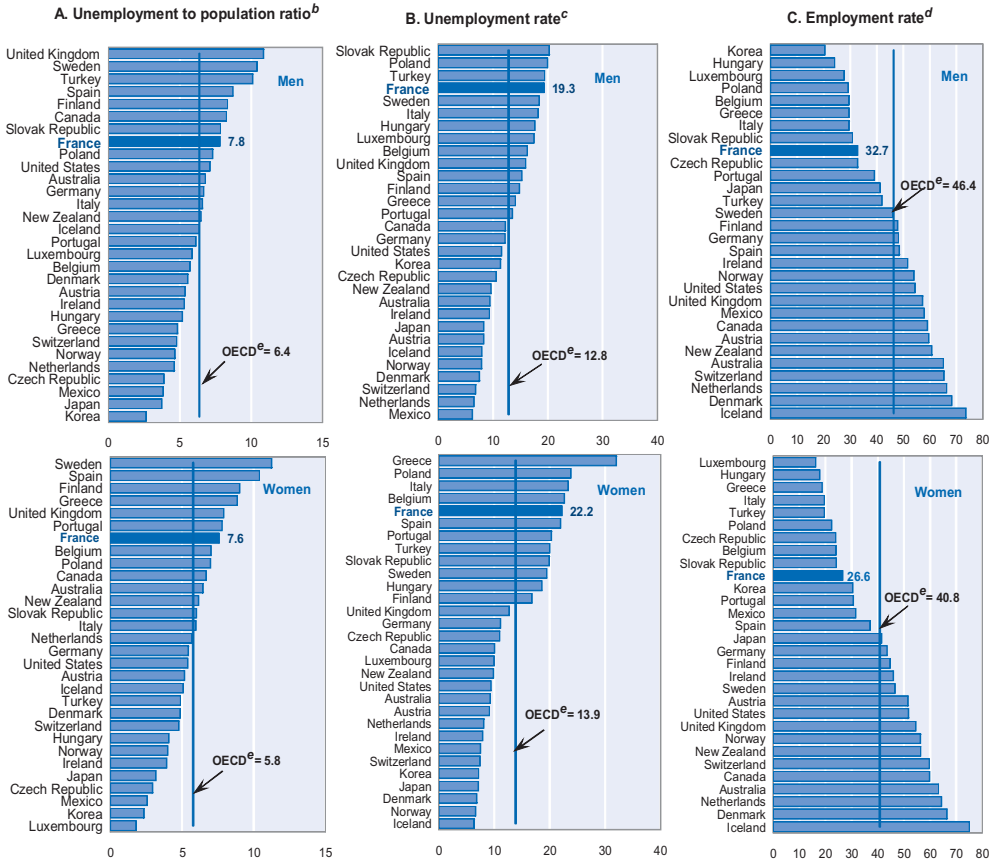
As in most other OECD countries in 2007, the poor performance of French youth on the labour market affected young women more than young men.[3] The unemployment rate is higher for women (22.3% versus 19.3%) and the employment rate lower (26.6% versus 32.7%) (Figure 1.3). The lower employment rate in part reflects that young women remain in school longer than young men, as the median age for leaving initial education was ten months older for young women (in 2006: 21 years and three months versus 20 years and five months). Nevertheless, the low employment rate also reflects the greater likelihood that from age 19 young women will be jobless, in particular because upon childbirth young mothers leave their jobs more frequently than do their partners: in 2005, 35% of 19 to 24-year-old mothers of one child were inactive, and 65% of mothers of two or more children, compared with, respectively, 5% and 9% of the fathers.

2. If full-time students are removed from the numerator and the denominator, the *corrected* employment rate for the 15-24 age group is 63% for France, *i.e.* 7 percentage points less than the OECD average. This correction does not fundamentally alter the ranking of France (23rd).

3. The poorer position of young women in 2007 was clear in most OECD countries, even though for the OECD as a whole the unemployment rates of young men and young women were about equal, with a slight advantage for women since 2001.

Figure 1.3. **Unemployment and employment indicators, youth aged 15-24[a], by gender, OECD countries, 2007**

Percentages



a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States, and aged 15-24 for the other countries.

b) Unemployed as a percentage of the total population of the age group.

c) Unemployed as a percentage of the labour force of the age group.

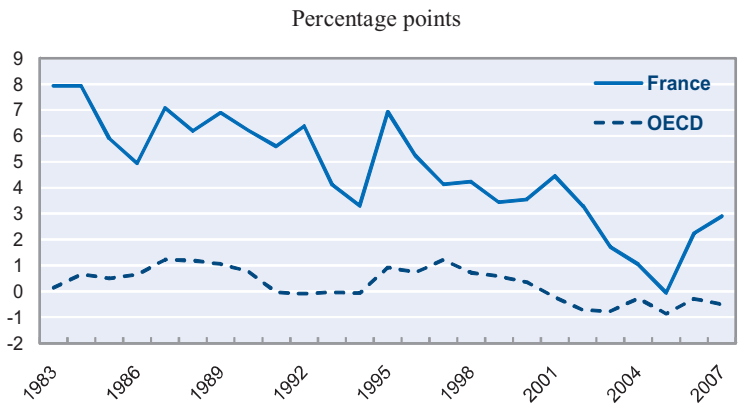
d) Employed as a percentage of the total population of the age group.

e) Unweighted average.

Source: EU labour-force survey for France; national labour-force surveys for the other OECD countries.

Nevertheless, taking into account alternative indicators of labour-market performance and adopting a retrospective view of the last three decades puts a slightly different perspective on the inequality that seems to persist to the disadvantage of young women. Calculating the shares of unemployment by age shows that young women are less affected than their male counterparts (Figure 1.3, Panel A). Moreover, the situation seems to have evolved, with a significant reduction in the gap between the unemployment rates of young men and young women (Figure 1.4). In particular, it seems that the expansionary cycle at the turn of the millennium has helped the unemployment of young women more than that of young men, thus accelerating the trend to catch up. Recent statistics also show that during the downturn in 2008, the unemployment rate of young French men exceeded that of young French women starting in the third quarter of 2008 (see Section 2.A).

Figure 1.4. **Difference in unemployment rates between men and women aged 15-24[a], France and OECD, 1983-2007**



a) Unemployment rate of women - unemployment rate of men.

Source: EU labour-force survey for France; national labour-force surveys for the other OECD countries.

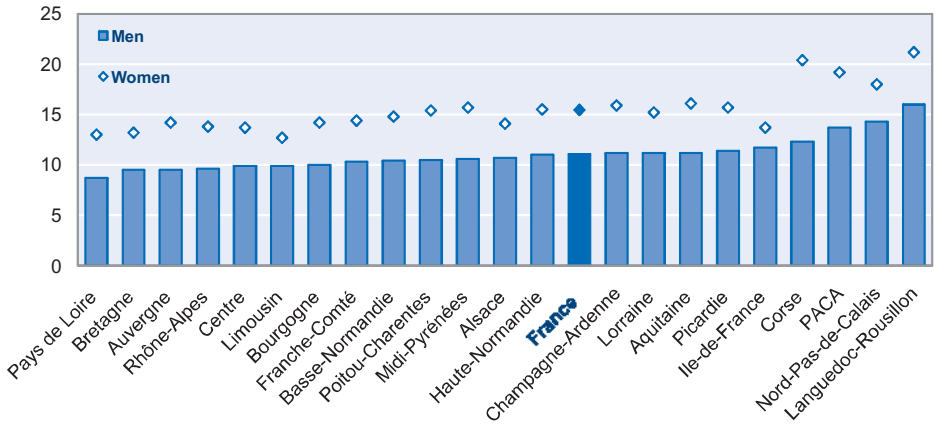
D. Young people living in different regions do not have equal access to the labour market

Access to youth employment is distributed unequally around France. Like their elders, young people suffer greater unemployment in regions where the labour market has deteriorated, in particular due to industrial restructuring (Beffy *et al.,* 2009). In a comparison of urban areas, where most young people live, 25-34-year-olds who have left the educational system have a higher unemployment rate in Nord-Pas-de-Calais than in

Rhône-Alpes (Figure 1.5). Young people who choose to be geographically mobile fare better than others on the labour market, as they move to areas with more job opportunities. However, mobility is correlated with social origin, so in actuality regional inequalities lead to reinforcing socio-demographic inequalities (Cuney *et al.,* 2003).

Figure 1.5. **Unemployment rates of 25-34-year-olds who left education, by region, France, 2004-07**

As a percentage of the labour force



PACA: Provence-Alpes-Côte d'Azur.

Source: Adapted from Beffy *et al.* (2009), "Enquêtes annuelles de recensement de 2004 à 2007. Formation et emploi des jeunes dans les régions françaises", *INSEE Première*, No. 1219, Paris.

