

Summary

The level of unemployment among young people in Sweden has been high in recent years. This goes hand in hand with great media interest and many economic policy initiatives with a focus on the unemployed youth. Most likely, some of this interest stems from the possibility that a high level of unemployment among young people is a signal that many of them run the risk of future social problems related to the labour market.

The aim of this report is fivefold. The *first* aim is to investigate whether youth unemployment is a good overall measure of young people's labour market-related problems. In this respect, we are interested in the development over time, compared to older age groups in the labour market and to other countries. This discussion also clarifies what the measure of unemployment measures, and thereby also what it is less suited to measure. The *second* aim of the report is to identify alternative overall measures of young people's labour market-related outcomes. Do such measures follow the same trends as youth unemployment? A *third* aim is to describe in greater detail young people's establishment in the labour market in order to look for signs of the establishment process deteriorating in recent decades. The *fourth* aim is to identify and describe groups where establishment problems are more noticeable. How big are these groups and how have their situation changed over time? A *fifth* and final aim is to offer a basis for discussing appropriate initiatives to make it easier for young people to establish themselves in the Swedish labour market.

One overall observation in the report is that as a group, young people are very heterogeneous. By following young people's path through school, via their first contacts with working life, until they are established in the labour market, we see that for the average young person, this process does not appear to have become much

more problematic for those born around 1990 compared to those born in the mid-1970s. Most young people appear to have a path to working life that is relatively free from problems. However, we also see that this average conceals considerable variation. Some relatively easily identifiable (and in part overlapping) groups have significantly larger problems: young people with disabilities, young people with a foreign background, and young people without complete upper secondary grades.

The report shows that young people who at some point have had a disability resulting in reduced work capacity at the Swedish Public Employment Service, young people receiving activity compensation or disability allowance (partially overlapping groups) have a weak position in the Swedish labour market. In addition, there has been a negative trend since the early 1990s: a declining number of young people leave upper secondary school with complete upper secondary grades and ties to the labour market have deteriorated dramatically.

Our analysis also shows that young people with a foreign background have a weaker position in the labour market than those with a Swedish background. Young people born abroad who have immigrated in their late teens are especially vulnerable. Over time, for the group as a whole, however, we do not see that their position in the labour market has weakened. In contrast, the group has grown and constitutes a larger proportion of the young population today without the problems getting more pronounced for the average young person with a foreign background.

Young people without complete grades from upper secondary school similarly have a relatively weak position in the labour market. They enter the labour market considerably later than those with grades. We also show that among young people without basic eligibility for regular upper secondary school educational programmes who are referred to the upper secondary school individual programme (IV), few leave upper secondary school with grades.

Moreover, in an analysis, we, show that grades from upper secondary school are important in predicting future labour market outcomes.

Our analysis also shows that the choice of upper secondary education have an impact on when young people enter the labour

market. Young people who have completed a vocational programme enter the labour market earlier than those who have studied preparatory programmes for higher education. This can be explained by the fact that a majority of those who study a preparatory programme continue to higher education. However, in connection with completed tertiary studies, young people's earned income rises quickly and most students establish themselves rapidly in the labour market.

One of the aims of the report is to discuss whether youth unemployment is a good overall measure of young people's labour market-related problems. Our analysis indicates that the focus should shift from youth unemployment to other alternative measures of young people's unemployment problems, for instance the size of the group of young people who neither work nor study (NEETs). This measure identifies young unemployed people (who are not full-time students) as well as young people out of work who are not looking for work, and probably provides a better picture of which young people are at risk of more long-term labour-market related problems. Unemployment as measured in labour force surveys compared to the size of the group that neither works nor studies, shows roughly similar cyclical patterns. When unemployment rates rise, the group that neither works nor studies grows bigger. However, the trend toward a higher unemployment rate that we have seen since the early 1990s is not reflected in a rise in the proportion of young people who neither work nor study. In other words, we cannot see anything that clearly indicates that these problems have increased recently.

