

Youth, education and labour market in the Nordic countries – similar but not the same

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Preface

FAS has a coordinating responsibility for research on children and youth. In the framework of this responsibility, the Council occasionally takes targeted initiatives. The conditions for youth in education and working life are an area of much general interest. In the spring of 2007, the book *Utbildningsvägen – vart leder den. Om ungdomar, yrkesutbildning och försörjning* (*The education pathway – where does it lead. About youth, vocational training and earning a living*) (SNS Förlag) was published with funding from FAS and the National Institute for Working Life with Associate Professor Jonas Olofsson as editor. The book provides a background to issues that were addressed in the review of the organisation of upper secondary school, and particularly the role of vocational programmes, initiated by Government. The present report, written by Associate Professor Jonas Olofsson, Department of Sociology, Lund University and Professor Eskil Wadensjö, Swedish Institute for Social Research, Stockholm University, broadens the perspective to a comparison of training and labour market conditions for youth in a Nordic context.

Although the Nordic welfare models and education systems show major similarities, we also find that the pathways into, through and from training to working life differ in many respects. One such difference highlighted by the authors concerns how youth establish themselves in the labour market. Denmark and Iceland are more successful getting youth into a job. In Finland and Sweden, unemployment is higher while Norway occupies a middle ground. The authors also point to early experiences of unemployment potentially having a negative impact on employment later in life.

Purpose of the Swedish upper secondary school is to prepare students both for working life and further studies and to provide opportunities for personal development and active citizenship training. The question of the organisation and capability of upper secondary school to impart both general knowledge and vocational skills is repeatedly debated. The present report offers no final answers as to how upper secondary school and initial vocational training should be organised. It does, however, provide a good basis for continued and more penetrating debate. This also applies to the central task of upper secondary school to meet the training needs of socially marginalised groups and counteract socially skewed recruitment. It is the hope of FAS that this publication will provide a basis for continuing debate about youth, training and the labour market. This also includes the question of youth unemployment which remains highly topical despite a downward trend in recent times.

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Conditions for youth in the Nordic countries – similar but not the same

In many respects the Nordic countries resemble each other. Concepts such as *the Nordic model* and *the Scandinavian welfare policy regime* occur repeatedly in international studies of living conditions and welfare policy systems. Similarities between the countries include training and entry conditions for youth in the labour market. The proportion who complete a more extensive education is high compared to other European countries. The employment level is also high. In the 15-24 age group, the proportion who are inactive, i.e. outside both the education system and the workforce, is relatively low.

Closer examination nevertheless reveals major differences between the Nordic countries in the conditions for youth. In Denmark and Iceland, labour market entry conditions are very good for youth, also compared to countries outside the Nordic region. By contrast, Finland and Sweden have high unemployment and considerably lower employment levels also in a broader international perspective. Norway falls somewhere in between with considerably better labour market conditions for youth than Finland and Sweden.

Purpose of this study is to examine similarities and differences relating to a specific aspect of the welfare systems, i.e. vocational training at upper secondary school level or initial vocational training, and labour market policy measures to facilitate the entry of youth into working life. Here the experiences of the Nordic countries are not entirely similar. Education at the upper secondary school level shows many similarities, but also fundamental differences. Are these differences between countries reflected in the establishment pattern for youth and differences in unemployment levels and earning conditions? Are there differences from a fairness perspective, i.e. does the upper secondary school education contribute in different degrees to eliminate variations in educational outcomes and labour market access related to differences in social background, gender and ethnicity? While we do not claim to provide definitive or detailed answers to these two questions, we nevertheless hope to contribute ideas for further studies.

In the next section of our study we will examine how these issues are dealt with by youth research in the Nordic countries. What characterises the associations between youth unemployment and social exclusion? What significance is ascribed to vocational training and labour market policy with respect to labour market integration, earning conditions and social marginalisation of young people? Some main research trends will be presented and discussed.

While the study encompasses the Nordic countries, the premise for comparisons is to highlight a number of issues that are current in Sweden. The primary aim of the comparative approach is therefore to increase our understanding of the challenges faced by initial vocational training and labour market policy in Sweden.

Over the last ten years it has become more difficult for youth to enter the labour market in most of the established industrialised nations. Several studies indicate that absolute and relative youth unemployment has increased while the percentage who are working has dropped since the mid 1990s. At the same time the proportion of youth and young adults has diminished in the total population while knowledge and mobility requirements in the labour market probably

have increased; a factor which is assumed to favour younger individuals over the middle-aged and elderly.¹ The transition from school to working life takes ever longer. The dependency burden, measured as the number of persons in dependent age groups compared to the working age population, is increasing. This makes it more difficult to finance public welfare commitments. A detailed analysis of growth in the EU over the last ten years shows that lower youth employment is one of the factors responsible for reduced economic growth. On the other hand, growth has been positively influenced by increased employment among older workers (aged 55-64) and women.²

Research also suggests that negative consequences of unemployment and inactivity in early life may follow individuals throughout their life cycle. This is not only a matter of financial difficulties, but also of mental and physical ill health in the wake of more or less permanent social exclusion.³ Growing unemployment and increasing social gaps give rise to anxiety about earning a living in the future, a factor which can encourage political trends of an anti-immigrant or populist nature.⁴ In the longer term, extensive unemployment and social exclusion represent serious threats to democracy. This is evident not only from the experiences of mass unemployment in the 1930s, but also from the hardening anti-immigrant trends in several European countries in recent years. This is one reason why the right to work is a focal point in the UN Universal Declaration of Human Rights (Article 23).

1. A comparison of the Nordic countries

There are many marked similarities between the Nordic countries. In this introductory chapter, some fundamental features of their economies, labour market conditions and social welfare systems will be outlined as a background for the subsequent discussion of entry conditions for young people.

Economies

By accepted measures of economic development, the Nordic countries are successful. Figure 1 shows GDP development per capita in the years 1980 to 2006. In Denmark and Norway, per capita GDP is higher than in the other Nordic countries, partly because they were less severely affected by the economic crisis of the early 1990s. Norway's economic development has also benefited from the large amounts of oil revenue. Since the crisis years of the 1970s, Denmark has experienced stable and relatively high growth.

GDP per capita can be divided into two components: labour productivity per hour, and the number of hours worked per inhabitant. The latter can in turn be divided into the percentage of the population who are working, and the number of hours worked per employed person.

¹ Freeman, Richard & Schettkatt, Ronald, "Skill Compression, Wage Differentials and Employment: Germany versus the US", NBER Working Paper Series W 7610, 2000.

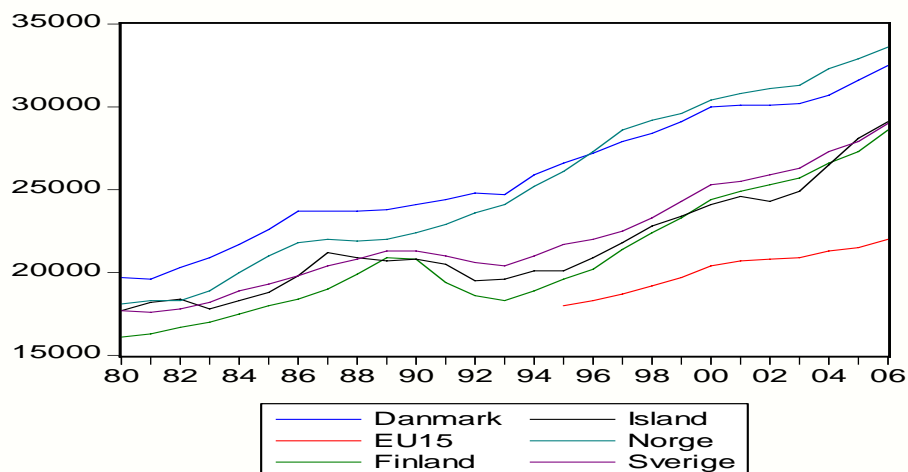
² See *European Economy Research Letter*, Vol. 1, Issue 2, 2007.

³ Jönsson, Leif Roland, *Arbetslöshet, ekonomi och skam – om att vara arbetslös i dagens Sverige*, Lund 2003; SOU 2003:92 *Unga utanför*; Angelin, Anna, "Utanförskapets pris – effects of långvarig arbetslöshet och bidragsberoende hos unga vuxna i Malmö", in Olofsson, Jonas (ed.), *Utbildningsvägen – vart leder den?*, Stockholm 2007; Bergmark, Åke & Palme, Joakim, *Welfare and the Employment Crisis. Sweden in the 1990s*, Östersund 2003; Nordström Skans, Oskar, "Har ungdomsarbetslösheten långsiktiga effekter?", *Arbetsmarknad & Arbetsliv*, No. 3, 2005.

⁴ *Racism and xenophobia in the EU member states. Trends, developments and good practice. Annual Report 2005 (Part 2)*, Vienna 2006.

Although Finland has experienced the strongest increase in labour productivity (production value per hour worked) since the early 1980s, employment development has been relatively weak and the growth in GDP per capita has therefore not matched the growth in labour productivity.⁵ Figure 1 shows that the Nordic countries overall have enjoyed fairly favourable development since the mid 1990s compared to EU-15. Continental EU countries have shown fairly weak economic growth.

Figure 1. Nominal GDP per capita in Euros (1995 price level), period 1980-2006.



Source: Eurostat.

Iceland is a small country with barely 310,000 citizens whose traditional dependence on the fishing industry remains strong. Close to 60 percent of exports consist of fish products and the fishing industry employs about 8 percent of the workforce. However, the sector of the economy which is based on Iceland's abundant access to hydroelectric power is expanding rapidly and the production primarily of aluminium, but also of ferrous silicate, is increasing. In recent years, Iceland has also expanded internationally in the financial sector. However, this sector employs few people. Employment within fishing and agriculture – the primary sector – exceeds 10 percent, which is about twice the proportion within EU-15. This, however, does not mean that Iceland is poorer or less developed than the other Nordic countries. On the contrary, Iceland in 2005 ranked fifth among OECD countries in per capita GDP corrected for purchasing power.⁶ It should be noted here that while labour productivity in Iceland is below the OECD average, the number of hours worked per person is considerably higher than in the other OECD countries, which results in a very high GDP per capita.

Another approach is to base the comparison on UN assessments of the standard of living in the countries of the world, the so-called Human Development Index (HDI), where GDP data are combined with variables that reflect health, education and equality.⁷ According to the latest HDI assessment, Norway ranks first, Iceland second, Sweden fifth, Finland eleventh and Denmark fifteenth. The Nordic countries thus all rank highly.

⁵ With respect to Sweden, productivity development was very weak in the 1980s but fully on a par with the other Nordic countries in the 1990s and early 2000s.

⁶ Statistics Iceland (www.statistics.is).

⁷ *Human Development Report 2006*. United Nations.

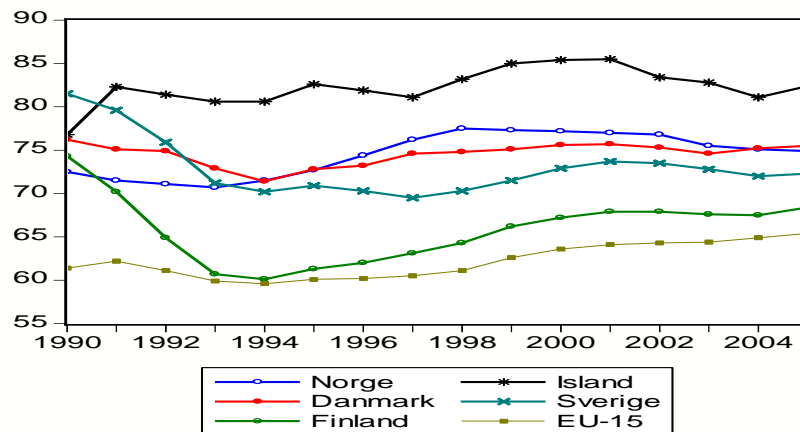
In Finland the proportion working in agriculture is also somewhat higher than within EU-15. The same applies to industrial employment which is close to 40 percent (2005).⁸

The opposite is true of Sweden and Denmark where primary sector and industrial employment is lower than within EU-15.⁹ This also applies to Norway where industrial employment is considerably lower and employment in the service sector higher than within EU-15.

