

## Executive Summary

Preparing young people for the job market is a critical task for all modern societies. The primary objectives of most countries are: 1) to give all young people the opportunity to attain their career potential while meeting the demands of the labor market and 2) to minimize the number of youth who experience long-term joblessness or poor career outcomes. Critical to a nation's success in achieving both goals is an effective education and training system for all young people, as well as sound programs targeted to the structurally unemployed and economically disadvantaged young people.

In the U.S., between the 1970s and the 1990s, policymakers shifted their concerns from high youth unemployment toward the broader issue of how best to prepare all youth for careers. These concerns have led to an increased emphasis on academic standards and efforts to strengthen the nation's system of linking schooling with careers. Other countries in the Organization for Economic Cooperation and Development (OECD) also focus on career preparation, the school-to-work transition, and the special problems of the disadvantaged. However, rising youth unemployment is taking on increased importance in many OECD countries, partly because of the sharp increases in youth unemployment over the last two decades.

In an effort to draw on lessons from experiences in the U.S. and other OECD countries, this paper describes the trends in youth employment, schooling, and training; examines alternative approaches for preparing youth for careers; discusses the special initiatives in OECD countries aimed at helping at-risk youth; and considers the implications of these findings for future approaches in the U.S.

This paper draws heavily on the OECD-sponsored conference held in early 1999 and focuses on four key questions.

1. What are the trends and patterns of youth employment and career preparation in the U.S. and how do they compare with those in other OECD countries?
2. How well do various OECD countries prepare most young people for careers? In particular, what is the role of vocational education, training, and work-based learning in the U.S. and various OECD countries?
3. What special initiatives have the U.S. and other OECD countries used to help economically disadvantaged and at-risk youth? How well have they succeeded?
4. What are the implications of the findings about youth problems and programs in OECD countries for U.S. youth policies and promising new initiatives that could be tested in a U.S. context?

### *Youth Employment Trends in the U.S. and Other OECD Countries*

The most important trend in the career preparation of youth across OECD countries is the rising level of formal education. In the OECD as a whole, the proportion of 18 year-olds attending

school rose from about 50 percent to 67 percent between 1984 and 1997; for 22-year-olds, school attendance jumped from 20 percent to 34 percent. Along with the rise in schooling is a decline in the proportion of youth neither attending school nor employed; between 1984 and 1997 this percentage fell from 16.5 percent to 11 percent among 18 year-olds and from 22.8 percent to 17.3 percent among 22 year-olds.

In many countries, the added schooling was a response to a negative trend, the worsening scarcity of jobs and accompanying unemployment. While OECD youth unemployment rates jumped substantially, job conditions for youth and unemployment trends have varied widely, with especially high rates experienced by France, Italy, Spain, and Greece and relatively low youth unemployment rates in Germany and Japan. Declines in youth employment in some European countries are striking. In France, for example, the employed share of 20 to 24 year-old men showed an astonishing decline from 74 percent in 1979 to 41 percent in 1997.

Young people in the U.S. are also increasingly likely to attend school and to complete at least some college. The proportion of 18 to 24 year-olds attending institutions of higher education rose from 32 percent in 1990 to 37 percent in 1998. Still, youth labor force participation remained stable, largely because of the rise in the share of students working or looking for work. Joblessness among young people has fallen to long-term lows as well. Black youth have increasingly found jobs; the unemployment rate of 20 to 24 year-old black workers fell from about 19 percent in 1989 to about 14 percent by the end of 1999. Nevertheless, some minority and disadvantaged groups of youth experience high unemployment.

Several OECD countries face major challenges in dealing with economically disadvantaged youth. As of 1996, 38 percent of the young unemployed had been without a job for at least a full year (Nicaise, 1999). In an editorial in the 1999 *Employment Outlook*, the OECD reports, "A hard core of young people experience prolonged periods of unemployment or joblessness interspersed with spells of low-wage employment. This group exists in most OECD countries and is characterized by multiple disadvantages, e.g., they often come from poor families, unstable family backgrounds, live in communities with high overall unemployment, tend to perform poorly in school, and often drop out of school early."

