

PRECARIOUS WORK AND HIGH-SKILLED YOUTH IN EUROPE

**edited by
Manuela Samek Lodovici
Renata Semenza**

FrancoAngeli



European Commission - Employment, Social Affairs
and Equal Opportunities Directorate-General -
Social Dialogue, Social Rights, Working Conditions,
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INTRODUCTION

This book seeks to contribute to the debate on precariousness and young highly educated workers in the European labour markets.

A high level of education has usually played an important role in protecting individuals against unemployment and underemployment. The data show that the protection effect of higher education has been eroded by the crisis. Possibly for the first time, during the current economic recession we are witnessing a waste of graduate human resources in most European countries.

Although inactivity and unemployment are more widespread among young people with low educational attainment, a growing share of young graduates are also ending up there, while those having jobs are increasingly employed in temporary and low-qualified positions. There are, however, appreciable differences across the European countries, the Southern European countries showing the worst labour market conditions.

The effects of precarious employment are particularly negative and persistent on young workers, as difficult early experiences of transition into work are likely to be associated with deterioration in long-term life chances (“scarring effect”). The prolonged labour market difficulties of young highly educated workers will also have relevant negative effects on the socio-economic growth potential of European countries. There is however little research on this specific segment of the labour force.

In this volume we present the main results of a research project “Trapped or Flexible? Risk Transitions and Missing Policies for Young High-Skilled Workers in Europe”, funded by the European Commission and completed in 2011. The research considers the labour market conditions of young people with tertiary education – ISCED level equal to or greater than 5 – who have been experiencing deskilling and unemployment in recent years, and it

provides an overview on the current European labour market conditions and policies for graduates, with specific focus on the UK, Spain and Italy.

The book includes a comparative analysis of the employment conditions of young highly skilled workers in the EU27 Member States (Chapter 2) and an assessment of the main measures adopted to support the employability of young workers including access to social protection (Chapter 3). The three in-depth country case studies (Chapters 4, 5 and 6) show different welfare and labour market regimes, affording a better understanding of the causes of differences and similarities in the labour market conditions of highly educated young people.

The analytical approach is based on the transitional labour market literature (Schmid, 2000, 2008), which assumes that the careers and life-cycles of individuals are neither linear nor standardised. The labour-market transitions analysed are the school-to-work transition, transitions between different types of standard and non-standard employment contracts, between employment and unemployment (or inactivity) and between work and other areas of life. Eligibility for welfare and unemployment benefits is also considered.

The research methodology consists in a comparative analysis of European countries based on available Eurostat data and literature and country case studies. The country case studies include a quantitative analysis of national micro-data and a qualitative investigation, based on in-depth interviews and focus groups. In-depth face to face interviews were conducted in each country with about 30 young people with tertiary-level educational qualifications who, at the time of the interview, were employed on temporary contracts. The aim of these interviews was to understand the labour market experience of the young workers interviewed, its effects on their private and family lives, their employment prospects and the specific risks they face. The results emerging from the interviews were then discussed in focus groups involving the main national stakeholders tasked with improving the working conditions of the less protected workers, and in particular those of young people. Representatives of the social partners, national vocational training institutions and universities, as well as social security institutions participated to the focus groups. Finally, the country case studies present an assessment of the policies adopted at the national level to support the employment conditions of young workers.

In the first Chapter we discuss the main research findings as well as some important research questions that arise from the analysis and call for further research.

PART I
THE EUROPEAN COMPARISON

1. PRECARIOUS WORK AND HIGH-SKILLED YOUTH IN EUROPE

*Manuela Samek Lodovici** and *Renata Semenza***

1.1. European comparative analysis: main research findings

The challenges faced by highly educated young workers present some similarities but also differences across the European countries, as shown by the comparative analysis and the national case studies.

Four main findings emerge from the comparative analysis.