Labour market

The employment level in the working age population is high in the Nordic countries. Figure 2 shows employment in percent of the adult population within the Nordic countries and EU-15 from 1990 forward.

Figure 2. Employment in the 15-64 age group within the Nordic countries and EU-15 in the period 1990-2005.



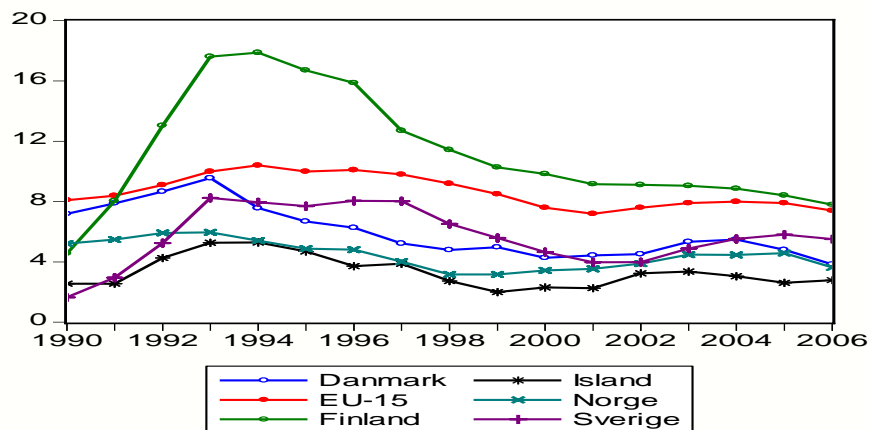
Sources: *Employment in Europe* 1998, 2002 and 2006 (European Commission), *Labour Force Statistics 1985-2005* (OECD) and *Employment Outlook* (OECD 1994, 1996, 1998, 2002, 2004 and 2006).

All Nordic countries have enjoyed a higher level of employment than the EU-15. Sweden and Finland suffered very severe job losses in the early 1990s. In both these countries, employment remains considerably below the 1990 level. In Norway the employment level is higher than in 1990, while in Denmark and Iceland it is roughly the same as in 1990. Iceland has by far the highest employment level in Europe. The proportion of younger (aged 16-24) and older (aged over 55) individuals who are working is considerably higher in Iceland than in other European countries. In 2005 the average actual retirement age was over 66 years in Iceland compared to just over 61 years within EU-15.

⁸ *Employment in Europe 2006*, p. 258.

⁹ *Employment in Europe 2006*, p. 262 and 283.

Figure 3. Open unemployment in the 16-64 age group in the Nordic countries and EU-15 between 1990 and 2006.

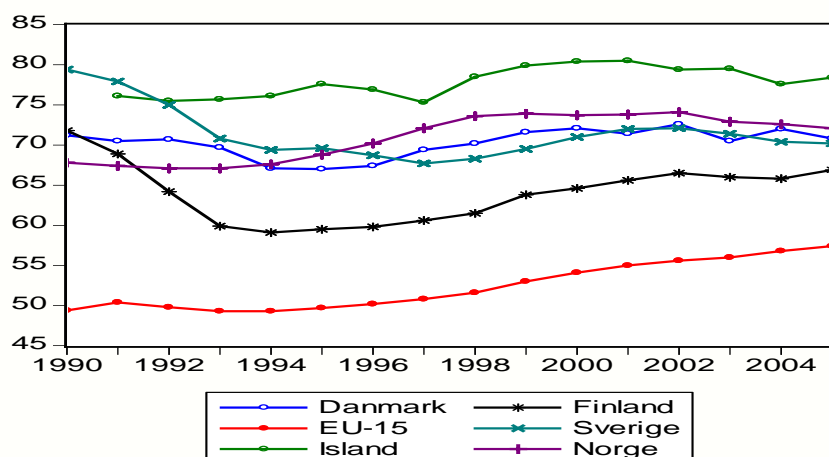


Source: OECD. Standardised unemployment levels.

Open unemployment is lower in the Nordic countries than within EU-15. The exception is Finland where unemployment reached very high levels in conjunction with the disintegration of the Soviet Union and the world economic crisis of the early 1990s. However, unemployment in Finland has gradually declined and in 2006 was equivalent to the average EU-15 level.

A high level of employment among women is characteristic of all the Nordic countries and closely linked to major investment in tax financed child and elder care, healthcare and education. From the welfare policy perspective there is much to suggest that the Nordic countries form a separate group compared to other European countries.

Figure 4. Employment level among women aged 15-64 in the Nordic countries and EU-15 between 1990 and 2005.



Sources: Employment in Europe 1998, 2002 and 2006 (European Commission), Labour Force Statistics 1985-2005 (OECD).

As shown in Figure 4, the proportion of employed women has been significantly higher in all Nordic countries than within EU-15. The decline in employment among women in Finland and

Sweden during the crisis years of the early 1990s is nevertheless clearly visible. No corresponding decline occurred in other countries. In Denmark, Norway and Iceland the employment level among women is on the contrary somewhat higher today than around 1990.

Welfare policy and social conditions

Government and municipal expenditure for services such as schools, child and elder care, social services, healthcare, police and defence is often measured as a percentage of GDP. In 2005, public consumption accounted for just below 27 percent of GDP in Denmark, just over 22 percent in Finland, just below 27 percent in Iceland, 22 percent in Norway and almost 28 percent in Sweden. Within EU-15 the corresponding share was just over 20 percent.¹⁰

The Nordic countries also allocate more to social security such as pensions and other social insurance, unemployment benefits and housing assistance than other European countries. However, with respect to Finland and Iceland the difference is not that significant. See Table 1.

Table 1. Expenditure on social security in Euros per citizen in the period 1995-2005.

	1995	2000	2005
Denmark	8,479	9,384	11,201
Finland	6,159	6,403	7,760
Iceland	3,796	6,437	8,266
Norway	6,927	9,911	11,750
Sweden	7,447	9,093	10,316
EU-15	4,996	6,210	7,130

Source: Eurostat.

However, high public costs for social security need not mean social wellbeing and small income differences. High costs can also be a reflection of high open unemployment or a demographic structure with a large percentage of dependent seniors. It is therefore important to relate sociopolitical expenditure to employment, unemployment, income spread and the poverty rate. We report data on income spread and poverty rate in Table 2.

Table 2. Income spread according to the 80/20 quotient and Gini coefficient and the poverty rate in 2005.

	80/20 quotient	Gini coefficient	Poverty rate
Denmark	3.5	0.23	12
Finland	3.6	0.26	12
Iceland	3.5	0.25	10
Norway	4.1	0.28	11
Sweden	3.3	0.24	9
EU-15	4.8	0.30	16

Source: Eurostat.

We see that the income spread is relatively small measured by the Gini coefficient and 80/20 quotient and that the poverty rate is low in the Nordic countries compared to other European nations. The Gini coefficient is a measure of how society's total income is distributed among

¹⁰ Shares of breakdown of GDP at current prices in percent (www.oecd.org, national accounts) and Eurostat (www.epp.eurostat.ec.europa.eu, national accounts).

individuals (or households) and assumes a value between 0 and 1. A coefficient of 0 means that incomes are completely evenly distributed among the citizens. A coefficient close to 1 indicates that the distribution is extremely skewed, one individual (or one household) having all of society's income. The 80/20 quotient shows the ratio between the fifth of households with the highest income, and the fifth with the lowest. The poverty rate is defined as the proportion of inhabitants who earn less than 60 percent of the mean income.

Within EU-15 the poverty rate is higher and the gap between low and high income earners greater measured by the 80/20 quotient. Income differences are even greater in the USA than within EU-15. USA has a Gini coefficient of 0.36 and a poverty rate of about 17 percent.¹¹ Other indicators of living conditions confirm the impression that social conditions are relatively equitable within the Nordic countries. OECD statistics show that the proportion of permanently poor, measured as the share of the population whose income is less than 60 percent of the mean for longer than three years, is low. In Denmark and Finland the proportions are 11 and 12 percent respectively, which may be compared to 19 percent in the United Kingdom and 21 percent in the USA.¹² The Nordic countries are at roughly the same level as the Netherlands, Germany and Austria, while the Southern European countries have a considerably higher percentage of permanently poor.

The size of the adult jail population is also strongly linked to income spread and social exclusion. International comparisons are usually based on the number in jail per 100,000 inhabitants. In Denmark this is 77, in Finland 75, in Iceland 39, in Norway 68 and in Sweden 78. This can be compared to 738 in the USA, 143 in the United Kingdom and 97 in Germany.¹³

After this introductory review of similarities and differences between the Nordic countries, we will now move on to our main topic: youth, vocational training and establishment in the labour market. We will start in the next chapter by describing entry conditions for youth against the background of labour market regulation in the Nordic countries.

2. Labour market conditions for youth in the Nordic countries

As observed in the introduction, conditions for youth are not uniform in the Nordic region but vary considerably from country to country. This becomes evident when we examine data on unemployment and employment.

Relative youth unemployment, i.e. unemployment among young people compared to unemployment among the middle-aged and elderly, has increased in most of the advanced industrialised nations in recent years.¹⁴ Within OECD, which comprises 30 industrialised nations with close to 1.2 billion inhabitants, the relative unemployment level in the 15 to 24 age group was 2.7 in 2005.¹⁵ Between 1995 and 2005, youth employment dropped from 43.6 to 43.3 percent. While the proportion of young in the education system did rise, there remained a considerable group of inactive individuals, i.e. persons who were neither studying nor in the

¹¹ *Society at a Glance* (2006), OECD Social Indicators.

¹² *Society at a Glance* (2006), EQ7. Poverty persistence.

¹³ *Society at a Glance* (2006), CO2. Prisoners.

¹⁴ Relative unemployment among youth is most often measured as the quotient of the unemployment rate in the 15 to 24 age group and the unemployment rate among workers in the 25 to 64 age group.

¹⁵ Quintin, Glenda & Martin, Sébastien, "Starting well or losing their way? The position of youth in the labour market in OECD countries", OECD Social, employment and migration working papers, No. 39, December 2006.

workforce. Those who do not complete an upper secondary school education gradually suffer increasing (negative) selection and become a socially disadvantaged group. On average about 15 percent of youth in OECD member countries leave school without completing an upper secondary school education.

Later we will discuss the situation in the Nordic countries. However, we will first present a few different explanations for the relatively high level of youth unemployment.

Causes of unemployment

There are several reasons why youth unemployment is high both in absolute terms and relative to adult unemployment. The most common are the following:¹⁶

Young people are new to the labour market. Like other groups in the same situation (recent immigrants; formerly also women returning to the labour market after a period of absence), many face an introductory period of job seeking and unemployment.

Youth who are working more often have temporary (time-limited) jobs. During operational cutbacks they are therefore in a weaker position since they generally have less seniority. They were last in and are usually the first to go. Far-reaching job security, regulated either by legislation, collective agreements or custom, can make it harder for new entrants in the labour market. Those who are already established and have permanent jobs are favoured at the expense of youth and recent immigrants.