At the local level, the regional impact on young people's labour-market pathways is reinforced by the nature of the urban infrastructure. In this respect, the example of the Paris region is telling. This region is relatively dynamic in terms of employment, in particular for young tertiary education graduates, but there are also areas where it is particularly difficult for young residents to find jobs. In some areas classified as "Disadvantaged Urban Neighbourhoods" (ZUS),[4] youth unemployment comes close to 40%, double the national average (CES, 2008a). Even after controlling for the socio-demographic characteristics of the resident populations, the fact of

4. Disadvantaged urban neighbourhoods (ZUS) are areas defined by the public authorities as priority targets for urban policy, based on local considerations related to the difficulties experienced by the inhabitants there. These zones are not completely co-extensive with the priority education zones (ZEP) defined in the education policies of the Ministry of Education.

living in these disadvantaged areas negatively influences the likelihood of finding a job (Gobillon and Selod, 2006). This problem is related to urban segregation, as well as to the labour-market entry of youth from foreign backgrounds, who are over-represented in these "disadvantaged" neighbourhoods (Couppié and Gasquet, 2007; OECD 2008j).

E. Youth from immigrant backgrounds suffer particularly high unemployment rates

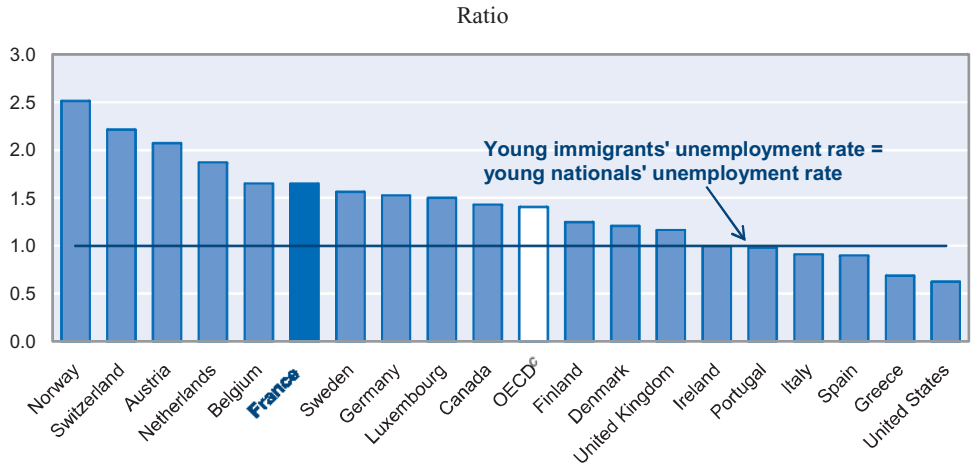
Youth from immigrant backgrounds[5] suffer from a combination of unfavourable factors on the labour market. On average, not only do they have fewer qualifications (or problems related to the transferability of diplomas acquired abroad) and face more disadvantaged socio-demographic conditions (living in a ZUS, foreign language spoken in the family, more siblings, etc.), but some of them also suffer discrimination based on their origins, which partly explains their difficulty in finding employment (Cédiey *et al.*, 2008). In 2006, the unemployment rate of foreign-born youth was higher than that of young nationals by an average of 14 percentage points, a figure that reaches 18 percentage points for women from outside the European Union. This handicap is already pronounced at school, where youth from immigrant backgrounds often face difficulties (fewer than one out of four immigrant children obtain the *baccalauréat* without repeating a year, compared with one-third of the children of nationals, but this difference is mainly due to the difficult socio-demographic situation in which they find themselves (INSEE, 2005). Even though on average young girls do better at school, they encounter more difficulties than young men in entering the labour market. One-third of them do not find a job, compared with one-quarter of their male counterparts.

This disadvantage is compounded by a lag of 7 percentage points in the employment rate of 15-24-year-olds from immigrant backgrounds. This mainly affects the young women (10 percentage points less than the average), who are inactive more often than non-immigrant young girls (three-quarters of them, versus two-thirds on average), whereas young men from immigrant backgrounds have employment rates that are comparable to the average (in particular due to more frequently quitting school early). Foreign-born youth also encounter more difficulty in getting out of unemployment, with a long-term unemployment rate that in 2006 was 5 percentage points above average, which reflects a particularly slow process of labour-market integration.

5. Immigrant youth – born as foreigners abroad – as well as second-generation youth who are born in France of two immigrant parents.

In comparison with the other OECD countries, while the performance of France with respect to the employment of young immigrants is among the worst in absolute terms, it is just above average in relative terms and outperforms countries like Austria, Norway, and Switzerland, where the unemployment rate of foreign-born youth is 2 to 2.5 times higher than the rate for young nationals, compared with 1.6 times for France (Figure 1.6). France's weakness has more to do with the employment difficulties affecting second-generation immigrants, whose situation paradoxically is often worse than that of their parents, even though they have had the benefit of the French educational system (OECD, 2008j). Their unemployment rate is, for instance, 10 percentage points above the average for young people.

Figure 1.6. **Ratio of the unemployment rates of young foreigners to young nationals[a] aged 15-24, selected OECD countries, 1999 and 2006[b]**



a) Unemployment rate of foreigners divided by the unemployment rate of nationals.

b) 1999 instead of 1996 for Germany.

c) Average of countries shown in the figure.

Source: Estimates by the OECD Secretariat based on the EU labour-force surveys for European countries and the Current Population Survey for the United States.

In addition to the general features of the immigrant population, it is also important to point out the major differences that exist within this group. Youth from immigrant backgrounds are exposed unequally to unemployment based on their country of origin (Meurs *et al.*, 2006). It is much more difficult for young people from African countries, whether first or second generation, to enter the labour market than it is for immigrants from European or Asian countries, with the North African countries having the highest unemployment rate (twice the average level). Even five years

after leaving the school system, youth of African origin have still not made up the gap with the rest of the population that entered the labour market at the same time as they did (Silberman and Fournier, 2006).

F. A diploma still provides strong protection against unemployment and inactivity

Young people without an upper secondary diploma (< ISCED 3) experience greater difficulty on the labour market than do young people as a whole. Their unemployment rate is 10 percentage points higher than average and their employment rate 15 percentage points lower, and the difference is greater the earlier they leave the school system. This observation requires a slight caveat, however, as all diplomas are not equivalent for finding employment (see Chapter 2). Young people without a diploma are on average more exposed to the risk of long-term unemployment (in 2006, 31.5% versus 23.2% for all youth) and to inactivity, excluding training (18.9% versus 4.7% in 2006), and entering the labour market generally takes longer and is more difficult as they start their working lives. Comparable trends can be seen in many OECD countries.[6]

G. Disadvantages cumulate on the labour market

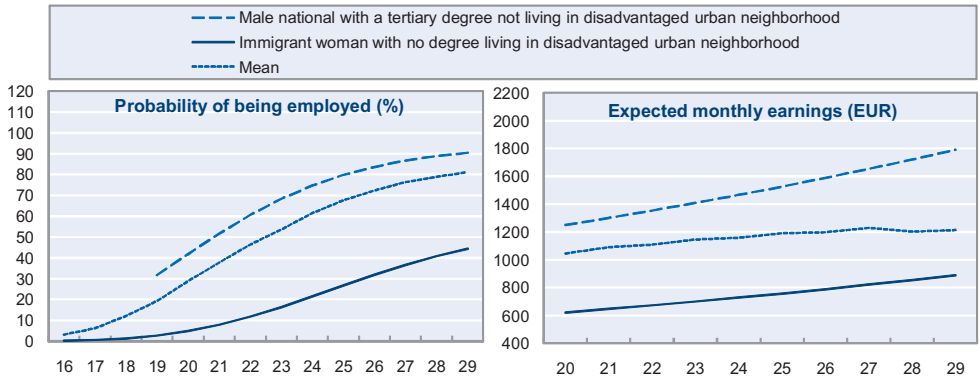
The significance of the socio-demographic handicaps suffered by certain young people as described above has been confirmed by an "all else being equal" analysis (see Annex A). This shows that the fact of being a young woman, living in a ZUS and being born abroad negatively influences the likelihood of having a job among those aged 15-29, as well as the hope of receiving a monthly salary. The likelihood of the latter unsurprisingly rises significantly with a diploma, and increases by 11.7% with a *baccalauréat* compared to no diploma, and up to 35.1% for a tertiary diploma. Graduates are also more likely than non-graduates to be actively employed.