The first is that for school leavers who find a job, temporary employment seems to be the norm in most European countries. Youth employment is generally characterised by high levels of temporary contracts, low wages, undeclared work and unpaid overtime, leading to a vulnerable position in the labour market, to some extent regardless of their educational attainment and skills. In fact, young highly skilled workers are also highly likely to be employed in temporary jobs. In some countries, and especially the Mediterranean countries, the incidence of temporary work for young highly skilled workers exceeds the average.

Secondly, temporary workers have been particularly hard hit during the recent recession and the relative concentration of temporary jobs among younger workers (15-24) has resulted in significant increases in youth unemployment and inactivity rates.

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The third finding is that the transition period between school and jobs which guarantee a stable income, career perspectives and social protection, tends to be fairly long in some European countries, also for the highly educated.

The evidence suggests that the expected time to find a permanent job is positively correlated with the overall strictness of regulation on permanent employment. This is particularly the case in those countries – such as Italy and Spain – that have adopted two-tier labour market reforms based mainly on the deregulation of entry contracts. But a similar trend is occurring in the UK, which represents the ideal-typical flexible labour market. Even in Member States like the UK and some Nordic and Continental countries, where young workers have better chances of moving into permanent contracts, skill mismatches remain frequent and the current recession has increased the incidence of precarious work and the time needed to find a stable job.

As we can deduce from the UK country study: “between 2007 and 2010 unemployment increased across all ages and qualification groups in the UK, but the young highly skilled have seen a particular increase in unemployment, temporary work and involuntary temporary work. During this period unemployment amongst 16-24-year-olds with ISCED Level 5 or 6 increased by just under three percentage points; the highest rise for any age group with a similar education level and the largest overall change for all adults”. The UK has also reported a significant increase in the length of time it is taking graduates to find employment (Eurofound 2011).

Finally, the qualification mismatch is becoming an ever greater challenge for most EU countries. In Southern Europe over-qualification among young people is considerable, and the educational level does not provide a guarantee against unemployment and/or precarious employment, with young graduates showing the highest unemployment and temporary employment rates, this being particularly the case in Italy and Greece.

The qualitative analysis, based on in-depth interviews with young highly skilled precarious workers, confirms the different conditions of young workers in the UK relative to Italy and Spain and the role of the flexicurity and welfare models in shaping the labour market position of young people. It also shows a general worsening of these conditions and of the skill mismatch in recent years of crisis in all the countries.

In Italy and Spain the situation of graduates with temporary jobs appears particularly critical as temporary contracts tend to generate something that resembles more a trap than a bridge towards regular employment, with negative effects on the other dimensions of life and the possibility to

conduct an autonomous life. In both countries, negative labour market experiences induce many young highly skilled workers to migrate abroad – the *brain drain* –, with the loss of qualified resources which could affect growth potentials when not offset by attracting equivalent skilled human resources from abroad.

Italy: precariousness and skill mismatch

In Italy the incidence of precarious work is growing especially among young highly skilled female workers. The school-to-work transition for highly educated workers usually takes the form of work experiences or internships that are often informal, without any type of contract. The wage penalisation for temporary workers is relatively high and growing.

Not all temporary contracts represent a stepping stone toward more stable jobs. While training contracts (apprenticeship and traineeship) are the best port of entry, freelance contracts are on the opposite end of the spectrum. Furthermore, the evidence suggests that for young workers entering the labour market on fixed-term contracts, it takes a fairly long time to move into a stable job.

Gaining access to jobs that guarantee a stable income, career prospects and social protection is the main concern for young highly skilled workers. Associated with this are the risks of deskilling, as indeed of stress and self-exploitation and the lack of protection in the case of illness, maternity and in old age.

The labour market experience of the interviewees is characterised by a blurring of the boundary between employment and unemployment and between contract types, with progressive overlap between home and workplace, which is particularly problematic for women.