- Far-reaching protection also makes hiring a major and long-term undertaking. This also increases the demand for reliable information about the applicant's likely performance level as an employee. Uncertainty about the applicants' productivity – and this type of uncertainty primarily affects youth and recent immigrants – reduces the inclination to offer them a job.
- Compared to middle-aged workers, youth are at a competitive disadvantage in the labour market by having less experience and therefore, all things being equal, a lower expected productivity. Unless it is compensated by lower starting wages for youth, this productivity differential can contribute to a high level of relative youth unemployment.
- Another factor often mentioned in studies on entry conditions for youth in the labour market relates to training. Generally speaking, educational requirements have been driven up and an incomplete upper secondary school education creates major problems in the transition from school to working life. It is therefore considered significant that the proportion who pursue and complete an upper secondary school education is increasing; a trend seen in most countries. However, there is often a residual group comprising between one-fourth and one-fifth of a cohort who at age 20 have not yet completed an education. This group is becoming increasingly vulnerable.

We will return to these factors when discussing the experiences of the Nordic countries. The primary issue is the importance of the education system. A vocationally focused and working

¹⁶ See e.g. Layard, Richard, Nickell, Stephen & Jackman, Richard, *Unemployment. Macroeconomic Performance and the Labour Market*, Oxford 2005 and Björklund, Anders, Edin, Per-Anders, Holmlund, Bertil & Wadensjö, Eskil, *The labour market* (3rd edition), Stockholm 2006.

life orientated education can help strengthen the competitive situation for youth relative to middle-aged and older workers, i.e. by reducing the expected productivity differential. Also, it is often felt that vocational training under apprenticeship forms could reduce the number of education failures and increase throughput which in the longer term would reduce the absolute and relative level of youth unemployment. We will also discuss some of the issues affecting relative wages for youth and the regulation of employment conditions.

Is youth unemployment a problem?

It has been a common perception that youth unemployment need not be seen as a particularly serious social problem. Even if youth are at considerably higher risk than middle-aged and older workers of losing their jobs, their periods of unemployment are usually quite short. Young people change jobs and addresses more often. Job changes separated by shorter periods of unemployment are not necessarily a bad thing. "Job shopping" can provide experience from various segments of the labour market.

There are, however, Swedish and international studies indicating that unemployment in early life can have detrimental effects on a person's labour market career and income throughout the entire life cycle. The value of educational achievements is rapidly degraded unless knowledge and skills are put to use. The latter applies especially when the rate of technological and organisational change in working life is as rapid as it is today.

Several international studies have noted that labour market trends over the last twenty years with rising educational requirements and increasing demands for company specific and social competence have been particularly detrimental for youth with their limited experience of working life as well as life in general.¹⁷ New ways of organising the work both in industry and the service sector, with less hierarchical management systems and more varied and customer orientated job tasks replacing strict division of labour, is often believed to disfavour youth and immigrants.¹⁸

Other factors nevertheless suggest that youth if anything should find it easier to make their mark in the new labour market. No previous generation has been so well trained, well travelled and linguistically proficient. The revolutionising effect of the new information technology on society should strengthen the position of young compared to older workers in the labour market. In addition, the relatively small size of the annual cohorts entering the labour market in the last ten years should have improved their chances.

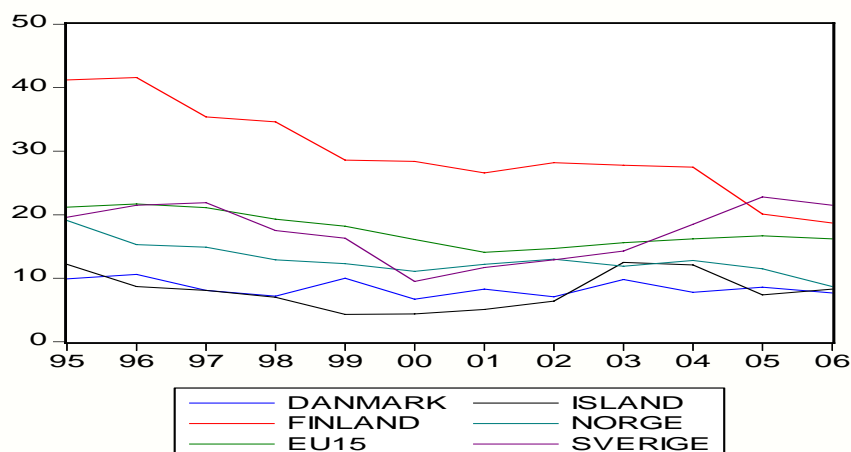
Absolute and relative youth unemployment in the Nordic countries

The question is then how youth unemployment has developed in the Nordic countries. Has the development in the Nordic countries deviated from the unfavourable trend seen in many other old industrialised nations? Figure 5 provides an overview.

¹⁷ *World Employment Report 1998-99. Employability in the Global Economy. How Training Matters*, ILO 1998.

¹⁸ Ohlsson, Rolf & Broomé, Per, *Generationsväxlingen och de sju dödssynderna*, Stockholm 2003.

Figure 5. Open unemployment in age groups under 25 within the Nordic countries and EU-15.

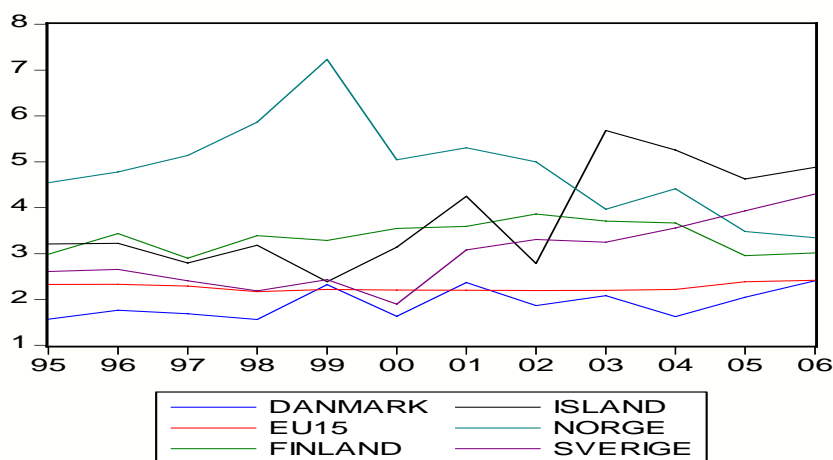


Sources: Eurostat and OECD. Data on unemployment in Iceland originate from OECD (Employment Outlook) and do not cover the entire period, as evident from the figure.

Unemployment levels vary widely, as the figure shows. While unemployment among youth and young adults (under age 25) has been very high in Finland, as in Sweden, the level has dropped and is now close to the EU-15 average. In Sweden a negative trend has developed since the late 1990s. In recent years, youth unemployment in Sweden has exceeded the EU-15 average. Denmark, Iceland and Norway have on the other hand seen considerably lower unemployment.

To gain an impression of the situation for youth in the labour market, we should also compare youth unemployment with unemployment among middle-aged and older workers, i.e. the relative unemployment level, and look more closely at the employment level among youth relative to the employment level among adults (aged 25-64). Data on relative youth unemployment are presented in Figure 6.

Figure 6. Relative youth unemployment (the proportion of unemployed in the workforce aged between 15 and 24/the proportion of unemployed in the workforce aged between 25 and 64).



Source: See information below Figure 5.

Figure 6 shows that within EU-15 youth unemployment is more than twice as high as among middle-aged and older workers (aged 25-64). In recent years, Denmark is the only Nordic

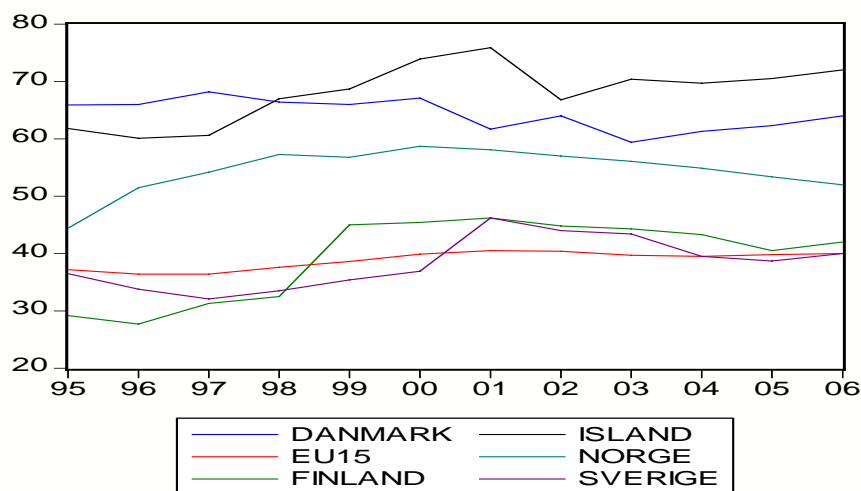
country where relative youth unemployment has been lower than within EU-15. In Norway and Iceland, relative youth unemployment has been considerably higher although we must remember that the youth unemployment level is much lower than within EU-15. The Swedish picture is rather less favourable. Here relative youth unemployment has increased in parallel with increased unemployment among the young. The unemployment level is about four times higher among those under age 25 than in the 25-64 age group.

However, when we compare the unemployment level in different age groups, it is important to take into account how large a share of the cohort is in the workforce. If 90 percent are studying and 10 percent are in the workforce, a 20% unemployment level within the age group, the way it is measured, i.e. as a proportion of the total workforce, means that 2 percent of all persons in this age group are unemployed. The fact that numbers are high for the cohort in the workforce when the majority are outside the workforce indicates that we are dealing with a narrowly selected group; a group with special problems.

Employment among youth

The youth employment level also varies considerably between the Nordic countries. One reason is that the percentage of students in the 15 to 25 age group varies and is developing differently in different countries.

Figure 7. Employment level in the 15-24 age group within the Nordic countries and EU-15.



Sources: See information below Figure 5. Eurostat statistics on Norway are incomplete for the early 1990s.

As shown in Figure 7, youth in Denmark, Iceland and Norway have enjoyed a clearly higher employment level than in Finland and Sweden. Levels in Finland and Sweden are very close to the EU-15 average. Is the proportion of students higher in Finland and Sweden than in the other Nordic countries? The answer is yes, but the differences are not very large. In 2004 the proportion of students in the 15 to 24 age group was 69.8 percent in Finland and 67.5 in Sweden compared to 66.0 percent in Denmark, 66.4 percent in Iceland and 63.8 percent in Norway. For comparison we can mention that the proportion of students in this age group was

59.1 percent within EU-15.¹⁹ Differences in the student percentage are not sufficient to explain the variations in employment level.

There is a fundamental problem with the comparability of the statistical data. In Denmark and Norway where large cohorts of youth undergo apprenticeship training, the employment rate becomes higher because apprentices are registered as employees while students in school-based vocational training programmes which dominate in Sweden and Finland (countries without extensive apprenticeship training) are not seen as part of the workforce.

The most important explanation of the differences is found in the varying proportion of inactive, i.e. persons who are outside both the workforce and the education system. In Finland and Sweden the inactive proportion among youth and young adults is higher than in the other Nordic countries. In Finland the inactive proportion in the 20 to 24 age group is 15 percent, in Sweden 12 percent, in Denmark 9 percent, in Norway 10 percent and in Iceland 5 percent.²⁰ Why does the proportion of inactive vary so much between the Nordic countries? One reason may be that employment opportunities differ for those who have not completed an upper secondary school education. The next question is then what proportion fails to complete an upper secondary school education. We will report on this in the next chapter. The proportion of inactive may also be affected by what labour market policy measures are instituted for the poorly educated and for youth who risk becoming stuck in a marginalised position. We will revert to this issue in chapter 5.

Regulation of the labour market

Compared to the Anglo-Saxon countries, labour markets are regulated in the Nordic countries. In a regulated labour market system, wages and employment conditions are determined not only by market rules or individual contracts. Collective agreements between partner organisations and/or government legislation play a major role. In recent years, a common perception has been that labour market regulation in the Nordic countries as in several countries on the continent contributes to reduced flexibility and eventually to lower economic growth.²¹ It has therefore been noted with surprise that the productivity trend has been positive in the Nordic countries since the early 1990s and easily on a par with countries such as USA and the United Kingdom, while the trend has been considerably weaker elsewhere in the EU.