It is also interesting to note that the difficulties experienced on the labour market are cumulative. Figure 1.7 shows the most favourable and unfavourable cases of labour-market entry. The estimated likelihood of having a job for a foreign-born young woman without a diploma living in a ZUS is about four times less than that of a young male French national, with

6. Although average times for labour-market integration are relatively different (Quintini and Martin, 2006). The employment rate for youth without diplomas one year after leaving education thus varies from less than 30% in Poland and Italy to more than 60% in Australia and Denmark. Likewise, the persistence of these difficulties varies greatly, but there is a gap in almost every country between the employment rates of those with a diploma and those without one (OECD, 2008e).

a tertiary education diploma and not living in a ZUS. The average is relatively close to the most favourable situation, suggesting that the great majority of young people with jobs are from categories that do not experience many barriers to labour-market entry. The differences are also very pronounced with respect to having a salary, as the likelihood in the best case is double that of the worst case. With respect to a salary, the average represents more of an intermediate situation than in the case of having a job. This shows that, once hired, young people experience less inequality in terms of compensation. The main difficulty for youth is to enter the labour market, but once they have a job, the existence of the minimum wage guarantees relatively high average levels of compensation.

Figure 1.7. **Probabilities of employment and an expected wage[a] by age in the best and worst cases of labour-market entry, France, 2006**



a) Probabilities estimated using a probit model for activity and an ordinary least squares regression for the logarithm of expected wages (monthly net in EUR); the results table for the models is in Annex A.

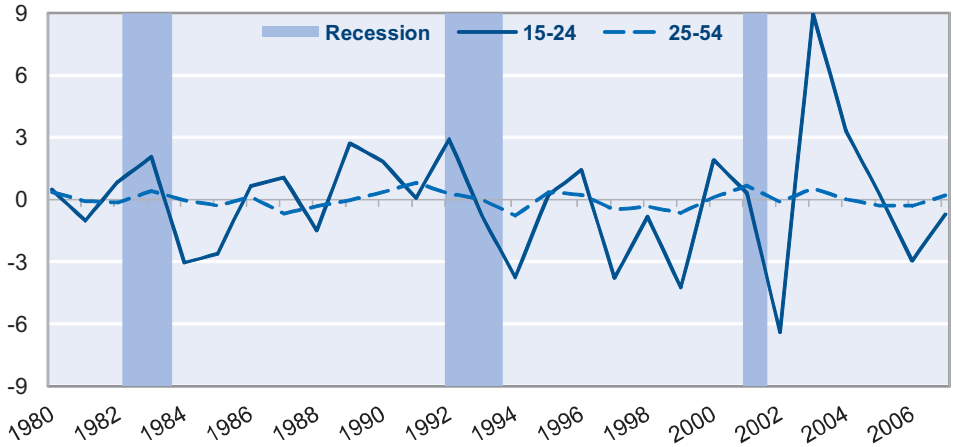
Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

2. Economic crisis and the youth labour market

Recent developments in the macro-economic situation could lead to a marked deterioration in the youth labour market due to the traditional vulnerability of youth employment to economic fluctuations. As first-time entrants, young people react more strongly than those aged 25-54 to the business cycle, both in downturns and upturns (Figure 1.8). Young new entrants' overreaction to the cycle subsequently disappears after on average about five years of professional experience (Fondeur and Minni, 2004).

Figure 1.8. **Employment rate of young people and adults and the economic cycle, France, 1980-2007**

Deviations from trend, percentages



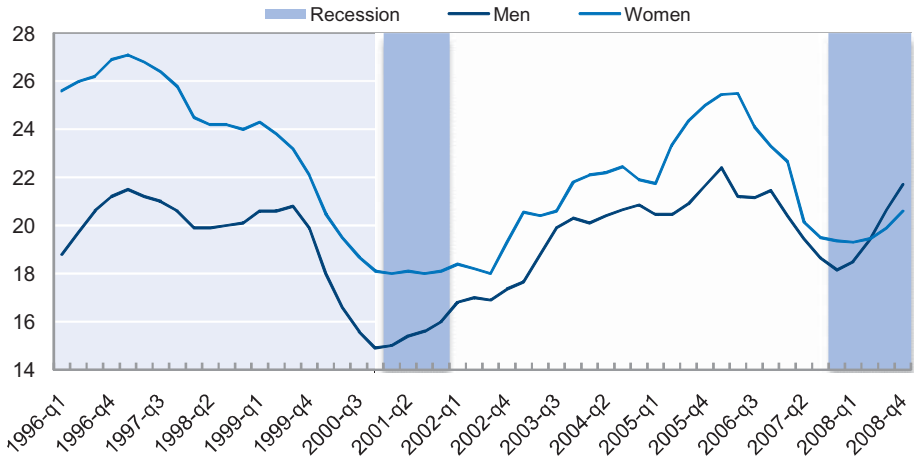
Source: Estimates based on the *OECD National Accounts Database* and labour-force surveys.

A. Young people were hit particularly hard by the economic downturn in 2008

In the wake of the global economic and financial crisis that struck in mid-2008, France, like the other OECD countries, has been confronting a rapid increase in unemployment, particularly among young people. While the unemployment rate of those aged 25-54 changed little in 2008, reaching 7.4% in the fourth quarter of the year, the rate of 15-24-year-olds rose from 19% in the fourth quarter of 2007 to 21.2% in the fourth quarter of 2008 (Figure 1.9). The increase in unemployment over this period was much greater among young men (+3.2 percentage points) than among young women (+0.6 percentage point). The unemployment rate of young men exceeded that of young women for the first time ever starting in the third quarter of 2008.

Figure 1.9. **Quarterly unemployment rate[a] of youth aged 15-24, by gender, France, 1996-2008**

As a percentage of the labour force



a) Seasonally adjusted.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

B. The youth labour market will continue to deteriorate in 2009 and 2010

The economic crisis is hitting young people at a time when their situation on the labour market is already not very positive, as indicators for end 2007 have still not returned to their good level in 2003. For the OECD as a whole, estimates indicate that a fall of 1 percentage point in the GDP growth rate will lead to a rise of about 1.4 percentage points in the youth unemployment rate (age 15-24) and 0.7 percentage point in the adult unemployment rate (age 25-54). Similar estimates for France indicate a much greater sensitivity of the youth unemployment rate to economic fluctuations, on the order of 2 to 2.5 percentage points, and a variation of the same magnitude as the OECD average for the adult unemployment rate. According to the latest OECD forecasts, the economic situation will continue to worsen in 2009 and 2010. This will lead to a sharp increase in youth unemployment throughout the OECD area, but especially in France.

3. The school-to-work transition: marked by instability, reinforcing inequality

The first years on the labour market constitute a slow process of finding a job and stabilising in it. While for most young people this period of

uncertainty leads to stable employment, some of those left behind become stuck on the margins of the labour market in a recurring and/or long-term way. This can be seen in the results of the *Génération* surveys of the Céreq (Centre for Study and Research on Qualifications) and the *Emploi* surveys of the INSEE (National Institute for Statistics and Economic Studies), which are the two main surveys used to analyse the school-to-work transition in depth in France (Box 1.1).[7]

Box 1.1. **The two main surveys used to analyse the school-to-work transition in France**

The ***Génération* surveys** of the Céreq are longitudinal studies that follow a panel of youth who leave the school system in a given year. Four study waves have been launched since the first one in 1992 (representative sample of 27 000 youth): in 1998 (55 000), 2001 (10 000) and 2004 (65 000). The young people in each wave are questioned once three years after leaving, and then, depending on the survey, at the end of five, seven and ten years. The objective of the survey is to deepen the understanding of the first years of working life, and to analyse the transitions between the school system and working life. They thus help to understand the dominant ways in which youth from a single generation of school-leavers enter the labour market, in terms of the duration and numbers of jobs as well as their characteristics and qualities.

The INSEE's ***Emploi* surveys** are labour-force surveys that have been used since 1968 to analyse the state of the labour market and the structure of employment and to calculate employment and unemployment rates for different categories of the French population, including the youth. They also provide precise information about training, the arrangement of working hours, and trends in individual situations on the labour market. The *Emploi* surveys were conducted yearly until 2002, and since 1 January 2003 on the basis of one survey per quarter, with each household being followed for six consecutive quarters (18 months). A pseudo-panel is obtained by renewing the sample by one-sixth each quarter. The survey covers about 36 000 private households in which all members over age 15 are questioned. It can thus be used to understand the situation of those aged 15-29 on the labour market as they finish initial education.

One of the lessons of the study and research conducted based on these surveys is that, given the heterogeneous experience of different groups of young people, it is necessary to go beyond the median and average indicators

7. These two surveys are used alongside others to draw up the Formation Emploi (job training) assessment. This assessment is accessible on the INSEE website and offers essential data about the relationship between the training system and employment in some 40 files, tables and graphics that have been developed in a collaborative effort between the Céreq, the INSEE and the Ministries of Education and Employment (*www.insee.fr/fr/ffc/bfe/accueil.htm*). The convention adopted is that someone leaving initial education is a young person who leaves education for a period of at least one year.

for the school-to-work transition, in particular because of the methodological difficulties encountered in measuring the duration of the school-to-work transition (Box 1.2). There is little policy interest in summarising the quality of integration using central indicators, as the groups experiencing the most difficulty are by definition often very far from the norm. The figures in Box 1.2 show that France has an atypical profile for the school-to-work transition in that, in comparison with other countries, the proportion of those finding employment in the first month is lower than between months one and six. In addition, as in the United Kingdom, there is a relatively large group of young people who have been looking for work for more than 30 months.