Concentrated poverty adds to the problems partly by weakening the ability of schools to raise educational outcomes. Poor school outcomes for some youth can ultimately bring down others, as peer pressure works against those trying to succeed. Weak career prospects of youth heighten social problems, such as high rates of unwed motherhood among young women. The geographically concentrated nature of these problems makes them hard to resolve on an individual basis. Low skills contribute much to the U.S. problem. Nearly 25 percent of 16 to 25 year-old U.S. youth scored in the lowest literacy group, a rate several times higher than Germany (5 percent), Belgium (6 percent), Netherlands (6 percent), Sweden (3 percent), and Australia (10 percent).

### *Preparation for Careers in OECD Countries*

Approaches to the preparation of young people for careers continue to vary widely across OECD

countries. Several OECD countries—including Germany, Austria, Denmark, Luxembourg, and Switzerland—use a dual system of employer-based apprenticeship and school-based vocational education. These countries use formal systems with recognized occupational qualifications for most of the young people who do not complete universities and even for some who do attend universities. Employers in these countries typically use the vocational qualifications embedded in the apprenticeship system to organize their jobs, recruit and retain their work force, and plan their training. The majority of young people focus on the attainment of occupational credentials; only a minority emphasize educational degrees as the primary vehicle for entering careers.

In contrast, other countries give priority to educational credentials. In these countries, youth are often judged based on their performance along an academic hierarchy. But educational credentials are often general, typically leaving only a loose relationship between education and specific jobs. Within the many countries emphasizing educational credentials, one group, including France, Italy, and Spain, provides a good deal of vocational education but with few solid linkages with employers. In these countries, youth unemployment rates are extremely high and high school students rarely combine work and schooling.

Japan is distinctive in relying on schools to sort students and on employers to provide occupational training (Mitani 1999). Sorting takes place as students enter one of several types of high schools. Firms give job offers to schools according to the rankings of the schools. Schools recommend students to employers, who rarely reject the school recommendations. This policy gives teachers a major influence on student career outcomes and gives even students not planning on post-secondary education an incentive to perform well in high school. Having learned enough in school to earn a recommendation, the student is prepared for the extensive training provided by employers.

The U.S. system is decentralized, offering only a modest and decreasing amount of school-based vocational education. Mechanisms for job-matching and training for occupational qualifications are informal and complex. However, like Canada, Japan, and Sweden, post-secondary education is relatively open, providing an incentive for young people to finish high school, especially since high schools do not offer work-based qualification alternatives. The system is also similar to that of Australia, New Zealand, and the United Kingdom, which all use upper secondary education mainly to identify and prepare candidates for university education.

The U.S. lacks well-recognized standards and meaningful credentials for vocationally-specific skills (Hamilton and Hamilton 1999). And, unlike Japan, no self-reinforcing mechanism operates in the U.S. to align the incentives of students, schools, and employers in ways that encourage students to work hard in school and give employers strong incentives to provide in-depth training for young, entry-level workers. The U.S. does have a flexible labor market in which people can move smoothly from one job to another, in which firms face few mandates that discourage hiring, and in which students can gain general work experience by taking part-time jobs while attending school. U.S. students have access to a continuum of post-secondary educational alternatives, including community colleges, state colleges, and selective state and private universities. They can move in and out of school almost at will. Unfortunately, while many gain valuable work experience in the process, few take jobs linked closely with their

schooling (Haimson, Hersey, and Silverberg 1998) and the majority of the cohort (perhaps 60 percent) end up with no meaningful qualification beyond a general high school diploma.

In the OECD as a whole, there is a broad recognition of the positive aspects of employer-based training, especially apprenticeships. As a result, several OECD countries are strengthening their career-oriented education and training systems. Norway, France, Ireland, the United Kingdom, and Australia have all taken steps to upgrade and to expand the amount of employer-based training in preparation for careers. In most cases, the emphasis is on programs with a significant apprenticeship or other employer-based training components.

The emerging OECD consensus on the value of apprenticeship programs is increasingly supported by policymakers and academic observers. Ryan (1999) stated in his closing remarks at the OECD conference that the German mass apprenticeship system is a leading example of institutional success. Gains for youth come in the form of lower joblessness and greater access to skilled work; the economy generates high stocks of intermediate skills vital to productivity. The key question posed by Ryan is not whether an apprenticeship system can be effective in modern economies, but whether national institutions can be developed to provide the infrastructure for such a system.