On the other hand, unemployment as measured in labour force surveys is the most relevant measure of the unemployment rate, since it best identifies the subset of unemployed individuals who are probably relatively close to the labour market. However, there are many pitfalls in interpreting the unemployment measure. For example, young people's labour force participation has dropped significantly in recent decades. In 2013, for example, 71 per cent of the 15–19 age group were outside the labour force (most of them studying). In the same year, the unemployment rate was at approximately 35 per cent. This does not mean that one in three young people were unemployed. Unemployment expressed as a proportion of the population in this age bracket was approximately

11 per cent. Among the 20–24 age group, 30 per cent were outside the labour force, unemployment was just under 20 per cent and the group constituted 13 per cent of the population.

In part for this reason, we argue that the unemployment rate is not suitable as a measure of how young people's problems and thereby the need for labour-market initiatives develop over time. The proportion of young people who neither study nor work is a simple, summarizing and more appropriate measure of how young people's labour market-related problems develop over time, and could be a rough indicator of the need for targeted initiatives.

The final aim of the report is to offer a basis for discussing appropriate labor market initiatives and since, according to our analysis, there are not many indications that the situation of young people on the Swedish labour market has deteriorated over time, or that the transition from school to working life is clearly problematic for most young people, we have drawn the conclusion that economic policy initiatives should probably not target all young people. An example that illustrates this is that the reduced employers' social security contributions for (all) young people only had moderate employment effects, according to calculations. Existing evaluations also indicate that early placement in labour market policy programmes for all young unemployed people risks prolonging the time to getting a job.

However, initiatives may be desirable and appropriate for the groups of young people who have substantially worse labour market outcomes than the typical ones. Our report focuses on young people with disabilities, young people with a foreign background, and young people without complete upper secondary grades. The situation appears to be particularly problematic for people with disabilities, where the outcomes are not only weak, but also tend to worsen over time. Economic policy initiatives should focus on measures limited to groups who face real problems establishing themselves in the labour market, such as young people with disabilities. Our analysis shows that it is relatively easy to identify such groups.

For these weaker groups, we can identify a number of margins where policies can make a difference. One such margin is the proportion of young people who leave compulsory school without the necessary qualifications for national upper secondary school

programmes. We can see clearly in our analysis that this group – whether born in Sweden or foreign-born, or with or without disabilities – runs an increased risk of encountering problems along the way between school and working life. In general, this indicates a need for early initiatives: early identification of those who risk failing in school and early initiatives to reduce the risk of failure. We also know that young people with a foreign background, young people with disabilities, and young people from homes with less experience of studying are overrepresented among those who fail in school. Knowledge about which groups that risk failure in school can be used when resources are being distributed between different schools.

We would also like to point out that, to our knowledge, initiatives inducing young people who have failed in school to return to school and obtain complete upper secondary school grades have never been evaluated. Thus, it is not certain that this would be an effective policy.

Another margin concerns problems of achieving complete grades from upper secondary school. In the report, we present research indicating that both substantial proportion of theoretical content in the vocational upper secondary school programmes and goal-related grades can constitute obstacles. There is also research indicating that the transition from school to working life is facilitated by vocational programmes being workplace-based, which very few Swedish vocational programmes at upper secondary level are. More workplace-based experience in vocational programmes could therefore be a way forward.

Another insight in the area of labour market policy is that most young people primarily need to look for jobs in a suitable way to ensure a reasonably smooth transition from school to working life. Initiatives other than helping and inducing young people to look for jobs should be reserved for the smaller group of young people who need more help. Based on our knowledge of labour market policy effects, we may normally expect initiatives such as work practice, education, intensified employment services or subsidised jobs to make it easier for those who might otherwise be at risk of or find themselves in long-term unemployment.

Existing evaluations of labour market policy indicate that labour market training generally has no more than moderate effects on

young people. This is natural, since most young people, even young people without complete upper secondary school grades, have educations that are that are up to date. Work practice programmes appear to work best for those who are relatively close to the labour market, since they give members of this group the opportunity to demonstrate their skills to potential employers. Intensified employment services and subsidised employment are the two types of initiatives that appear to be most effective for those who are far from the labour market, according to available research.

Our review of employment protection and wage formation indicates that strict employment protection and high minimum wages have negative effects on young people's establishment in the labour market. On the other hand, there is no research that we are aware of to indicate that these effects would play a major role. A rather tangible expression of this was the modest employment effects of reduced employers' social security contributions for young people, according to available research.

Finally, the report, stresses that more knowledge about why the labor market outcomes of young people with disabilities are deteriorating is desirable to enable us to shape better policy initiatives for this group.