Box 1.2. **Methodological difficulties related to measuring the duration of the school-to-work transition**

The gap between the median age for leaving the school system and that for taking on a first job, which is often adopted as a criterion to approximate the duration of the transition between initial training and employment, constitutes a very imperfect measure of the duration of the school-to-work transition. In practice, this gap fails to take account of the dispersion that arises due to choices in terms of study and to the very asymmetrical difficulties facing different subgroups entering the labour market. Furthermore, it cannot be used to examine the quality of the jobs found, as it mixes together all types of job, independently of the type or duration of the contract or its appropriateness to previous studies. In practice, a first job is rarely stable and can be followed by alternating periods of employment, unemployment and/or inactivity.

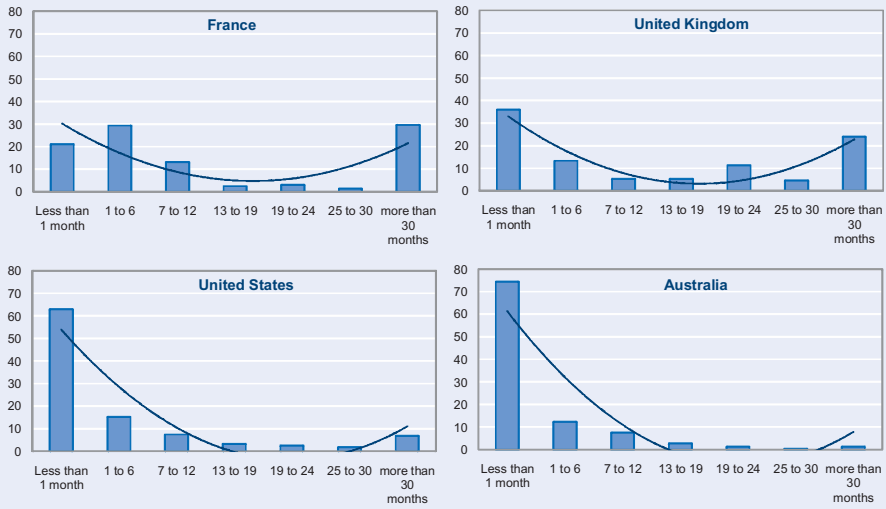
A Céreq study based on the 1992 *Génération* survey illustrates the great variation in median indicators of the school-to-work transition based on the time the first job is held (Lopez, 2004). Depending on the definition used (whether one month of employment or 12 months of uninterrupted employment), the gap is 13 months for the median duration for men, and reaches a maximum of 17 months for the estimate of the integration of 80% of the cohort for women. The median time for finding a one-month job is one month, while the time to secure a period of continuous employment lasting over 18 months comes to eight months.

A more robust measure of the duration of the transition can be obtained if there is a panel that follows the integration of individuals. This can be used to make a precise calculation of the time running between the end of initial training and the first period of employment for each individual, and thus to estimate averages based on individual data. The following figure shows the percentage of youth who have left education based on the duration of their search for an initial job, estimated using longitudinal surveys in four OECD countries. In comparison with Australia and the United States, where a large majority of youth find employment very quickly, there are two contrasting categories in the United Kingdom and still more so in France: on the one side those who find a job in under six months (about one-half) and on the other those who experience a very long-term transition, and who thus seem to be out of the labour market for a long time. This illustrates why an average or median figure is of little interest, and points to the need to study separately the transitions of these two groups that contrast so sharply on the labour market.

Box 1.2. **Methodological difficulties related to measuring the duration of the school-to-work transition** *(cont'd)*

Time needed to find a first job in four OECD countries

Percentages



Source: France: INSEE *Emploi* surveys, 2003-06; United Kingdom: British Household Panel Survey, 2000-06; Australia: Longitudinal Survey of Australian Youth, 1998-2006; United States: National Longitudinal Survey of Youth, 1997-2006.

A. Transitions often characterised by a period of unemployment or a fixed-term (CDD) contract

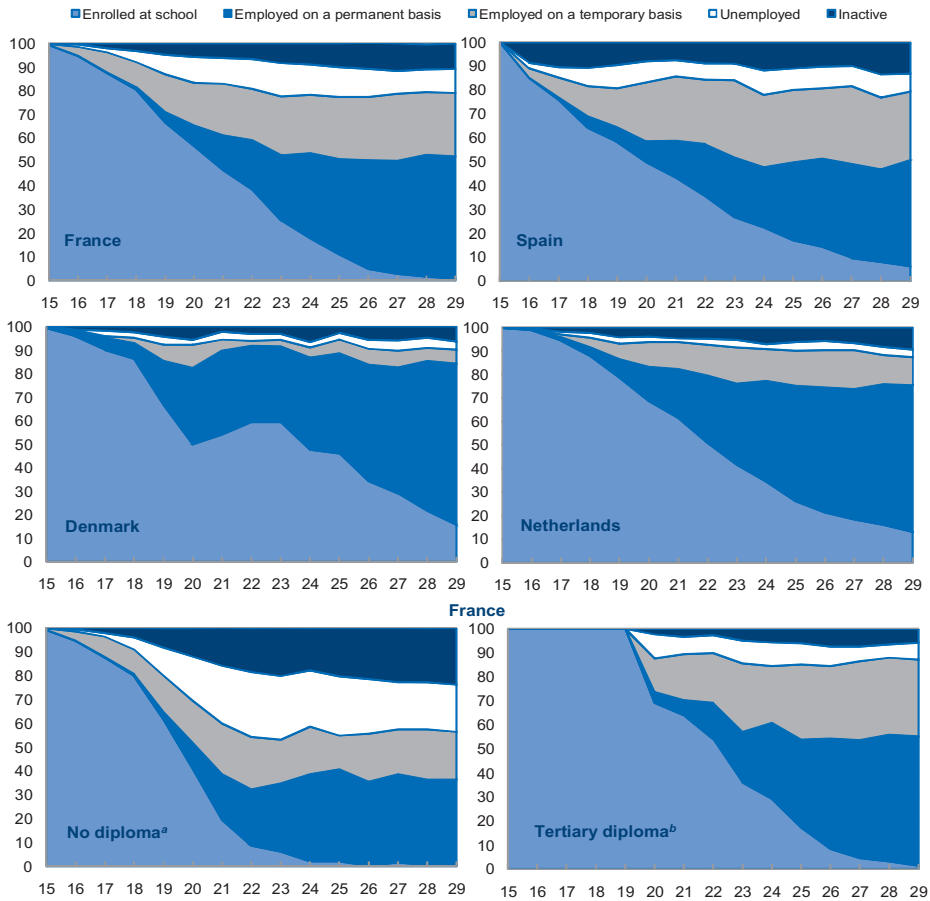
One-third of French young people do not have a stable job upon reaching the age of 30

France occupies a position like that of Spain with respect to young people finding and remaining in a job, a situation that corresponds neither to the mainly unencumbered transition enjoyed, for example, by Dutch youth nor to the longer and more gradual post-school transition experienced by Danish youth (Figure 1.10). A cross-sectional analysis of the way 15-29-year-olds enter the labour market suggests a gradual process characterised by difficulty in rapidly acquiring a stable job (or a permanent employment contract, a CDI). Many young French job seekers start their careers with either a period of unemployment or employment under a fixed-term contract (CDD). At the age of 29, about one-third of Frenchmen and Spaniards still do not have a permanent contract, compared with 6% of their Danish and

12% of their Dutch counterparts. An analysis of the longitudinal data confirms this slow stabilisation in employment for Generation 1998 (Figure 1.11): only 26% of youth who left the school system in 1998 have a CDI one year later, versus 53% three years later and 72% seven years later.