There is research about the Nordic countries suggesting that labour market regulation can increase efficiency.²² Large comprehensive trade unions assume broader socioeconomic responsibility and do not oppose new technology; a culture based on the collective bargaining system promotes collaboration and counteracts conflict; and a relatively limited wage spread and long-term employment relations facilitate investment in specific occupational competence. High unemployment in general and high youth unemployment in particular has been linked to

¹⁹ Eurostat.

²⁰ OECD, *Education at a Glance 2005 and 2006*, chapter C. Access to Education, participation and progression. Table C4.4a.

²¹ Se e.g. Annekov, Anatoli & Madaschi, Christophe, "Labour Productivity in the Nordic Countries. A Comparative Overview and Explanatory Factors 1980-2004", European Central Bank. Occasional Paper Series No. 39, October 2005.

²² Se e.g. Agell, Jonas, "On the Benefits from Rigid Labour Markets. Norms, Market Failures, and Social Insurance", *Economic Journal*, February 1999 and Ahlberg, Kerstin, Bruun, Niklas & Malmberg, Jonas, "Anställningsskydd, rörlighet and tillväxt", in *Vägar till en öppnare arbetsmarknad*. The National Institute for Working Life yearbook, Stockholm 2006.

general conditions of supply and demand and changing qualification requirements, rather than to regulation of the labour market.²³

Examination of labour market relations in the Nordic countries reveals a number of variations closely linked to different traditions in terms of the respective responsibility of the government and partner organisations for regulation of the labour market. In Denmark and Sweden the partner organisations have regulated conditions in the labour market independently to a greater extent than in Finland and Iceland.

The level of unionisation is high in all Nordic countries. In Finland, Iceland and Sweden about 90 percent of wage-earners belong to a trade union. In Denmark the corresponding figure is about 80 percent. An exception is Norway where just over 50 percent are unionised. One reason for this relatively low level of unionisation is that unemployment insurance has been compulsory in Norway since the 1930s while it is linked to the trade unions in Denmark, Finland and Sweden (the so-called Ghent model). Unemployment insurance is voluntary in Denmark and Sweden and to some extent in Finland.²⁴

The level of unemployment benefits tells us something about the power relationships in the labour market. OECD regularly measures net compensation relative to lost wages for different types of households in various countries. The survey measures compensation during the initial period of unemployment limited to a maximum of twelve months. The latest survey applies to 2004 and shows that the Nordic countries are among those offering the most generous unemployment benefits. For a single person without children and wages corresponding to the national average before the period of unemployment, compensation amounted to 61 percent of wages in Denmark, 60 percent in Finland, 51 percent in Iceland, 66 percent in Norway and 77 percent in Sweden.²⁵

Research provides no clear answers to the question whether high benefit levels contribute to diminishing employment and raising the unemployment level. By contrast, most international comparative studies suggest that the length of the benefit period influences the unemployment level.²⁶ In Sweden, and even more in Denmark, the benefit level drops radically for those whose earnings exceed the national average. This is due to the relatively low income ceilings (maximum daily compensation level) in the Swedish and Danish unemployment insurance systems. However, the existence of various types of supplementary compensation should be noted.²⁷

²³ *Employing Youth: Promoting employment-intensive growth*, ILO, Geneva 2000.

²⁴ In Finland, unemployment insurance is tripartite. There is a compulsory basic compensation and a needs-based component. In addition there is an income related component which is voluntary. OECD – Social Policy Division – Directorate for Employment, Labour and Social Affairs. Country chapter – Benefits and Wages (www.oecd.org/els/social/workincentives).

²⁵ Net Replacement Rates for six family types: initial phase of unemployment. 2004, different earning levels. (www.oecd.org/els/social/workincentives).

²⁶ Lengthy compensation periods reduce search intensity among the unemployed and lead to reduced mobility in the labour market. See e.g. Bassanini, Andrea & Duval, Romain, “Employment patterns in OECD countries: Reassessing the role of policies and institutions”, Economic department working papers No. 486, 2006 (<http://www.oecd.org/eco>).

²⁷ In Sweden, besides unemployment insurance which is regulated by government and primarily organised by the trade unions, there are also other forms of compensation. See Lindquist Sjögren, Gabriella & Wadensjö, Eskil, *Inte bara socialförsäkringar – kompletterande ersättningar vid inkomstbortfall*, Report to ESS 2005:2 and Lindquist Sjögren, Gabriella & Wadensjö, Eskil, *Ett svårslagt pussel – kompletterande ersättningar vid inkomstbortfall*, Report to ESS 2007:1.

In all countries the proportion of employees covered by collective agreements is greater than the proportion who are members of trade unions: the agreements also extend to non-unionised workers. The prevalence of collective agreements is lowest in Norway where they cover about 70 percent of the workforce.²⁸ The coverage level in Norway, which is low from a Nordic standpoint, reflects not only the low unionisation level, but also the absence of legislation guaranteeing that the lowest wages in the collective agreements are applied to the entire industrial sector including non-unionised labour. In Finland and Iceland this is standard practice. In Denmark and Sweden the degree of collective agreement coverage and the strength of the partner organisations guarantees that agreements also extend to non-unionised labour.

There is no evidence that strong trade unions necessarily give rise to higher unemployment. An OECD study by Andrea Bassini and Romain Duval from 2006 indicates a weakly negative association between the degree of unionisation and youth unemployment in OECD countries. The same study also shows that corporate structures in the labour market, defined in terms of collective agreement coverage, reduce unemployment among both younger and older workers.²⁹

Relative wages

The question is then what effect regulated labour market systems have on the lowest wages in the labour market. Here we will use the concepts of starting wage, lowest wage and minimum wage. The starting wage level in relation to the average wage for experienced workers and white-collar employees can affect young people's ability to compete for vacant positions.³⁰ Table 3 shows the lowest wages relative to the average wage in the Nordic countries according to an American study from 2004. The ratio is sometimes called *the minimum wage bite*.

Table 3. Lowest wage as a percentage of the average wage.

Denmark	0.54
Finland	0.52
Norway	0.64
Sweden	0.51

Source: Neumark, David & Wascher, William, "Minimum Wages, Labor Market Institutions, and Youth Unemployment: A Cross-National Analysis", *Industrial & Labor Relations Review*, No. 2 2004. No data are available for Iceland.

²⁸ Dølvik, Jon Erik & Eldring, Line, *The Nordic Labour Market two years after the EU Enlargement. Mobility, effects and challenges*, Tema Nord 2006:558.

²⁹ Bassanini, Andrea & Duval, Romain, "Employment patterns in OECD countries: Reassessing the role of policies and institutions", Economic department working papers No. 486, 2006 (<http://www.oecd.org/eco>).

³⁰ The findings of an international comparative study from 2004, to which we will revert, include a very strong and significant negative association between increases in the minimum wage and changes in unemployment levels in the 15 to 24 age group. The study comprises 17 countries, among them the Nordic countries excluding Iceland, and covers the period from the mid 1980s to the year 2000. However, the findings show negative employment effects to be greatest in countries with unregulated labour market systems, i.e. where trade unions are weak, collective agreements have limited application, and active labour market policy plays a relatively limited role. Neumark, David & Wascher, William, "Minimum Wages, Labor Market Institutions, and Youth Unemployment: A Cross-National Analysis", *Industrial & Labor Relations Review*, No. 2, 2004.

By comparison we can mention that the corresponding figure for France and Germany is respectively 0.62 and 0.58. The Nordic levels are not particularly high compared to countries on the continent. On the other hand, the lowest wage levels are considerably higher than in countries with liberal labour market systems such as the United Kingdom and USA. In those countries the minimum wage is respectively 0.42 and 0.36 of the average wage.

The data on minimum wages presented above have been questioned by Per Skedinger who in a study for the Institute for Labour Market Policy Evaluation (IFAU) investigated the lowest wages in Sweden in different sectors of the economy in 2004.³¹ His results suggest that the Swedish minimum wage on average is considerably higher than shown in certain international comparisons, e.g. those presented in Table 3. Although Skedinger compares minimum wages in selected countries in 2004, Sweden is the only Nordic country included. Information about Germany is also missing. Skedinger states minimum wages in Swedish kronor (SEK) per month. Wages are adjusted for differences in purchasing power between the countries. According to Skedinger's data, the Swedish minimum wage in seven collective bargaining areas falls within the range of SEK 12,790 to SEK 15,340 per month. This can be compared to SEK 11,780 in France, SEK 11,290 in the United Kingdom and SEK 8,630 in USA.

Per Skedinger's data suggest that the minimum wage level in Sweden is relatively high; higher than the level reported by Neumark and Wascher (2004). The question is then what effect the minimum wage has on the ability of youth to enter the labour market. In theory, high entry wages can have a variety of effects. High relative wages can induce youth to drop out of studies and look for work, i.e. lead to increased job opportunities for the young. High entry wages can on the other hand affect the demand for young workers by making them less competitive in the labour market since their productivity is often lower than that of middle-aged and older workers. However, it is not a given that minimum wages lead to diminished demand. If the youth are found in labour market segments characterised by monopsonic power, i.e. a dominant employer, increasing the minimum wage can result in higher wages as well as higher employment among the young. The question whether raising the minimum wage for youth leads to reduced or increased demand is one of the most hotly debated issues within labour economics research in recent years, especially in the USA.³²

The question is whether high minimum wages are an impediment which expresses itself in generally high unemployment levels and low employment in the Nordic countries. As noted above, no such pattern can be discerned. The differences between the Nordic countries are difficult to explain in terms of differences in minimum wages. Data on the aggregate level are also too crude to permit identification of any meaningful relationships.

High entry wages should – if there is indeed a negative association to employment – above all affect persons with a weak educational background, i.e. those relegated to the least qualified jobs. A high minimum wage could lead to a more limited labour market for such individuals. We can test the association by means of OECD statistics on the unemployment rate for groups with different education levels.

³¹ Skedinger, Per, *Hur höga är ingångslönerna?* IFAU Report 2005:18.

³² See Björklund, Anders, Edin, Per-Anders, Holmlund, Bertil & Wadensjö, Eskil, *The labour market* (3rd edition), Stockholm 2006, for a review of the arguments and references to the most important contributions to the debate. A modern standard work on monopsony in the labour market is Alan Manning, *Monopsony in Motion. Imperfect Competition in Labor Markets*, Princeton 2003.

Table 4. Employment rate in the 25 to 64 age group by education level in 2005.

	Compulsory school	Secondary school	College/university
Denmark	60	80	86
Finland	58	75	84
Iceland	52	88	92
Norway	64	82	89
Sweden	66	81	87
EU-19	53	74	84
OECD	56	75	84

Source: OECD, *Education at a Glance 2007*, Table A8.3a. EU-19 consists of EU-15 plus Poland, Slovakia, Czechia and Hungary.

Data in Table 4 do not support the hypothesis that countries with relatively high minimum wages such as Sweden and the other Nordic countries would have a relatively low employment rate among the least educated, those without a complete upper secondary school education. In countries with limited wage spread the employment rate is fairly high, especially among the most poorly educated. This suggests that factors other than relative wages and job security are significant for variations in labour market conditions between different countries. Since we are here especially interested in studying the entry conditions for youth, a natural starting point is to examine the educational conditions. How is education organised and what do we know about student throughput at the upper secondary school level in the Nordic countries?