The strategies adopted by young, highly skilled workers to cope with precariousness are mainly based on the construction of relational networks. Family support is particularly important in obtaining access to credit and independent housing.

Spain: random transitions in the labour market

In Spain, the situation is even more worrisome than in Italy, as the incidence and persistence of precarious work is still higher and characterised by “random transitions”. The employment trajectories do not seem to lead anywhere and the sensation of being trapped is so profoundly embedded that the interviewees assume that their different employment experiences will not help them to build any coherent profile. As a consequence, interviewees

expressed a high level of distrust about how the market economy actually works in the context of the general post-modern disenchantment with the social institutions.

Precarious work determines precarious living conditions and has knock-on effects on all the other dimensions of life. Some of the effects on young highly skilled workers include lack of motivation, deskilling and the devaluation of the concept of work, due to the temporary nature of every job experience. Low wages are also a crucial element that connects with the concept of the “1000 euros’ generation”.

The impacts on individuals’ lives heavily affect their capacity to find any sort of fulfilment. The inability to develop long-term plans is mirrored in the incapacity of these workers to leave their parent’s homes definitively and become full-fledged citizens. This also has repercussions on the creation of new families and households. And this generates demographic ripple effects on the labour market, pension system, etc.

The UK: longer labour market transitions and de-skilling

In the UK, the main issue for highly educated young workers lies in skill mismatch and over-qualification, rather than temporary work. Graduates move into employment relatively quickly after graduation; however, this is typically followed by an extended period of transition in finding good quality work in line with their qualifications. UK graduates do not typically enter forms of precarious work, but their first jobs are likely to be lower skilled and in fields unrelated to their degrees.

However, the current crisis years have increased unemployment, temporary work and involuntary temporary work among the young highly skilled as well as lengthening the transition period of the graduates towards jobs. Overwhelmingly, the graduates stated that they were on relatively low salaries, below their qualification level. Furthermore, lack of guaranteed hours and due period of notice impacts on the ability to plan in the short and long run.

The greatest concerns were that the jobs held were not securing work in the career areas they would like to pursue, with worries about the insecurity of temporary employment. Overall, however, most graduates regarded their current situation to be an outcome of their own choice: to suit lifestyles /taking first job offer/ or not applying for alternative positions.

To summarize, from the subjective perspective the research results show some dissimilarities in the way the problems are perceived by youths themselves. Various different national pictures have emerged, reflecting

different cultural approaches and differences in the institutional regulation models, especially evident comparing the two Mediterranean countries with the UK.

In Italy and Spain the prevalent problem which seems to affect graduates is conceived as the difficulty of access to the labour market and more importantly to permanent jobs. In this case, for most of the highly educated young workers the goals are still job stability and social security, taking a 'legal approach' to labour market problems that involves the institutional regulation model. In fact, non-standard flexible contracts and their associated precarious work conditions represent much more a trap than a stepping stone for individual career development.

On the other hand, the UK graduates, traditionally coping with higher levels of work mobility, underline rather the low quality of the jobs available in the labour market, not consistent with their skills, characterized by an increasing de-skilling process, especially in the service sectors. In this latter case a 'market approach' to the youth labour market problems is prevailing.

At the same time, there is a sort of ongoing common trajectory across the European countries, or indeed a sort of convergence of previous divergent regulation models. The Mediterranean conservative welfare capitalism countries, characterised by work-based social rights, have been liberalising employment conditions for the new labour market entrants. The same trend is setting in both the traditional 'coordinated market economies', as in Germany especially in the service sectors (Bosch and Lehndorff, ed., 2009; Gautié and Schmitt, ed., 2011), and in the liberal economies as in the UK, where the use of non-standard contracts is increasing. Contrary to expectations in the literature of the varieties of capitalism (Hall and Soskice, ed., 2001), the research findings thus indicate a lesser influence of the national institutions with regard to youth labour market regulation.