Figure 1.10. **Activity status of youth, by single year of age, France, Spain, Denmark and Netherlands, 2006**

Percentages



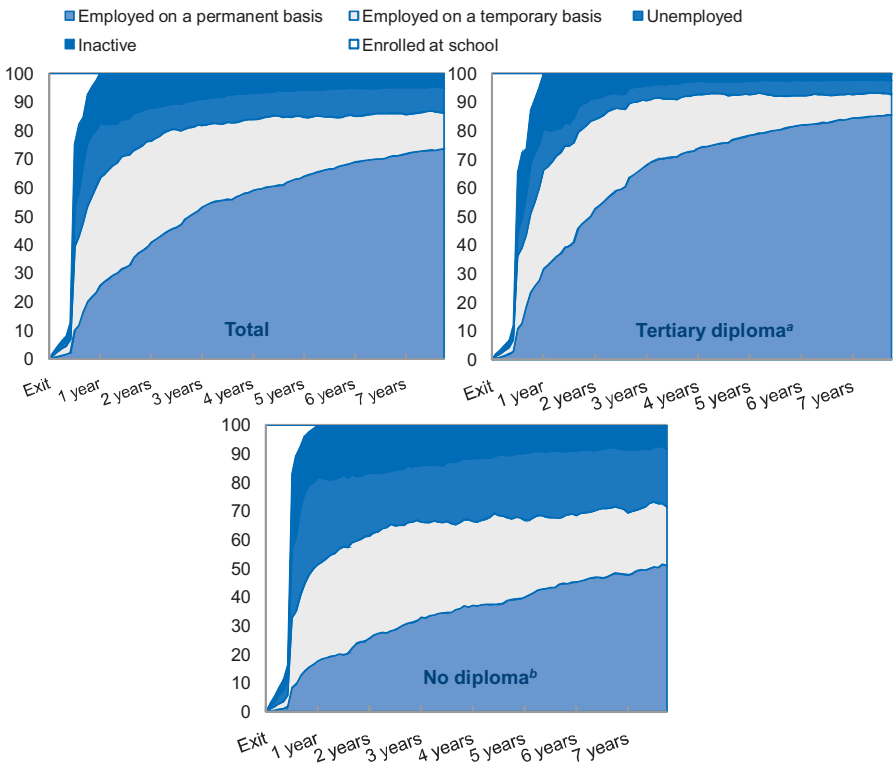
a) Less than ISCED 3.

b) More than ISCED 3.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey for France, and EU labour-force surveys for the other countries.

Figure 1.11. **Activity status of 1998 school-leavers during the first seven years of working life, France, 1998-2005**

Percentages



a) More than ISCED 3.

b) Less than ISCED 3.

Source: Adapted from Céreq (2007), *Quand la carrière commence… Les sept premières années de vie active de la Génération 98*, Marseille.

This job uncertainty does not, however, affect all young people in the same way. Those with tertiary degrees have an easier time entering the labour market than those without a diploma, not only in terms of employment rates, but also with respect to the quality of the job. For instance, 32% of youth with tertiary degrees leaving school in 1998 had a CDI the next year, compared with 18% of those without a diploma. While after two years more than half of those with a tertiary degree had stabilised in a CDI job, it took about seven years before half of those without degrees had achieved this status.

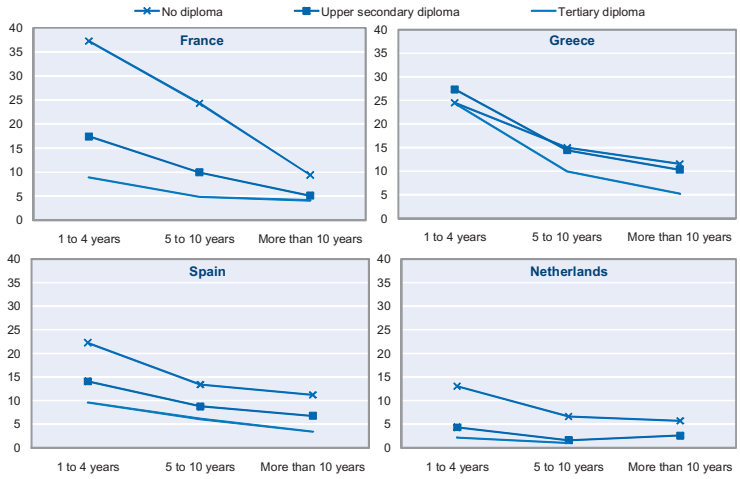
Youth without diplomas are more afflicted by job uncertainty

In 2007, on average about 130 000 French youth in each age group (*i.e.* 18% of those aged 20-24) completed their studies without an upper secondary diploma[8] (DEPP, 2008). Youth without diplomas suffer especially high unemployment. For instance, after three years, the unemployment rate of those without diplomas was double the rate of those with secondary diplomas, and quadruple the rate of those with tertiary diplomas (Gasquet and Roux, 2006).

Even if these inequalities subsequently diminish (Figure 1.12), with experience compensating for the lack of a diploma, less-qualified youth remain disadvantaged. In addition to the fact that in general those without diplomas are also facing socio-demographic difficulties, which explains in particular why they leave school early, their higher unemployment rate could also be attributed to the decline in the number of unskilled jobs caused by technological change, as well as to the importance of the signal given off by a diploma in France, in a context of mass unemployment (CERC, 2008). This also explains why the unemployment rate of those without degrees is particularly sensitive to the business cycle, as these workers are at the end of the queue for the labour market.

Figure 1.12. **Unemployment rate by educational attainment and time since leaving education, France, Greece, Spain, Netherlands, 2007**

Percentage of the labour force



Source: Estimates by the OECD based on the INSEE *Emploi* survey for France, and EU labour-force surveys for the other countries.

8. See Box 2.2 in Chapter 2 for the distinction between those "without a qualification" and those "without a diploma".

The gap between those with and those without diplomas in the first years after leaving school is much more pronounced in France than in Spain, the Netherlands or Greece. Greece in particular stands out for the fact that a tertiary diploma offers no protection from unemployment after leaving education.

B. The first years on the labour market constitute a slow process of stabilisation

The increasing difficulty facing young people entering the labour market during the last 20 years has been reflected in greater uncertainty about the stability of employment during the first years of working life (Givord, 2005). There has been more back-and-forth between training, unemployment and employment, a phenomenon that is related to the massive increase in hiring on temporary contracts. This particularly affects young people, who are over-represented among new employees. In France, about half of 15-to-24-year-old workers had a temporary job in 2007, a figure well above the OECD average of 36% (Table 1.1).

Table 1.1. **Scoreboard for youth aged 15-24[a], France, Europe and the OECD, 1997 and 2007**

	1997			2007		
	France	EU[b]	OECD[b]	**France**	EU[b]	OECD[b]
Employment rate (% of the age group)	**24.3**	39.3	43.8	**29.7**	39.0	43.7
Unemployment rate – UR (% of the labour force)	**29.0**	18.5	15.6	**20.6**	15.4	13.3
Relative UR youth/adult (25-54)	**2.6**	2.4	2.4	**2.8**	2.8	2.9
Ratio unemployed to population (% of the age group)	**9.9**	8.2	7.5	**7.7**	6.5	6.1
Incidence of LTU (% of unemployment)	**22.7**	31.3	24.9	**24.8**	25.3	19.6
Incidence of temporary work (% of employment)	**50.2**	29.8	28.8	**49.1**	37.8	35.7
Incidence of part-time work (% of employment)	**22.3**	15.3	19.4	**19.1**	20.6	24.2
NEET rate (% of the age group)[c]	**10.3**	13.1	13.4	**11.4**	11.3	11.8
School drop-outs (% of the age group)[d]	**16.5**	15.8	17.8	**9.5**	12.0	14.2
Relative UR low skills/high skills(<ISCED 3)/(>ISCED 3)[c]	**2.0**	2.5	2.4	**2.3**	2.1	2.1

ISCED: International standard classification of education; LTU: long-term (more than one year) unemployment; NEET: neither in education nor in employment or training; UR: unemployment rate.

a) Youth aged 16-24 for Iceland, Norway, Spain, Sweden, the United Kingdom and the United States; and 15-24 for all other countries.

b) Unweighted averages of the 19 countries common to the European Union and the OECD, and of the 30 OECD countries.

c) 2006 instead of 2007.

d) Share of youth not in education and without an upper secondary qualification; 2006 instead of 2007.

Source: EU labour-force surveys for France for the first four indicators, otherwise national labour-force surveys; and the *OECD Education Database*.