#### *Initiatives Aimed at High-Risk Youth*

Interventions aimed directly at improving outcomes for at-risk youth have yielded mixed results. Short-term training programs in the U.S. have failed to yield increases in employment and earnings of disadvantaged youth, but long-term interventions show more promise. Encouraging out-of-school youth to return to the educational system proved ineffective in some U.S. demonstrations, but the results look more promising in the Nordic countries. In Norway, special follow-up services involve school counselors, the public employment service, and health and welfare agencies. The program attracts youth using a combination of a trainee position within a firm (involving subsidized employment and/or on-the-job training) and schooling. Denmark, the Netherlands, and the United Kingdom are reaching unemployed youth by requiring active steps toward employability, such as training, subsidized work, and job search, as a condition of benefit receipt.

Job creation schemes for youth are common in the U.S. as well as other OECD countries, including France, the Netherlands, New Zealand, Austria, Italy, and the United Kingdom. Although few U.S. programs have documented long-term gains for youth, the benefits of youth job programs often outweigh the costs, as in the Youth Service Corps. Such programs seem to result in only modest substitution of public for private jobs, and they create useful public outputs, with dollar value estimates that can be defended. Moreover, direct job creation toward a community purpose also leaves participants with a great deal of satisfaction and with a credible reference. Evaluations of several OECD jobs initiatives show mixed results at best. In France, young participants in subsidized nonprofit jobs actually did worse in terms of earnings than they would have had they spent time unemployed before finding a regular position. In a study of a Swedish work program, evaluators again found evidence for a lock-in effect keeping youth in subsidized jobs when some would have found regular positions. One promising strategy,

highlighted at the OECD conference, is the Danish production school model. These schools integrate work and learning by providing training in the context of production, classroom education, and guidance. While no formal evaluations are available, most participants found their way into constructive activities.

### *Lessons from OECD Program Experience*

A strong consensus is emerging in most OECD countries that close institutional links between industries and schools are critical to aligning incentives of employers and youth so that employers are encouraged to hire and train students in career-oriented positions and students are encouraged to do well in school. Most countries are moving to strengthen vocational education, especially work-based programs that lead to a certification and involve work-based and contextualized learning. In fact, the U.S. is one of the few countries not taking aggressive steps to promote apprenticeships.

The lessons from programs outside the mainstream education and labor market systems are clearer from the U.S. experience. Programs closely linked with industry sectors and those that offer realistic pathways to careers look promising. Industry-specific linkages allow organizations to tailor their training to real jobs and careers and to make good on promises to participants. This, in turn, increases the incentive for participants to perform well. One industry-focused initiative involves developing certifications in 16 industry clusters.

From the perspective of the U.S. Government Accounting Office (GAO) (1996) and the U.S. Department of Labor (1995), the key elements for program success are:

- making sure participants are committed to training and getting a job;
- removing geographic, attitudinal, family, and other barriers to finding and keeping a job;
- improving the skills employers require of all workers, such as dependability, working in teams, taking instruction, and resolving conflicts sensibly;
- linking occupational skills training with the job market to make sure that employers can absorb successful graduates;
- integrating basic skills training with occupational training so that participants can learn by doing and can see the relevance of their skills; and
- using individual case management to mentor participants and to help them overcome temporary setbacks.

The lessons stated by Grubb (1999) and highlighted in the 1999 *OECD Employment Outlook* are to:

- understand the local labor market and target the jobs and careers with the most potential

for growth and advancement;

- develop an appropriate mix of academic (including basic or remedial) education with occupational skills and work-based learning, insuring the intensity of the academic and vocational education is appropriate to the jobs targeted;
- provide appropriate supportive services, including child care, counseling, and placement services;
- ensure that students have pathways to further education; and
- collect information about results and use the findings to improve quality.

Based on the experience of OECD countries, policymakers should recognize the following principles in developing future programs and demonstrations for youth.

- recognize the full context of an individual young person's environment and aspirations, not simply the labor component.
- emphasize programs that can help young people develop careers and not simply employment. Use a combination of academic and employer-based training linked to a skill certification.
- continue to provide options for community service employment, but require sponsors to do better in linking graduates to future education, certification, and career options.

The paper concludes by recommending examples of demonstrations that follow these principles.