3. Educational organisation and student throughput

As shown above, the Nordic countries are characterised by high educational participation. International statistics show that the expected period in education for children at five years of age is among the highest in the world: 19.0 years in Denmark, 20.0 years in Finland, 19.7 years in Iceland, 18.4 years in Norway and 20.3 years in Sweden. This may be compared to 16.9 years in USA, 17.6 in EU-19 and an average of 17.4 years among all OECD member states.³³

This means that a considerable part of the population consists of full-time students. In the European countries, the average proportion of full-time students is between 20 and 25 percent. In the Nordic countries, excluding Denmark, the proportion exceeds 25 percent. In Iceland the figure is actually over 30 percent.³⁴ One reason for the extremely high student population in Iceland is that the percentage of youth is considerably higher than in the other Nordic countries. Iceland and Ireland are the only countries in Western Europe where the under 30 age group represents more than 45 percent of the population. In Denmark, Finland and Sweden the proportion is 36 percent and in Norway 39 percent.

The average level of education

The average education level is high in Denmark, Finland, Norway and Sweden. See Table 5. This applies both to the proportion aged 25-64 with a complete upper secondary school education, and the proportion with experience of education at the college or university level. In Iceland, a considerably higher proportion lack an upper secondary school education. There are several reasons. One is that the proportion who went on to upper secondary studies after

³³ OECD, *Education at a Glance 2006*, Paris.

³⁴ Eurodice, *Key Data on Education in Europe 2005*. Figure C10. European Commission. Luxembourg (<http://www.eurodice.org>).

compulsory school for a long time was lower in Iceland than in the other Nordic countries. In 1980 the proportion was only 60 percent versus over 90 percent today. Adult education has furthermore been far less developed in Iceland than in the other countries.³⁵ There is no legislation concerning adult education and municipalities are not obliged to offer such education. What education is offered, is provided entirely with municipal funding.

Table 5. Percentage of women and men aged 25-64 with upper secondary school education and post-secondary education in 2005.

	<i>Upper secondary school education</i>		<i>Post-secondary education</i>	
	Women	Men	Women	Men
Denmark	80	82	36	31
Finland	81	77	39	30
Iceland	58	67	34	27
Norway	76	78	35	30
Sweden	86	82	34	25
EU-19	67	69	24	23
OECD	66	69	26	26

Source: OECD, *Education at a Glance 2007*. EU-19 consists of EU-15 plus Poland, Slovakia, Czechia and Hungary.

It should be noted that the data in Table 5 tell us nothing about how many individuals have completed an education since those included in the category "with upper secondary school education" in EU and OECD statistics may not have completed an education leading to eligibility for post-secondary studies. Among 20 year-olds in Sweden, only 75 percent have a graduation diploma from upper secondary school and 65 percent an education that makes them eligible for continued studies at a higher level. Data on the proportion with post-secondary education likewise do not show how many have obtained an undergraduate degree.

A couple of observations can be made on the basis of Table 5. The proportion of the adult population with upper secondary school and university education has risen very rapidly in recent years. The most important explanation is that cohorts entering working and adult life in recent decades have been far better educated than what was usual before. The proportion who embark on upper secondary school studies after compulsory school exceeds 90 percent in all Nordic countries. The highest increase has occurred in Iceland. Continuation to post-secondary studies has also risen sharply, above all in the last ten-year period. Since 1995 the number of students has risen by 49 percent in Denmark, 29 percent in Finland, 92 percent in Iceland, 27 percent in Norway and 61 percent in Sweden.³⁶ It should be noted that this increase has occurred despite a numerary decline in the age groups around 20 years in Denmark, Norway and Sweden. In Finland the number is unchanged while in Iceland the number of persons in these age groups has risen slightly.

³⁵ *The Education system in Iceland*. Ministry of Education, Science and Culture: Monograph 6. Reykjavík 2002.

³⁶ OECD, *Education at a Glance 2006*. Table C2.2.

Table 6. Proportion of students in the 15-19 and 20-29 age groups. Full-time and part-time students at all education levels in 2005.

	15-19 years	20-29 years
Denmark	85	38
Finland	87	43
Iceland	85	37
Norway	86	29
Sweden	88	36
EU-19	85	25
OECD	82	25

Source: OECD, Education at a Glance 2007. Table C2.2. EU-19 consists of EU-15 plus Poland, Slovakia, Czechia and Hungary.

Table 6 shows that a higher proportion in the relevant age groups are students in the Nordic countries than generally in the OECD area. However, the trend towards a growing proportion of students among both youth and young adults is common to most countries. This also indicates that countries are increasing the allocation of tax revenue for funding of education. See Table 7.

Table 7. Public education expenditure at all levels as a percentage of GDP in 1985 and 2003.

	1985	2003
Denmark	6.2	7.0
Finland	5.8	6.1
Iceland	4.3*	8.0
Norway	5.1	6.6
Sweden	5.3	6.7
OECD	-	5.9

* 1990 level.

Sources: IES, National Center for Educational Statistics. Digest of Education Statistics Tables and Figures. US Department of Education (<http://nces.ed.gov/program/digest>).

The most dramatic increase has taken place in Iceland where educational expenditure as a share of GDP almost doubled from 1990 to 2003. However, public education expenditure has also risen sharply in Norway and Sweden. The increase in expenditure as a share of GDP applies above all to post-secondary education. Iceland alone has seen a marked increase in public expenditure for compulsory and upper secondary school education since the late 1980s.

Educational organisation at the primary and secondary school level

The structure of the compulsory school system does not differ much between the Nordic countries. In Denmark, Finland and Sweden, compulsory school education is nine years while it is ten years in Norway and Iceland. However, a tenth year of school is common in Denmark and Finland for those who do not yet qualify for upper secondary school studies or require more preparation, which means that studies at secondary school level only start at age 17. In all countries, students otherwise leave compulsory school at 16 years of age. As previously mentioned, nearly all students go on to upper secondary school studies.

Compulsory school institutions are governed by state legislation which sets out educational goals and standards in detail. Practical responsibility for implementation is, however, decentralised to the municipal and regional (“amt”, “fylke” etc.) level. Activities are subject to management by objectives, i.e. state education authorities review the activities to ensure that the education meets set objectives and follows established rules. In the Nordic countries, as in

other European countries except Belgium and the Netherlands, private education providers are a fairly limited element at the compulsory school level.³⁷ Denmark has a tradition of association-related or privately administered education and the proportion of compulsory school students in these institutions exceeds 10 percent.³⁸ In Sweden the proportion of students outside the public education system has increased since the independent school reform of the early 1990s and now stands at between 6 and 7 percent. There are practically no private school students in Finland, Iceland or Norway. It should be emphasised that private independent schools are subject to the same rules as public schools and are funded from tax revenue. Tuition fees at the compulsory school level are not permitted in any Nordic country.

While the compulsory school structure is fairly similar in the Nordic countries, differences are all the greater when it comes to upper secondary school education. In the next chapter we will describe differences in vocational training in greater detail. Here we will confine ourselves to highlighting some general characteristics.

Denmark has no integrated upper secondary school. The organisation of secondary school education can roughly be divided into three categories. Firstly there is a generally orientated and preparatory upper secondary school education which concludes with matriculation and gives access to college and university studies. Secondly there are business and technical schools offering training programmes that likewise are seen as general or academically orientated upper secondary school education. These also conclude with an examination which gives access to post-secondary studies. About 30 percent of an annual cohort will choose the first-named education pathway and 15 percent the latter. In addition to these education categories, vocational training constitutes a third main format. This usually involves a four or five year programme characterised by alternating periods in vocational school and at a workplace. There are also shorter vocational training programmes with lower requirements in terms of academic subjects. About 40 percent of an annual cohort will choose vocational training. They are employed under an agreed apprenticeship contract and receive wages during their training.³⁹

Finnish secondary school education is also divided organisationally between general academic and vocationally orientated schools. While the first-named schools are preparatory to academic studies, vocational training programmes also provide access to further studies at institutions such as technical colleges. In the framework of vocational training there is also the option of apprenticeship training, although most of the vocational training follows a school-based format. In 2005 about 55 percent of new students chose a general academic upper secondary school education and 38 percent vocational training.⁴⁰ Most others opted for a tenth so-called basic year of schooling, i.e. an immediate augmentation of compulsory school.

Iceland offers four types of upper secondary schools. Firstly there are high schools where the education concludes with matriculation which serves as an entry ticket to university studies. Secondly there are special vocational schools that offer training which leads to a certificate of competency, i.e. examinations that provide access to regulated occupations. Thirdly there are integrated upper secondary schools which offer academically orientated programmes as well as

³⁷ In the Netherlands the proportion of compulsory school students attending independent schools was close to 70 percent in 2004 while the proportion in Belgium was about 55 percent.

³⁸ *Private Schools in Denmark*, The Danish Ministry of Education (<http://www.uvm.dk/cgi/>).

³⁹ *Facts and Figures 2005. Education Indicators Denmark 2005*. The Danish Ministry of Education (<http://pub.uvm.dk/2005/facts>).

⁴⁰ *Structures of Education, Vocational Training and Adult Education systems in Europe. Finland 2007* (www.eurydice.org).

vocational training. Finally there are schools with a specific focus which offer programmes directed towards more narrowly defined areas of occupation, among them the traditional trades. In Iceland it is also common for vocational training to be organised as apprenticeship training. According to EU statistics, just under 65 percent of students who commenced upper secondary school studies in 2002 chose a general programme while over 35 percent opted for vocationally orientated training.⁴¹ In Iceland as in the other Nordic countries, youth have a legally enshrined right to upper secondary school education.

Norway like Sweden has an integrated upper secondary school. This means that academic education programmes aimed at college and university level studies are integrated with vocational training programmes. They are jointly regulated since 1998 by the Education Act. Since 1994 all youth have the right to an upper secondary school education that provides admission to university studies. Following an educational reform in 2006, there are today three education programmes that provide admission to studies at the college and university level and nine vocationally orientated training programmes. The vocational programmes do not automatically give admission to further studies, but students can take supplementary courses to qualify for such admission. While programmes preparatory for further studies follow a three-year curriculum, the vocational programmes are four or five years in length. Two years in a school environment are followed by apprenticeship training at a workplace for the remainder of the training period. In 2004 about 60 percent of students were enrolled in a vocational training programme.⁴²

Differences and similarities in educational organisation

As indicated, the organisation of upper secondary school education shows a number of similarities in the Nordic countries. Education is mainly provided under government administration and to the extent that independent schools exist, which is most common in Denmark and Sweden, they are subject to government regulations and primarily funded by tax revenue. In all countries education aims to prepare students for an active role in society, regardless whether their goal is further studies or immediate entry into working life. Upper secondary school education is a right for all youth who meet the admission criteria, i.e. have completed their compulsory school education, and the vast majority of those who graduate from compulsory school proceed immediately to upper secondary school education. In all the Nordic countries, over 90 percent of an annual cohort will embark on an upper secondary education.

But the differences are many, as we have already pointed out. In Finland, Norway and Sweden education is integrated, i.e. academic and vocational programmes are gathered into a single educational organisation. In the two other Nordic countries, preparatory academic studies and pre-vocational training are separate school forms. Differences are also considerable in terms of the organisation of vocational training. Sweden has practically no apprenticeship training.⁴³ In

⁴¹ Eurydice, *Key data on education in Europe 2005*, Figure C9: Distribution of upper secondary (ISCED 3) students by programme orientation (general or vocational) overall and by sex, 2001/02.

⁴² NOKUT, *Norwegian Agency for Quality Assurance in Education: Primary and Secondary Education* (<http://www.nokut.no/sw21594.asp>).

⁴³ Vocational training in the Swedish upper secondary school has undergone numerous changes. At present (October 2007) an ongoing public enquiry is intended to provide a basis for an entirely new educational structure: larger elements of apprenticeship training and vocational training which not necessarily leads to general university admission. The public enquiry is due to present its final report in March 2008. However, local elements of apprenticeship training were already being encouraged in autumn 2007 through a trial programme initiated and funded by the government.