Fixed-term employment contracts (CDDs): a stepping stone for most, a trap for the less skilled

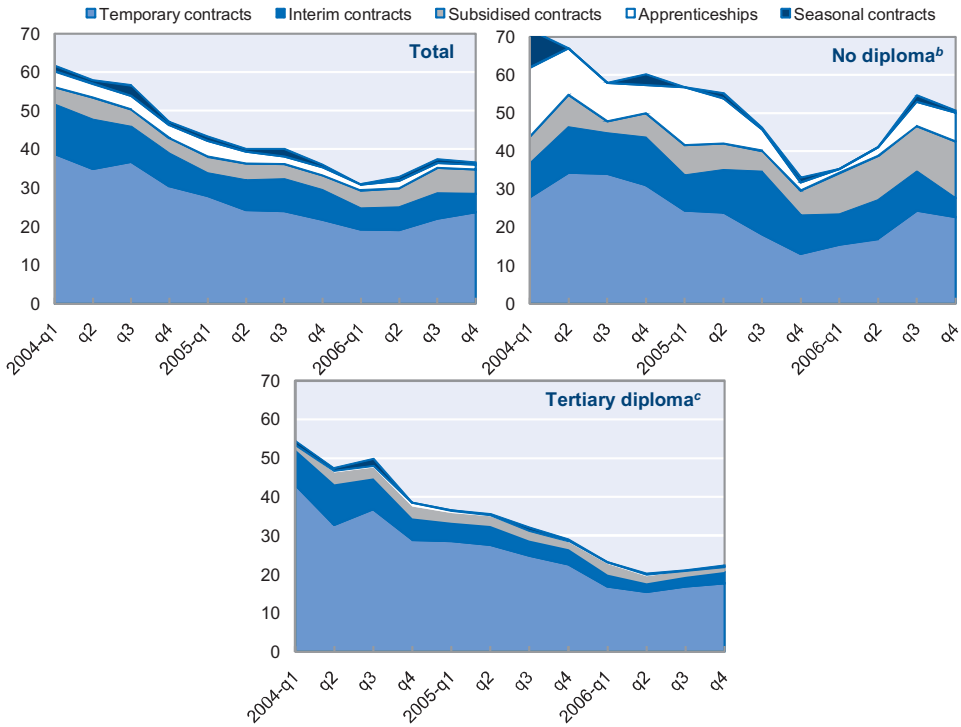
These temporary contracts eventually act as a stepping stone towards a stable job for most young workers, but also increase the risk of unemployment at the end of the contract, thus placing obstacles in the path of labour-market entry (Junod, 2006). While labour-market integration can sometimes take many years, regardless of the diploma held, nevertheless young graduates find stable jobs more rapidly, and their mobility more frequently represents a choice than in the case of those without diplomas, who suffer periods of prolonged precarity. While the number of short-term contracts fell rapidly among tertiary graduates who left initial education in 2003, the economic recovery at end 2005 did not lead to a reduction in the number of these contracts for those who left without a diploma (Figure 1.13). The latter are more exposed to a series of temporary contracts and resort frequently to subsidised contracts (more than 40% of them do so during the first seven years of working life, see Gasquet and Roux, 2006). Their ranks also include those on apprenticeship contracts, which in the main concerns low-skilled occupations. Furthermore, this category of young people is particularly sensitive to the economic cycle, with the number of short-term contracts up significantly at end 2005.

The pathways for entering the labour market are decisive for the rest of the career path

In France, the initial years on the labour market are particularly important for ensuring a subsequent stable career path. There is in effect a strong "status dependency", which, for those who have experienced problems entering the labour market, results in difficulties obtaining a CDI. Some youth suffer from frequent relapses into unemployment (registering as unemployed 2.5 times on average over five years for those aged 15-24 who register at least once, according to Zanda, 2003), which stigmatises them as being not very employable (Lollivier, 2000). Finding employment becomes difficult after having left the labour market, or after not entering it immediately following initial education. Thus young people who had finished their studies and did not find a job in the first half of 2005 were half as likely as others to be employed at the end of 2006.

Figure 1.13. **Short-term contracts for school-leavers in 2003 during the first three years of working life[a], by degree, France, 2004-06**

As a percentage of young people with jobs



a) Pseudo-panel formed of all individuals leaving education in 2003.

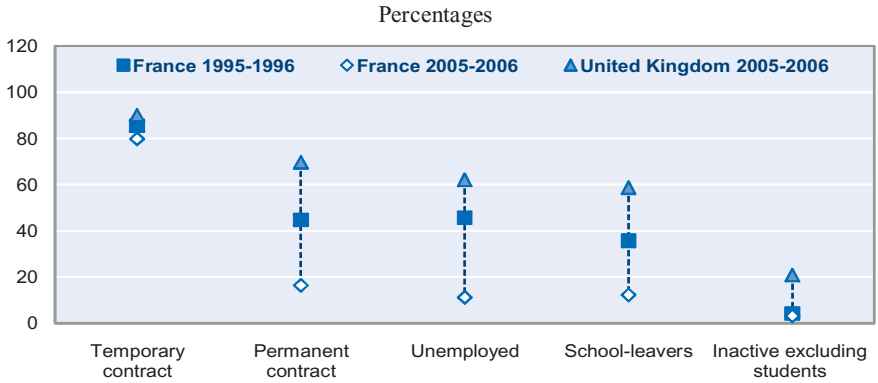
b) Less than ISCED 3.

c) More than ISCED 3.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

The likelihood of finding a stable job in France following a short-term contract or a period of unemployment or immediately upon leaving school is lower than in the United Kingdom, with its strong mobility (Figure 1.14). The situation in 2005-06 in France was significantly worse than the situation ten years earlier. On the other hand, in both countries few non-students not in the work force managed to obtain a CDI. There is thus a phenomenon of polarisation of career paths based on the route through which the labour market is entered, with a risk of lasting exclusion for the less-educated. Temporary jobs function more like traps than stepping stones towards a stable job for two-thirds of these youth, in contrast to those with more education (Lopez, 2004).

Figure 1.14. **Probability[a] of being on a permanent contract for youth aged 15-24 relative to status one year earlier, France and the United Kingdom**



a) Estimated probabilities based on a multinomial logit model.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey for France and the British Household Panel Survey for the United Kingdom.

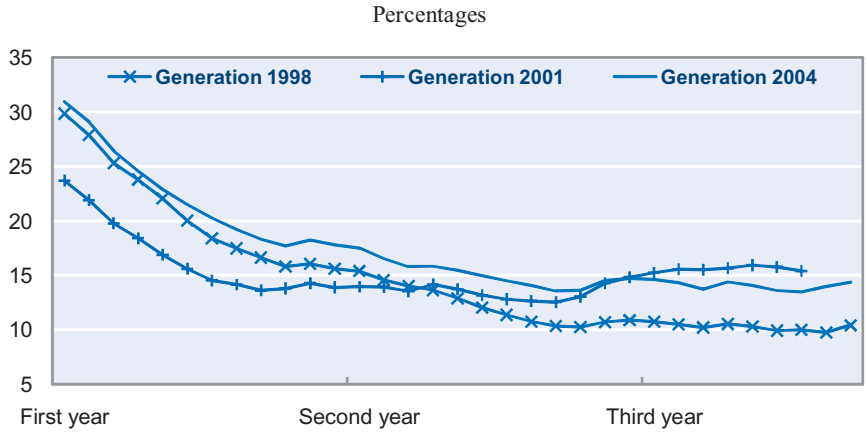
This inter-status mobility is compounded by mobility between jobs. In three years of working life, two-thirds of youth who left initial education in 2004 had changed employer at least once, whilst spending on average 1.5 years in the same company. Mobility increases as the level of the diploma falls, indicating that mobility is not necessarily a choice. It also decreases with seniority on the labour market, with an annual mobility rate that for Generation 1998 fell from 19% during the first three years to 9% during the sixth and seventh years (Céreq, 2007).

Economic context and fluidity of the transition

The youth from Generation 2004, who arrived on the labour market in a more difficult economic situation than that experienced by Generation 1998, had a less fluid school-to-work transition (Joseph *et al.*, 2008; Céreq, 2008). Three years after finishing their studies, their unemployment rate was still 14%, compared with 10% for the youth from Generation 1998, who had generally benefited from economic prosperity (Figure 1.15).

The youth from Generation 2004 were thus unemployed somewhat less frequently than their predecessors from Generation 2001, but this did not mean that they were more often employed. Slightly more of them returned to their studies or to work-study programmes (7% versus 5% for Generation 2001). They also more frequently had fixed-term contracts. In addition, they more commonly worked part-time, which was involuntary in two-thirds of the cases.

Figure 1.15. **Change in unemployment rates during the first three years of working life, France, Generations 1998, 2001 and 2004**



Source: Adapted from Joseph *et al.* (2008), "Génération 2004, des jeunes pénalisés par la conjoncture", *Bref*, No. 248, Céreq, Marseille.

Three groups of young people can be distinguished: "high performers", "those left behind" and "poorly integrated new entrants"

In grouping the typical paths to labour-market entry shown by Generation 2004 (Céreq, 2008),[9] it is possible to distinguish three groups of youth during the first three years of working life:[10]

9. The paths followed by each young person were grouped based on their proximity: the paths of two young people are considered closer when they go through the same situation at the same time. A similar method was applied in the National Longitudinal Survey of Youth (NLSY) in 1997 for the United States and the 1994 European Household Panel for Europe (Quintini and Manfredi, 2009). Nine typical paths can be distinguished over five years for school-leavers who have at most an upper secondary diploma (≤ISCED 3). There are relatively more young people who enter the labour market very rapidly in the United States (48%) than in Europe (40%), while youth who are very far from having a job (respectively, 5% and 15%) are out of the labour market altogether in the United States, while in Europe more are unemployed than out of the labour market.

10. Without counting the group of youth who have returned to their studies, estimated at 7% in France and 25% in the United States.