With the recent European economic developments the companies' hiring and human resources management behaviours are leading to fairly similar results. In fact, flexible and often precarious job conditions for the new generations and the increasing waste of skilled human capital can be seen as a general trend in Europe, especially during this 'great recession', with few exceptions. On the one hand, the intensive use of non-standard contracts represents an easy way to bypass the national institutional constraints, as other comparative researches have shown (Herrmann, 2008); on the other hand, also in the UK labour market the once structured entry path into many occupations and internal labour markets are becoming

“extended entry tournaments in which competition is spread over a much longer time period. Many of the aspirant members of these occupations compete for entry for too long and then become trapped as it is too late to change occupation” (Marsden, 2010).

Over-supply, also highly skilled, and greater competition for entry into the labour market have held down pay and worsened employment conditions. Often companies demand skills and competences they can use immediately, for a limited time, instead of those that could increase the firm’s innovation capacity in the long run.

1.2. Further research questions

The issues considered in the research and the main findings raise some crucial questions that call for further research.

One general question is *to what extent education still represents a protection against unemployment and underemployment risks.*

Rising educational levels have proved to be among the most important trends in the changing nature of the labour force through time.

In order to understand better the problems affecting the graduate labour market in Europe we have to consider a broader framework, including the potential interactions between higher education and occupational systems, with special focus on the role played by internships and apprenticeship in school-to-work transition, the development of labour demand and the national institutions for labour regulation.

From the economic perspective we can safely assume that the key drivers of the relative demand for more educated workers are linked to technological change – favouring highly educated and skilled workers – and heightened international competition, which has been detrimental to low-skilled workers, the so-called “superfluous workers” (Gans, 2011).

We know that the expansion of higher education is not driven solely by economic development and the qualification needs of the market – as argued in the theories of the sixties – but also by social and political considerations. Reforms have also been implemented, on one hand, by the public choice to move from elitist education systems to broader education opportunities as well as a growing general aspiration to social mobility, and, on the other hand, the expansion of higher education institutions was seen a chance to increase the power and prestige of National States and local communities.

In other words, we can say that the nexus between educational system growth and its influence on economic development has become more uncertain and the existing gap between demand and supply of high-educated human resources represents one of the possible explanations for the vertical skill mismatch (when available jobs do not require tertiary education) and horizontal skill mismatch (when jobs are not related to the field of study) to be seen now in the majority of European labour markets.

This raises a series of questions: to what extent is tertiary qualification still able to reduce the risks of unemployment and precariousness? To what extent do both the assumptions of the ‘human-capital theory’ in economics and the ‘educational-credentials theory’ in sociology still work?

Answering these questions requires analysis in greater depth to avoid facile generalisations and assess the long-term structural consequences of the current crisis for economic growth and social conditions.

Two main aspects are to be considered in a general perspective: the quantity and quality of labour demand and the characteristics of the higher education systems, especially in terms of their ability to meet rapidly changing labour market needs.

The *amount and quality of the demand for young high-skilled workers* is the first aspect.

Companies generally show a great heterogeneity in what they really want from the higher education systems in term of qualifications and skills. Company size and economic sector are probably the main determinants of the type of demand. For example, small enterprises tend to favour basic technical skills and are more oriented to the vocational track of tertiary education, rather than the academic track. On the other hand, medium-large enterprises often complain about the lack of social and relational skills, while they are normally satisfied with the technical knowledge of graduates. This is true especially in the service sector, where the demand for graduates includes decision-making ability and the ability to transform academic knowledge into appropriate working behaviour. Nevertheless, the demand for labour in the current service economy has become much more fragmented, volatile and difficult to plan than in the traditional industrial economies.

As we know, the youth labour force is on average more concentrated in the service sector (in EU-15 74% of young people aged 15-24), notably characterized by firms and work fragmentation, widespread application of non-standard and short-term contracts, a trend to increasing institutional de-regulation, and decline in the importance of the traditional labour market institutions, starting from the weaker role of the Unions (except in the public sector).