Denmark, Iceland and Norway on the other hand, most vocational training includes elements of apprenticeship training. Apprenticeship contracts are regulated via collective agreements and apprentices receive wages during their training. Apprenticeship training also occurs in Finland where it is regulated through special agreements that govern employment conditions and wages. In Finland and Sweden, all upper secondary school education, including vocational training, aims to make students eligible for college and university studies. This is not the case in the other Nordic countries. On the other hand, all students in vocational training have the option of taking supplementary courses to qualify for studies at a college or university.

There are also other important differences. In Iceland, in contrast to the other Nordic countries, it is permitted to impose term fees on students.⁴⁴ It is not permitted to charge for school books or other study materials in Sweden, but this is allowed in the other countries. Other study materials include clothing and equipment used in vocational training.

Student financing conditions also vary between the countries. In Iceland, no student grants (child allowances) are given to persons over the age of 16 years. On the other hand, special student loans are available for students who choose vocational training at upper secondary school level. Finland also offers upper secondary school students the option of applying for student loans, but here they are supplemented by a general student grant. Norway offers grants as well as loans to upper secondary school students, but both types of funding are means tested. In Denmark the minimum age is 18 years for a combined system of grants and student loans. Danish study financing is one of the most generous in the world.⁴⁵ In Sweden, upper secondary school students receive a student grant equivalent to the child allowance. The grant is considerably lower than those provided in Denmark and Norway but is on the other hand not means tested. While no student loans are available, the student's parents can apply for a means tested housing allowance and/or social assistance. Apprentices in Finland, Iceland and Norway receive wages and those who undergo apprenticeship training in Denmark receive wages throughout their training. Under the Swedish Upper Secondary School Ordinance, students are not permitted to receive wages while studying.

The upper age limit for participation in upper secondary studies also separates the Nordic countries. Most students are between 16 and 19 years of age in all the countries and only Sweden has an upper limit for starting upper secondary school studies at age 20. Denmark has no upper age limit and in Norway older individuals with an incomplete education are likewise entitled to seek admission to upper secondary school.

Differences in throughput

As we could see from the data in Table 5, the proportion who complete an upper secondary or post-secondary education is high in all the Nordic countries compared to the average within EU-15 and the OECD area. However, this does not signify a lack of differences between the countries in terms of the proportion of youth cohorts who have completed an upper secondary school education by age 20. The differences are major, as shown in Table 8.

⁴⁴ In Iceland, tuition fees are maximised at €100 per academic year. *Structures of education, vocational training and adult education systems in Europe. Iceland 2003* (www.eurydice.org). For students in vocational training, additional fees for working materials are maximised at €300 per term.

⁴⁵ Eurydice, *Key data on education in Europe 2005* (www.eurydice.org), Figure D16.

Table 8. Percentage of students who complete their upper secondary school education (2004 data) on schedule and percentage of 20-24 year-olds with a complete upper secondary school education in 2002.

	Percentage who complete their upper secondary school education on schedule	Percentage of 20-24 year-olds with a complete upper secondary school education
Denmark	90	80
Finland	90	86
Iceland	84	51
Norway	95	85
Sweden	78	87
EU-19	83	
EU-25		77
OECD	81	

Sources: OECD. Education at a Glance 2006 and Eurydice. Key data on education in Europe 2005. Figure F2 (www.eurydice.org). EU-19 consists of EU-15 plus Poland, Slovakia, Czechia and Hungary. EU25 comprises member states as of May 2004.

Data in Table 8 should be interpreted very cautiously. As in the earlier tables containing comparative education statistics, the information is based on *International Standard Classification of Education* (ISCED), the educational classification system originally devised by UNESCO and generally used in international comparisons of educational levels and educational orientations.⁴⁶ ISCED comprises a scale of six levels, from pre-school (0) to postgraduate education (6), with orientations categorised at each level. A complete upper secondary school education corresponds to level 3 which is usually divided into 3A which represents an education preparatory for further studies, and 3B which represents a vocationally orientated upper secondary school education. There are two main reasons for caution when interpreting comparisons based on ISCED.

The first problem is that education programmes classified as level 3 in ISCED may not actually be comparable in different countries. They can include everything from short supplementary courses after compulsory school to education programmes extending over three to four years. It is important to consider the composition and organisation of education in different countries.

A second problem is that the data tell us nothing about how large a proportion actually have completed an education. When evaluating the significance of an education e.g. from the labour market and wage-earning standpoint, it is important to ascertain not only how many have experience of education at a certain level, but also how many have completed the entire curriculum. The latter is not entirely straightforward. In Table 8, the second column is an attempt to come closer to such an assessment, although we here again must be cautious in our interpretation. The requirements for being deemed to have completed an education can differ between countries, and between education programmes at the same level (ISCED 3) within a specific country. Some education programmes require actual final examinations; in others, reasonably active participation is essentially enough for being deemed to have passed.

Another approach to the question of how many youth and young adults fail to complete an upper secondary school education is to look at the proportion of 18-24 year-olds who have not

⁴⁶ *ISCED 1997, International Standard Classification of Education*. UNESCO, May 2006 (www.uis.unesco.org).

completed an upper secondary school education, i.e. have not reached ISCED 3, and are not studying.

Table 9. Percentage of 18-24 year-olds who dropped out of upper secondary education in 1995 and 2006.

	<i>Women</i>		<i>Men</i>	
	1995	2006	1995	2006
Denmark	6.9	9.1	5.2	12.8
Finland	10.8*	6.4	11.4*	10.4
Iceland	32.7*	22.0	28.1*	30.5
Norway	11.1**	4.3	10.6**	7.4
Sweden	6.0**	10.7	9.0**	13.3
EU-15	23.5	14.5	29.0	19.4
EU-25	-	12.8	-	17.4

Note: * 1999 data; ** 1996 data.

Source: Eurostat, Early school leavers (<http://epp.eurostat.ec.europa.eu>).

Table 9 shows that the dropout rate in the 18-24 age group varies between the Nordic countries. A general observation is nevertheless that the proportion who complete their education is higher among women than men. This also applies within EU and the OECD area as a whole. Young women consistently have a higher level of education than men. This may reflect gender segregation in the labour market where women are overrepresented in the civil service and generally in white-collar occupations with specific educational requirements. Within EU-15 the dropout rate fell very significantly between 1995 and 2006. In Denmark and Sweden the dropout rate has risen both among women and men. In Iceland the dropout rate has fallen significantly among women but risen slightly among men. In Finland the rate has diminished among both women and men, although more among women. Norway shows the most positive trend with a significant fall in dropouts among both women and men. It may be added that Norway, according to OECD and the EU statistical organ Eurostat, has the lowest dropout rate at upper secondary school level of all comparable countries.

Tentative explanations for differences in throughput

How then can we explain the differences in dropout rate between the Nordic countries? A closer look at individual countries in Table 9 shows that Iceland deviates the most. A large proportion of youth and young adults in Iceland still lack a complete upper secondary education. As noted above, the proportion who embark on an upper secondary school education has increased strongly in recent years. However, a considerable proportion of men in particular fail to complete their studies. One probable explanation is the labour market situation. In contrast to the other Nordic countries, work intensity is very high among youth. This also applies to those who have not completed an upper secondary school education. Individuals may have less incentive to complete their education in Iceland. Another possible explanation for the relatively high dropout rate is that all upper secondary school students, including those in pre-vocational programmes, must study at least three foreign languages.⁴⁷ No other Nordic country has such high language study requirements.

The negative dropout trend seen in Denmark and Sweden compared to the other countries from the mid-1990s onward may warrant a few comments. Studies show that the likelihood of

⁴⁷ The requirement applies to Danish, English and one additional foreign language.

persons with immigrant background interrupting their training is very high.⁴⁸ One explanation for the very large differences between the Nordic countries may be the proportion of residents with an immigrant background. Sweden has by far the highest rate of foreign born residents. The proportion is about 13 percent⁴⁹ and has almost doubled since 1980. In Denmark the proportion of foreign born combined with persons born in Denmark of foreign born parents is 8.5 percent; an increase from 3 percent in 1980.⁵⁰ Corresponding figures are just over 7 percent for Norway and about 4 percent for Finland. In Iceland the proportion of foreign born is about 10 percent.⁵¹ The pattern changes somewhat if we break down the proportions by age: Among 15 year-olds in 2002 and 2003, persons with an immigrant background comprised 6.5 percent in Denmark, 1.9 percent in Finland, 1.0 percent in Iceland, 5.6 percent in Norway and 11.5 percent in Sweden.⁵² The proportion of residents with an immigrant background is still the highest in Sweden by a considerable margin, followed by Denmark and Norway. The proportion is very low in Finland, as in Iceland. Finland, and especially Iceland, are new as immigration countries. Most immigrants to Iceland have arrived as guest workers in very recent years. These new immigrants are generally young adults and there are few children of school going age in this group.

In OECD's *Education at a Glance 2007*, results for first and second generation immigrants as well as native-born are reported with respect to the PISA mathematics test. Of the Nordic countries, Denmark, Norway and Sweden are included. Both first and second generation immigrants scored more poorly than those born in the country. The poorer results may explain the higher dropout rate in the group. In Denmark, second generation immigrants surprisingly scored more poorly than first generation immigrants. A special study, PISA Etnisk 2005, has been carried out in Denmark in order to examine differences in competence between Danish youth and youth with an immigrant background.⁵³ The differences are very striking. Immigrant youth from non-Western countries scored much more poorly than Danish youth while those from Western countries had only slightly lower scores. The study involved youth at age 15 but points to difficulties for many young immigrants on leaving compulsory school.

In Sweden, the proportion with a home language other than Swedish will gradually increase in the upper secondary school age group. In October 2006, 12.4 percent of class 9 students had a home language other than Swedish, compared to 19.0 percent of those in class 1.⁵⁴

⁴⁸ The question has been addressed e.g. in a public enquiry in Denmark, the so-called Welfare Commission, some time ago. The enquiry indicated that a person of immigrant background is about 27 percent less likely to complete a vocational training programme than a Dane. *Velfærdskommissionen. Fremtidens velfærd – vores valg*, Analytical Report I, January 2006. With respect to Sweden, statistics from the National Agency for Education show that about 30 percent of students of immigrant background go directly from compulsory school to the individual programme. They constitute about 20 percent of the total cohort in the 16-19 age group, but only just over 10 percent of students in national secondary school programmes.

⁴⁹ Statistics Sweden. *Befolkningsstatistik i sammandrag 1960-2006* (www.scb.se).

⁵⁰ Statistics Denmark. *Danmark i tal 2007* (www.dst.dk).

⁵¹ Statistics Iceland. *Citizenship and country of birth* (www.statice.is).

⁵² Eurydice. *Key data on education in Europe 2005* (www.eurydice.org). Figure C4.

⁵³ Egelund, Niels & Tranæs, Torben (ed.), PISA Etnisk 2005. *Kompetencer hos danske og etniske elever i 9. klasser i Danmark 2005*, Copenhagen: Rockwool Fondens Forskningsenhed and Odense: Syddansk Universitetforlag.

⁵⁴ National Agency for Education. Analysis of official statistics for the 2006/07 academic year (the follow-up system).

While the high proportion of foreign-born of school-going age is likely to have a negative effect on upper secondary school throughput, especially in Sweden, it is not a key factor when we attempt to explain the differences in dropout rate between the countries. As an example, Iceland's negative deviation in the proportion of young adults with a complete upper secondary school education cannot be linked to the proportion of foreign births. It is also difficult to use the proportion of foreign births to explain Norway's very favourable throughput statistics. Other factors are evidently significant. Since the Nordic countries have a fairly similar social structure with a limited income spread and low poverty rate, it is reasonable to assume that institutional conditions in the education systems rather than differences in social structure underlie the dissimilarities between the countries.