- the "high performers" (58% of the youth in Generation 2004), who quickly find lasting employment;
- the "poorly integrated new entrants" (24% of the youth in Generation 2004), for whom job access follows a period of unemployment (12%) or a period out of the labour market or in training (4%) or a period consisting mainly of temporary jobs (8%);
- "those left behind" (11% of the youth in Generation 2004), who experience great difficulty, either because of persistent or recurrent periods of unemployment (8%), or because they are out of the labour force for a long time (3%).

4. NEETs: at high risk of finding themselves out of the labour market for a long time

A. The concept of NEET

The concept of being Neither in Employment nor in Education or Training (NEET) was popularised in certain English-speaking and South East Asian countries during the 1990s, when it came to refer, under different definitions, to a target category for public policy aimed at youth (Bowers *et al*., 1999) (Box 1.3). This concept is still little used in France. A youth is considered as NEET if he or she has left the school system and is not employed (nor in continuing education).[11] The immediate value of the NEET concept is as an alternative indicator of the youth unemployment rate. It responds to two criticisms that are often addressed at the latter concept. The number of NEETs are calculated in proportion to the entire age category, and not only to those in the labour force, which eliminates the bias related to youth still in school, and it can be used to determine all those without jobs, and not simply those who have been identified as unemployed under the ILO definition (Quintini and Martin, 2006).[12]

11. The main difficulty posed by the way the NEET category is defined is that it can be understood only by what it is not: young people are NEET because they are neither in employment nor training nor school. By definition, the category is thus a residue.

12. The NEET category seeks to capture the "non-employment" of young people. As for adults, the battery of indicators of labour-market performance increasingly includes indicators for those out of the market in order to better target populations "to be mobilised", in addition to the unemployed.

Box 1.3. **NEET: a target category for public policy aimed at young people**

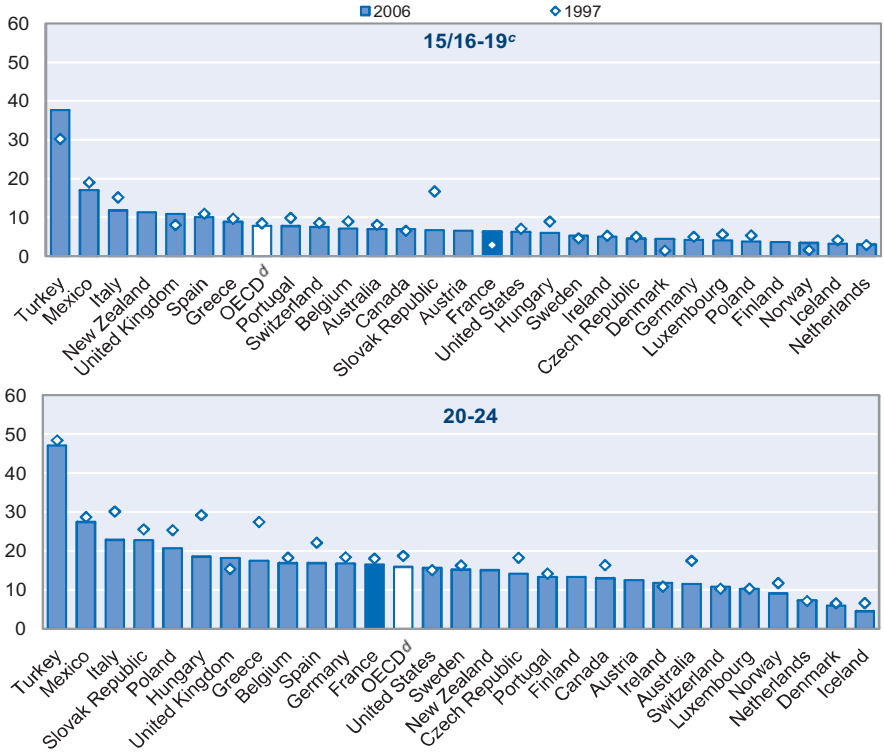
Youth classified as NEET can differ greatly from one country to another, thus demanding policies adapted to the situation of each category. For instance, in the United Kingdom and New Zealand, NEET teenagers (15-19) are the main policy target, as they constitute the main at-risk group from this age category, and their rate is significantly higher than the average of the other OECD countries (Figure 1.16). In the United Kingdom, the OECD (2008d) has essentially identified a problem of qualifications, as low-skilled youth are at double the risk of being NEET as their peers who have a higher level of educational attainment. This situation underlies the recent government decision to gradually lift the compulsory schooling age by 2015 to 18 instead of the current 16. In New Zealand, NEET youth are mainly of Maori origin, and are more exposed to unemployment and to being out of the labour market, so the phenomenon has an ethnic dimension (OECD, 2008b).

In Japan and Korea, the NEET category tends to be related to a social phenomenon that affects not only the labour market but also the integration of young generations into society more generally. This was especially so following the 1997 economic crisis and the subsequent social changes, which in Japan upset the labour-market entry of the generation now in their 30s. The definition of NEET thus differs from that used by the OECD. In both these countries, NEET refers to those in the 15-34 age group considered to be "discouraged", that is, they have left school, are not preparing to enter a company, do not have a job, do not have family responsibilities (or children) and are not married (OECD, 2007e and 2008h).

In France, the NEET rate among 15-24-year-olds in 2006 was 11.4%, versus an OECD average of 11.8% (Table 1.1), with a better performance for those aged 15-19 (6.4%, versus an OECD average of 7.9%) than for those aged 20-24 (16.5%, versus an average of 15.9%). It seems therefore that, in contrast to the United Kingdom and New Zealand, for example, the problem in France is not focused on adolescents who have left schooling early. France also stands out because, unlike the OECD average, the share of NEETs aged 15-24 has risen slightly in the last ten years (+1.1 percentage points). So the NEET problem has a certain reality in France, even though it does not seem particularly sharp, as it affects one youth out of ten, and thus undoubtedly demands further attention in the public policies aimed at this category of youth, or at least some of them.

Figure 1.16. **NEET[a] rates across OECD countries, 1997 and 2006[b]**

As a percentage of the age group



a) NEET: Neither in Employment nor in Education or Training.

b) 2004 instead of 2006 for Mexico; 2005 instead of 2006 for Turkey; 1999 instead of 1997 for Ireland; 1998 instead of 1997 for Italy.

c) Youth aged 16-24 for Iceland, Spain, Sweden, the United Kingdom and the United States; aged 15-24 for the other countries.

d) Average of the countries shown in the figure.

Source: OECD (2008e), *Employment Outlook*.

B. Who is NEET in France?

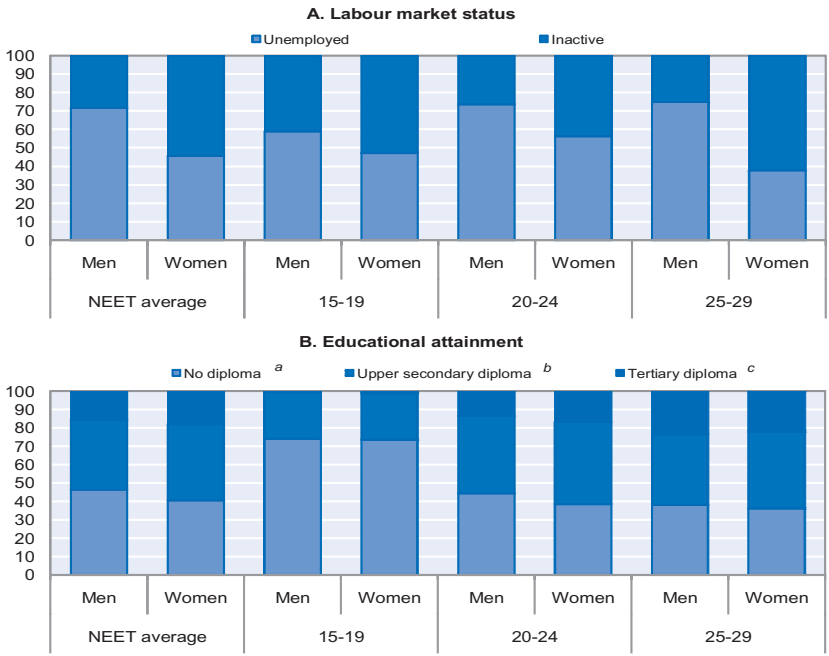
NEET youth in France: mainly those with little education

Univariate analysis, which crosses membership in the NEET category with certain socio-demographic characteristics, suggests the existence of interesting variations between the sexes and the age groups. First, status in regards to employment, and thus the "first cause" of membership in the NEET category, is distributed asymmetrically: more than 70% of males are counted as unemployed under the ILO definition, compared with only 45%

of females (Figure 1.17, Panel A). Whilst unemployment is the predominant status among males of all age groups, it becomes more pronounced with age: less than 60% of the 15-19 age group, versus 75% of the 25-29 group. In contrast, the share of women who are inactive relative to the unemployed is greater in the 25-29 age group than in the 20-24 group, with a significant gap of 20 percentage points.