As well as high-skilled jobs, the so-called knowledge economy produces low-quality jobs in terms of protection, duration of work contracts, forms of self-exploitation – typical of second generation independent workers or professionals – and low wages.

The other aspect lies in the *characteristics of the European higher education systems* and their relationships with the labour market and its new challenges.

Until a few decades ago, universities and business were two separate worlds because the main goal of the ‘élite university systems’ was legitimately to tutor very few people and bring them to the value of high culture. It was the academics and scientists who decided how to transmit knowledge and what kind was to be disseminated and taught.

As long as Fordist production systems prevailed in most advanced economies, recruiting graduates with appropriate qualifications was not the main need of enterprises, with some exceptions in the case of managers and highly skilled engineers; most of the workforce needed only a low level of general education and received specific on-the-job training.

Not surprisingly, in Europe this scenario has completely changed over the last thirty years and these two separate institutions are necessarily seeking new cooperative practices and assets (Regini, ed., 2011). On one hand, when an ‘élite university system’ is transformed into a ‘mass university’ the verifying the learning outcomes and the graduates’ employability becomes a necessity. On the other hand the transformation of the European economies into post-industrial service and knowledge economies implies a closer relationship between educational institutions and the market.

None of the three countries considered in this study provide for real vocational or apprenticeship tracks comparable to the binary education systems firmly in place in countries like Germany, Austria, Denmark and Japan, which traditionally have the lowest youth unemployment and inactivity rates, and an undoubted competitive advantage as regards school-to-work transition. Instead, in the majority of higher education systems there are traditionally limited and poorly regulated internships in only some vocational sectors and very limited placement and occupational monitoring services.

However, some attempts have recently been made in this direction. In the UK the old universities are becoming more oriented to vocational academic training, like the new universities. One example is the introduction of “dual” degree courses, the so called “sandwich courses”, as an instrument to link academic learning and on-the-job training. However the trend in student

enrolment rates in these type of courses is negative: student orientation is towards the traditional academic tracks (Colombo, 2011).

In Spain higher level vocational training is mainly conceived as a second best choice for the drop-outs from the university system and for youths with intermittent educational careers. The Spanish model cannot be compared to other binary systems, also considering the generally lower prestige these vocational training institutions have within the educational system (Perotti, 2011). The Italian system is still lacking a higher vocational training track and can be considered entirely “unitary” as the traditional universities represent the only higher educational path. However, assuming that the employment difficulties of Italian graduates derive partly from the break in the links between study (academic-theoretical knowledge) and work, counselling and training services have been placed in Universities as well as internships, now included in all the academic courses. Enhancement of student employability and job placement was one of the main goals of the Bologna declaration (1999), which represents the beginning of a new era of European university reforms, towards common tertiary education policies (Semenza, 2011).

A second question relates to the *long-run effects of the current youth labour market difficulties*.

The increase in the use of numerical flexibility through fixed-term contracts, temporary agency work, job on call, occasional work, project-based work and collaborations, has given rise to concern over the quality of these jobs and about its effects on the workers’ employment and income prospects.

In many European countries a gap has developed between standard work (i.e. permanent and full-time-employment contracts), with its associated protections and guarantees, and any other contracts which provide access to limited welfare rights. Nonstandard work arrangements are in fact often characterised by job insecurity, low wages, scant career prospects and on-the-job training, and by a low level of social security; young people are far more likely than other groups to be employed in these non-standard, low-wage and unprotected jobs.

The early 1960s theory of labour market segmentation that differentiated between a primary employment sector, characterised by good jobs, good wages, and career perspectives, and a secondary one with poor jobs, low wages and insecurity – in contrast with the neo-classical economics idea of a unified labour market – still seems to represent young workers’ positions and their job opportunities.

Recent changes in the macroeconomic context, the ongoing economic crisis and labour market reforms enhancing flexibility have increased