All Nordic countries have in the last ten to fifteen years implemented significant changes to the structure and content of upper secondary school education. These changes may have had their greatest impact precisely on vocational training. In Denmark, a system of Basic Vocational Training (erhvervsfaglige grunduddannelser, efg) was introduced in 1977. These programmes were to be a step towards an integrated upper secondary school of the Swedish type. Vocational training would start with a basic year of mainly academic studies. After further reform of upper secondary education in 1982, Denmark abandoned the concept of an integrated upper secondary school. Initial vocational training remains independent and workplace orientated according to the alternating training principle. The difference is that academic elements are divided into blocks. The training commences with one term (20 weeks) of general academic studies. The academic elements in vocational training programmes are now more extensive than before. The purpose is to make them more attractive and comparable to generally orientated upper secondary school programmes. In practice it has been found, however, that many have difficulty completing the vocational training programmes. In Denmark as in the other Nordic countries, dropout rates from secondary school are higher in pre-vocational programmes than in programmes preparatory for further studies; an issue to which we will return in the next chapter.

The introduction of a curriculum based upper secondary school in Sweden in 1994 with three-year vocational programmes also appears to have been followed by a rise in the proportion of students who have difficulty completing the curriculum, especially in the vocational programmes. One purpose of the reform was to make all students, regardless of educational choice, generally eligible for college and university studies. More space was therefore allocated to general academic elements in the vocational training programmes.

However, the expansion of general academic study elements again offers no satisfactory explanation for the rising dropout rate in Denmark and Sweden in recent years. All Nordic countries have raised the general academic requirements within vocational training. Finland and Norway have gone in the same direction without any negative effects on throughput being discernible. After a reform in 1994, upper secondary school education in Norway has a uniform structure with common and broad entry points. The intention is that the first two years of upper secondary school should differ very little and be independent of educational orientation. Vocational training starts with two school based years comprising significant elements of general academic subjects such as English, mathematics, natural history etc. which are followed by two years of apprenticeship at a workplace.⁵⁵ The design of vocational training in Norway is usually called the 2+2 model. In contrast to Sweden, vocational training programmes do not

⁵⁵ Eurydice, *Structures of education, vocational training and adult education systems in Europe. Norway 2005/06* (www.eurydice.org).

automatically confer general eligibility for university studies. Students should nevertheless be able to supplement their education in order to obtain such eligibility.

In autumn 2001, a number of changes were implemented in the Finnish vocational training system. As of the autumn term that year, all vocational training programmes last a minimum of three years. They must furthermore contain sufficient general academic elements to confer general eligibility for studies at a technical college or university.

Several explanatory factors – why is throughput weakest in Sweden?

Our review suggests that it is hard to identify a single factor that would explain why throughput has developed so differently in the Nordic countries. A combination of several factors is probably involved. One interesting question is why international comparisons show secondary school throughput to be weaker in Sweden than in the other Nordic countries (except Iceland).

There is much to suggest that throughput in Denmark and Sweden has been negatively affected by the increased proportion of foreign born students in the last 15 years. There has been less impact on educational outcomes in Finland and Iceland because of the small proportion of foreign born students in upper secondary school. By contrast, Norway has a higher proportion of students with an immigrant background. However, it should be added – and here the Danish and Swedish experience differs from that of Norway – that the proportion of 18-year olds who are studying has risen considerably. Back in 1991 the proportion of 18-year olds who were studying was 67 percent in Denmark, 69 percent in Finland, 74 percent in Norway and 55 percent in Sweden.⁵⁶ In Denmark and Sweden, as in Iceland, the proportion of students who proceed from compulsory school to upper secondary school has risen more than in Finland and Norway. In addition, the proportion of students in longer upper secondary school programmes has risen more sharply in Denmark and Sweden than in Finland and Norway since the early 1990s. In relative terms this may have had a negative effect on throughput in the first two countries.

Add to this that supporting measures for weak students are designed differently in the Nordic countries. As mentioned, Denmark and Finland offer the option of a voluntary tenth supplementary year for students who find it difficult to meet upper secondary school admission requirements. In Denmark, over half the students make use of this option.⁵⁷ Both Denmark and Finland also offer students with special needs resulting from low study motivation or functional impairment the possibility of attending a special form of vocational training. In Finland, 7 percent of compulsory school students receive special tuition full-time.⁵⁸ Over 20 percent receive special tuition part-time. Denmark has production schools which offer vocational training with elements of academic subjects in workplace related environments. The training period varies, but is at most one year. The target group is persons under age 25 who have had difficulty completing an upper secondary school education. Students in these schools account for between 5 and 10 percent of all students in initial vocational training programmes. Finland

⁵⁶ National Center for Education Statistics. *International Education Indicators: A Time Series Perspective*. Table 4. U.S. Department of Education (<http://nces.ed.gov>).

⁵⁷ Ministry of Education, *Elevtal fordelt på uddannelse, alder, køn og institution (1978-2005) - Elevtal, 1978 til 2005* (www.uddannelsestatistics.dk).

⁵⁸ Julkunen, Ilse & Öhman, Johanna, *Thematic study on policy measures concerning disadvantaged youth. National briefing paper Finland*. European Commission. Tübingen 2005.

also offers vocational training for students with special needs.⁵⁹ Here again the proportion is between 5 and 10 percent of students in initial vocational training.

The individual programme in Sweden, which encompasses a greater proportion of all secondary school students than the corresponding training programmes in Denmark and Finland and probably most closely approaches what we may call training for students with special needs, does not at all have the same tenacious working life connection.

One factor that may be significant for the high throughput in Norway is the follow-up service (*oppfølgingstjensten*) for youth up to age 20.⁶⁰ This corresponds to the municipal follow-up responsibility which exists in Sweden, the difference being that the follow-up service has an active and not merely a monitoring role. In Sweden, the follow-up responsibility requires municipalities to keep informed about young persons who do not attend secondary school while municipalities under the Norwegian system must work actively to develop alternatives for those who cannot cope with school, the primary aim being to enable a return to upper secondary studies.

In summary, we find that the relatively weak upper secondary school throughput in Sweden probably is linked to several factors. One explanation relates to the age limit in the Swedish secondary school system. The 20-year limit prevents many students from completing their education. In this respect, upper secondary schools in the other Nordic countries are more flexible. A second explanation may be that many Swedish students are inadequately prepared for upper secondary school studies. Denmark and Finland offer the possibility of augmenting compulsory school with a tenth supplementary year. Norway and Iceland have a ten-year compulsory school curriculum. A third explanation, to which we will return in coming chapters, has to do with the design of vocational training. Elements of workplace training are less extensive in Sweden than in the other Nordic countries. This may have a negative effect on educational outcomes for those less motivated to study. The fact that vocational students and apprentices receive more extensive allowances and wages during training in the other Nordic countries is another likely reason why vocational training programmes in Sweden relatively speaking are faced with especially large throughput problems.

Next chapter describes in somewhat greater detail how initial vocational training is organised in the Nordic countries. The following fifth chapter discusses labour market policy measures for unemployed youth. We will then proceed to discuss the effectiveness of the education systems and youth measures from two perspectives: Firstly, what is their effect on entry conditions for youth in the labour market? Secondly, do we know anything about how the education systems meet fairness objectives as formulated by philosophers such as John Rawls and Amartya Sen? Do they compensate for differences in social background, gender etc.?

4. Initial vocational training

In all Nordic countries, a fairly large proportion of youth choose vocationally programmes in upper secondary school. Observed over a longer period – from the 1970s onward – this proportion has diminished. There has nevertheless been a clear political ambition to increase

⁵⁹ *Structures of Education, Vocational Training and Adult Education systems in Europe. Finland 2007* (www.eurydice.org).

⁶⁰ Opheim, Vibeke, *Equity in Education. Country Analytical Report: Norway*, NIFU, October 2004 (www.oecd.org/dataoecd/50/12/38692818.pdf).

the proportion of students in vocational training by making the programmes more attractive in various ways. Since the late 1990s the proportion of students in vocational training has also increased in all countries except Denmark.

Table 10. Percentage of upper secondary school students in vocational training in 2004 separated into women and men.

	<i>Women</i>	<i>Men</i>
Denmark	40	55
Finland	57	64
Iceland	31	44
Norway	55	66
Sweden	56	50
EU-25	54	57

Source: Eurostat (<http://epp.eurostat.ec.europa.eu>). *Pupils in upper secondary education enrolled in vocational stream. By gender.*

Table 10 shows that Iceland has the lowest proportion of students in vocational training. As mentioned, a very large proportion of Icelandic students interrupt their studies. Most youth embark on general education studies and only at a later stage – having first completed an education or spent some time working – enter a vocational training programme. The average student age is considerably higher within vocational training. In addition there is a shorter upper secondary school curriculum lasting between one and two years intended for youth who are less motivated to study or uncertain about their future choice of occupation.⁶¹ Curriculums can be composed of general academic and practical subjects according to the individual student's special needs and interests. Under existing labour market conditions, students who complete these training programmes have no major difficulty finding work afterwards, something which affects recruitment to standard vocational training programmes negatively.

Another observation concerns the percentile differences between women and men. The usual pattern is that women are underrepresented in vocational training programmes. Young women to a higher extent choose programmes preparatory for further studies. This relates to the fact that vocational training traditionally has been orientated towards male dominated trades and industrial occupations. With the increasing importance of vocational training programmes directed towards service occupations, the proportion of women has increased. However, in Sweden the proportion of women is higher than men. One reason is that the aesthetic programme, which draws about 10 percent of all female upper secondary school students, is included among pre-vocational programmes in Eurostat education statistics. There are twice as many women as men in the aesthetic programme. Most then go on to studies at the post-secondary level. In National Agency for Education statistics, the aesthetic programme is not considered pre-vocational.⁶² In this respect the data in Table 10 are misleading and the representation of women in vocational programmes somewhat exaggerated.

In recent years the upper secondary school and vocational training systems have been reformed in all Nordic countries. Reforms have had two objectives: Firstly, to create better conditions for an upper secondary school education which includes an absolute majority of all youth who

⁶¹ Eurybase - *The information database on education systems in Europe. Iceland* (www.eurydice.org).

⁶² The aesthetic programme does not require workplace training (APU), which is usually the definition of a pre-vocational programme in Sweden. The number of women in the aesthetic programme increased from 11,960 in the 2003/04 academic year to 12,251 in 2006/07. National Agency for Education, *Statistik. Elever i gymnasieskolan. Uppgifter på riksnivå* (www.NationalAgencyforEducation.se).

leave compulsory school and, secondly, to make vocational training programmes equivalent to programmes preparatory for further studies. Measures have focused on enabling more students to complete an upper secondary school education while at the same time making vocational programmes more attractive. In practice it has not proven easy to combine these two ambitions. The countries have also gone their separate ways with a varying degree of success in meeting their objectives. In the following sections we will discuss the experience of the respective countries.

Initial vocational training in Denmark

Initial vocational training in Denmark is based on a model where periods of training at a vocational school alternate with periods in a workplace.⁶³ The education is arranged as apprenticeship training and usually comprises 3.5 to 4 years. One-third of the training period is school based and two-thirds workplace based. In addition to initial vocational training, special commercial and technical colleges also offer entirely school based and more academically orientated programmes. These programmes confer eligibility for post-secondary studies.

After a reform in 2000, vocational training starts with a basic education (*grundforløb*) at a vocational school. A total of seven basic education programmes are aimed at different branches of industry. The basic education focuses on academic subjects which are combined with job experience and comprises at most one year. While in basic education, students choose their vocational orientation (*hovedforløb*). There are 89 vocational orientations. A prerequisite for starting the actual alternating training is that the vocational student has secured a contract with an employer. However, those who do not succeed in doing so can obtain school-based experience.⁶⁴ This means that the work experience portion of their training is completed at a workplace arranged by the school. About one-third of Danish employers accept apprentices, but positions are nevertheless scarce in relation to demand. Youth with an immigrant background find it especially hard to secure a contract. In total over 120,000 persons were enrolled in initial vocational training in 2004. Some 40,000 were studying at various types of colleges.