Figure 1.17. **NEET characteristics by age and sex, France, 2005**

Percentages



a) Less than ISCED 3.

b) ISCED 3.

c) More than ISCED 3.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

A diploma seems to be an especially discriminatory factor, with a contrast between the 15-19 age group and their elders, and no significant difference by gender (Figure 1.17, Panel B). Youth without a diploma are more exposed to the risk of being NEET, and represent more than three NEETs out of four in the 15-19 age group. Older youth break down mainly between non-graduates and holders of a *baccalauréat*, while those with tertiary education diplomas seem relatively protected, constituting fewer than 20% of the NEETs aged 20-29. Moreover, comparing the number of

non-graduates in the NEET category with their percentage among the 20-29 age group, they are much better represented in the first group than in the second, supporting the hypothesis that the less educated are at higher risk of being NEET.

C. Dynamic and longitudinal aspects: a heavy dependence on status

A majority of NEETs change status relatively rapidly, particularly younger youth, but suffer from frequent recurrence

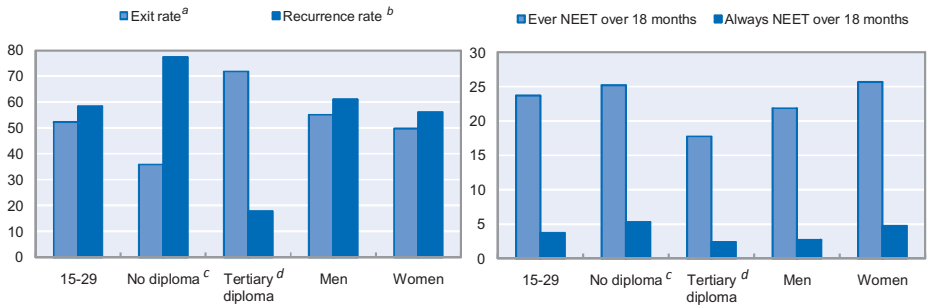
Classification as NEET can be temporary, and can be related for example to a period of job seeking upon leaving school, to a parental leave for young parents, or even to choosing a personal activity during a sabbatical. So in many cases NEET status is only temporary. However, for others, being out of the labour market may not reflect a choice, and, as described above, status dependency can lead to the perpetuation of a disadvantaged situation on the labour market. In addition, even if being categorised as NEET is not permanent, it can lead to being stigmatised, and thus to long-term effects on career paths, which can be characterised by going back-and-forth between a variety of vulnerable situations.

The pseudo-panel structure of the *Emploi* survey can be used to highlight the short-term future (from 18 months since 2003 to three years before 2003) of youth who have been classified as NEET. Half of those who were NEET in the third quarter of 2005 no longer were so 18 months later, but about 60% of those who were no longer NEET at end 2005 experienced a new NEET period during 2006 (Figure 1.18). The "rapid" exit rate was thus relatively high, but the recurrence rate was also high, with 24% of the youth experiencing at least one quarter as NEET during these 18 months.[13] However, only 4% remain NEET for 18 consecutive months. Young men seem to be more mobile than young women, as their exit and recurrence rates are 5 percentage points higher. A diploma seems to play a key role in the prospects for exiting NEET status, as 72% of tertiary NEET graduates exit within the 18 months, versus 36% of the no diploma group, and only 18% experience a new NEET period during the year following their exit, versus 77%. A diploma thus seems to favour a definitive exit, undoubtedly in part because the reasons underlying NEET status can differ greatly.

13. Among these are youth who left school and are seeking a first job. This NEET period thus corresponds to unemployment during the search for a first job, and usually declines rapidly.

Figure 1.18. **Exit and recurrence rates for NEETs aged 15-29 over 18 months, France, 2005-06**

Percentages



a) NEET in third quarter 2005, non-NEET in fourth quarter 2006.

b) NEET in third quarter 2005, non-NEET in fourth quarter 2005 and NEET again in 2006.

c) Less than ISCED 3.

d) More than ISCED 3.

Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

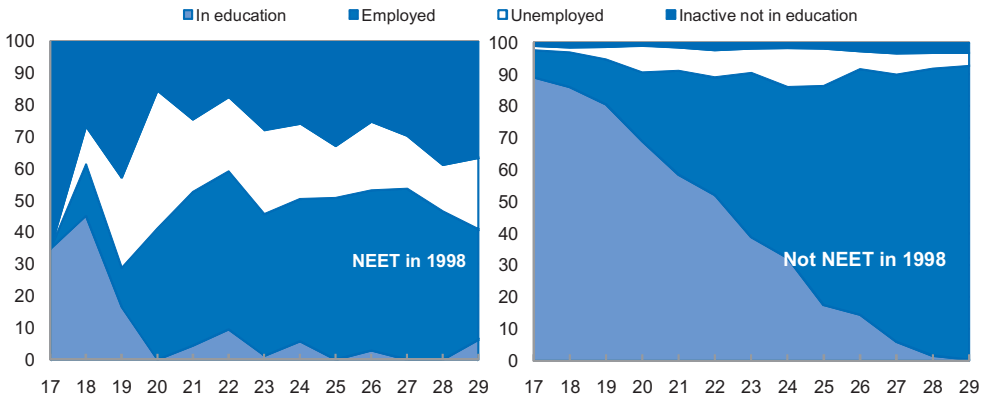
Using the European Household Panel to follow NEETs aged 15-24 showed that, over the period 1997-2001, France, along with Spain and Greece, was among the countries with the highest levels of those who had been classified NEET at least once over a five-year period (Quintini and Martin, 2006). Nevertheless, the turnover in this status was higher in France than in the other two countries. For instance, while in France 74% of those aged 15-24 were NEET at least once, versus 71% in Greece and 67% in Spain, 12% of NEETs in France remained so for the five years, whereas this was the case for 20% in Greece and 14% in Spain.

The future of NEETs on the labour market

Passing through a NEET period can have a lasting impact on a youth's career path, as previously described for youth not in the labour market or unemployed. Figure 1.19 shows the future of young people based on their age and on whether they have been classified as NEET in the previous two years. Only the youngest (aged 17-19) returned to school, whereas their elders moved into the labour market (73.5% for age 20-24) or remained inactive (32.7% for age 25-29). It seems difficult to enter the labour market, as an important section of the youth of all ages remain or re-become NEET (on average 52.4%). A comparison between the future of NEET youth and that of other youth clearly illustrates how two years later the situation is much less favourable for the former in terms of finding employment.

Figure 1.19. **Activity status of youth by age in 2000, based on NEET classification two years earlier (age 15-27 in 1998), France, 1998-2000**

Percentages



Source: Estimates by the OECD Secretariat based on the INSEE *Emploi* survey.

5. Key points

France, like the other OECD countries, is currently facing a serious economic crisis, with unemployment rising very rapidly, particularly among youth. The youth are being hit hard by the economic crisis at a time when their situation on the labour market was already not very positive, with the indicators for mid-2008 still not back to their good level of 2003. This is especially worrisome given that the performance of the youth labour market in France is mediocre in comparison with that of many other OECD countries. French young people face an unemployment rate that in 2007 was 7 percentage points above the OECD average, and long-term unemployment affects one unemployed youth out of four, compared with an OECD average of one out of five.

In France, as in the other OECD countries, not all youth have the same chance at successfully joining the labour market. In addition to the group of "high performers", who represent the great majority of young people in countries like the Netherlands, the United States, the United Kingdom, Canada and the Nordic countries, and about half of youth leaving school in France, there is also a group of "youth left behind" in all the OECD countries. The size of this group can be estimated based on the number of young people who are neither in employment, nor education or training (NEET). NEETs represent about 11% of 15-24-year-olds in France, a percentage that is close to the OECD average (12%). Even though the characteristics of these youth differ from one country to another, they share

the feature of having multiple disadvantages. In France, these are mainly youth who do not have a diploma, who come from an immigrant background and who live in disadvantaged neighbourhoods.

One specific feature of the French school-to-work model, which is also found in other continental European countries (Belgium, Spain, Greece, Italy), is the existence of another large group of youth who face difficulties entering the labour market – about one-quarter of those leaving school in France. These young "poorly integrated new entrants" often have diplomas but take a long time to find stable employment, even during periods of strong economic growth, and frequently go back-and-forth between temporary jobs and unemployment.

In the current economic crisis, if additional measures are taken to help the youth most affected, it will be important to focus on what works best for each of the groups at risk. It is crucial that the "youth left behind" are helped as quickly as possible into employment, and whenever possible to obtain a qualification or diploma at the same time, whereas it is above all in the general functioning of the labour market that adaptations need to be made to improve the school-to-work transition for "poorly integrated new entrants".

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