A fundamental feature of the Danish vocational training system is the major influence and responsibility of the labour market organisations. They have a responsibility for the content, organisation and financing of training programmes.⁶⁵ The Councillor of State responsible for education is served by a council of partner representatives, the Basic Vocational Training Council – *Rådet for de Grundlæggende Erhvervsrettede Uddannelser* – which primarily has an advisory function on general education policy matters. For every vocational orientation there is also a trade committee – *fagligt udvalg* – which has a direct operational function. The trade committees are in practice responsible for the organisation, content and quality of the training. They are in charge of ensuring availability of trainee positions as well as quality monitoring and setting of examinations, i.e. journeyman's examinations.

The partner organisations are also involved in the financing of vocational training. Apprenticeship training in Denmark has three sources of funding: government, individual enterprises and the employer collective. The government funds the vocational schools which today number around 90. Government funding of a school is calculated on the number of students per year and is intended to cover everything from instructor salaries to the cost of

⁶³ CEDEFOP. *Denmark. Overview of the Vocational Education and Training System*. May 2005 (www.trainingvillage.gr/etv/information_resources/NatinalVet/).

⁶⁴ *Bekendtgørelse af lov om erhvervsuddannelser*. chapter 7a Skolework placement.

⁶⁵ *Bekendtgørelse af lov om erhvervsuddannelser*. chapter 5. Rådgivande organer m.v.

premises and equipment. In recent years the schools have gradually grown in size. Institutions for labour market training (AMU schools) have been amalgamated with vocational schools while technical schools and commercial schools have been combined.

The second source of funding consists of individual companies that accept apprentices. During the periods when an apprentice attends the workplace, the employer is required to pay contractually agreed wages. To stimulate availability of trainee positions, government has since 1978 resorted to subsidising employers who accept apprentices. The subsidy has taken various forms; having previously been a general allowance it is now a marginal grant. The subsidies are estimated to cover about one-fifth of the employer's wage costs for the apprentices.

The third and essentially most important element in the financing of apprenticeship training in Denmark is the *employers' trainee reimbursement scheme (arbejdsgivernes elevrefusion)*. This involves a fee which all employers are required to pay regardless of the size of the enterprise and whether or not they accept apprentices. The fee system was introduced in 1976. In 2007 the fee was DKK 452.50 per employee per quarter. The money goes to a fund administered by the labour market partners and is used to cover three types of expenditure. Firstly, wages are paid to apprentices during periods spent at a vocational school (i.e. when they do not receive wages from their employer); secondly, special compensation is paid to apprentices who incur extra travel costs; and thirdly, extra costs associated with job placement of apprentices abroad are covered.

Wages are paid during the training period. The apprentice wage represents about 50 percent of the wage paid to fully trained workers⁶⁶ and is established by collective bargaining between the parties. One possible reason why the apprenticeship period in Denmark traditionally has been as long as four years is that employers are anxious to be compensated for the fact that wages during the initial training phase exceed the value of the apprentice's contribution to production. During the later part of apprenticeship training, the relationship between labour productivity and wage is probably reversed.

Initial vocational training in Denmark is intended to provide complete training – students should be fully productive on completion of the training programme – in contrast to Sweden where vocational training in upper secondary school is of a preparatory nature. The Danish vocational training system solves a number of problems related to the uncertainty and risks – transaction costs – of educational investment and hiring.⁶⁷ Firstly, it diminishes employer uncertainty about the competency and ability of job seekers, which facilitates hiring. Secondly, the Danish system, which spreads the cost of vocational training over the entire employer collective, reduces the fear among individual employers that training related expenditures will be forfeited because the employee leaves the company on completion of training.

Some features may nevertheless be considered less positive. Compared to all other Nordic countries, Danish vocational training provides less general academic competence. Students follow an individual study plan and have considerable freedom to shape the content of their own school based studies. Most choose to limit the basic education segment to 20 weeks.⁶⁸ Of the study period, only one-fourth or four weeks is earmarked for general academic studies.

⁶⁶ Albæk, Karsten, "Om lærepladsspørmålet", *Nationaløkonomisk Tidsskrift*, No. 1, 2005.

⁶⁷ For an overview of theories in this area, see Olofsson, Jonas & Wadensjö, Eskil, *Lärlingsutbildning – ett återkommande bekymmer eller en oprövad möjlighet?* ESS 2006.

⁶⁸ Eurydice - *The information database on education systems in Europe. Denmark* (www.eurydice.org).

During the actual vocational training, or main programme, the school based segment comprises a maximum of 60 weeks or eighteen months. Half the study period is earmarked for industry and trade related subjects. One quarter of the study period consists of elective subjects, and one quarter is devoted to subjects of a general academic nature such as mathematics, social studies and Danish. Individual students can compose their education to make added room for general academic subjects in order to gain admission to higher studies. This option is not used to any major extent.

Despite its limited element of more academically orientated subjects, the Danish vocational training system, like the Swedish among others, is battling significant throughput problems. The throughput trend has been negative since the mid-1990s. See Table 11.

Table 11. Vocational training throughput in 1996 and 2005 in Denmark. The proportion who have completed their training as a percentage of the total number who commenced their studies five years earlier.

<i>Year</i>	<i>1996</i>	<i>2005</i>
Women	69	54
Men	65	48
Danes	64	47
Immigrants	38	28

Source: Danish Ministry of Education (www.uddannelsesstatistik.dk).

The strong decline in throughput can be ascribed to several factors. The most important, as indeed noted by the Danish Ministry of Education, is the vocational training reform of 2001 under which the alternating training system with a basic programme (grundforløb) and a main programme (hovedforløb) became standardised. The elements of academic and school based tuition increased. This may have made studying more difficult for many and contributed to protracted study periods and a higher proportion of failures. The number of students in vocational training also increased quite considerably during the period. Compared to 1997, an additional 10,000 young women and men embarked on initial vocational training in 2005.

It is important to note the age distribution in Danish vocational training. Among those who started vocational training in 2005, about 30 percent of men and 40 percent of women were over 20 years of age.⁶⁹

To ease the way for those who find it difficult to cope with standard vocational training, reduce the training period and lower the average student age, two special abridged training programmes have been introduced.⁷⁰ These programmes combine vocational training and labour market policy measures. Initial vocational training (erhvervsgrunduddannelse), abbreviated EUG, is one. This programme is shorter than standard vocational training and usually lasts two years. Two-thirds of the training period is workplace based. As with standard vocational training, students themselves have considerable freedom to influence the educational content. They receive wages and a diploma on completed training. The other variant consists of courses at the referenced production schools. These are intended for persons under age 25 who have not completed an upper secondary school education and need more advice and guidance to

⁶⁹ Statistics Denmark (www.statisticsbanken.dk/EUD2). *Påbegyndte på EUD-uddannelser efter uddannelseform, uddannelse, område, køn, alder og tid.*

⁷⁰ Denmark, *Overview of the Vocational Education and Training System. May 2005.* Thematic Overviews. Cedefop.

choose a future occupation. The training period is maximised to one year and mainly includes working life and practice related elements.

Initial vocational training in Finland

Finland is the Nordic country whose initial vocational training most closely resembles that of Sweden. Most vocational training is school based and organised in the framework of government administered and integrated upper secondary schools. Vocational training programmes fall into eight main sectors including social care, technology and transportation. Within the framework of these eight sectors there is room for specialisation towards 51 competency areas.⁷¹ Training content and competency descriptions are developed in cooperation with the labour market organisations. The largest training sectors are technology and communication with about 40 percent of the total student population, followed by health and social care as well as tourism and hospitality management, each with 15 percent of the students.⁷²

The most recent reforms have aimed at standardising the vocational training programmes. The intention has been to make added room for general academic elements in parallel with more workplace training. Since 2001, all vocational training programmes last three years. As in Sweden, they provide general eligibility for studies at university level. At the same time, workplace based training is somewhat more extensive than in Swedish vocational training programmes. Sweden requires at least 15 weeks of workplace training. In Finland, the workplace segment of vocational programmes must comprise at least one term or 20 weeks.

In Finland it is possible to choose apprenticeship training as an alternative to school based vocational training programmes. Educational content requirements are the same and 20 to 30 percent of the training period should be school based. Apprentices are expected themselves to arrange a contract with an employer. However, the number of apprentices is small. In total, Finland only had about 18,000 apprentices in 2004, compared to about 125,000 students in school based vocational training. There is a political will to increase the number of apprentices. The average age of apprentices is higher than among students in school based vocational training. Many apprentices have already completed a school based training programme and also have working life experience. As in Sweden, there is no extensive system of licensed occupations in Finland which is probably a major reason why the prevalence of apprenticeship training is low compared to Denmark and Norway.

Training is financed exclusively by tax revenue, national as well as municipal.⁷³ One or more municipalities are the providers of vocational training in about 80 percent of cases. Individual employers receive no direct compensation for trainee positions. By contrast, companies who accept apprentices are compensated. Apprentice wages and working conditions are regulated in collective agreements.⁷⁴ To be entitled to employ apprentices, an employer must undergo a suitability test, a type of licensing procedure.

⁷¹ Eurybase - *The information database on education systems in Europe. Finland* (www.eurydice.org).

⁷² *There were 125,700 students in curriculum based initial vocational training in 2006.* Statistiskentralen (www.tilastokeskus.fi).

⁷³ CEDEFOP, *Comparative Presentation. 1002 – Funding for initial vocational training: Introduction* (www.trainingvillage.gr).

⁷⁴ Employers are not required to pay wages to apprentices during school based periods. Students in school based programmes often receive a special needs tested student allowance from the state.

Compulsory core subjects include Finnish/Swedish, one foreign language, social studies, mathematics, physics and chemistry, hygiene and aesthetics. These subjects should comprise at least one term of full-time studies. Four and a half terms are earmarked for vocational subjects and work placement, and one-half term for elective subjects.

Men comprise just under 55 percent of students in vocational training while women constitute about 57 percent of students in programmes preparatory for further studies. The gender distribution resembles that of other Nordic countries. The same is true of the student dropout rate, which is nevertheless lower than e.g. in Sweden. Dropouts are more than twice as common within vocational training as within programmes preparatory for further studies.⁷⁵ In programmes preparatory for further studies, less than 4 percent of students interrupted their education in the 2004/2005 academic year. The corresponding proportion in vocational training was just under 11 percent; a comparatively low number. The dropout rate moreover shows a falling trend.

To reduce the proportion of education failures, special incentives have been instituted in order to stimulate schools to higher throughput and assist students to find work immediately upon completed training, e.g. through well developed contacts with working life.⁷⁶ Incentives are designed as a bonus system: the better the throughput, the higher the grant. There are obvious risks associated with a performance related funding system of this type. Unless it is closely monitored, the system can create incentives for individual schools to lower their requirements in order to report better outcomes.

For students who find it especially difficult to study because of functional impairment or social problems there are, as shown in the preceding chapter, shorter and academically less demanding vocational training programmes. In total, more than 12,000 students attended specially modified vocational training programmes in 2005, which is approximately 10 percent of the number in standard school based vocational training. Besides these schools there are special workshop schools for youth over age 15 who have not embarked on upper secondary studies or have dropped out of an upper secondary school education.

Initial vocational training in Iceland

In Iceland, vocational training became a public issue only in the 1950s. As in other countries, training was originally provided under apprenticeship forms within the traditional trades. Alongside apprenticeship training, special industrial vocational schools were also established by employers banding together to organise technologically more sophisticated and resource intensive training.⁷⁷ These schools were nationalised in 1955. In conjunction with nationalisation the training was reorganised. From having been aimed primarily at working individuals and part-time students, training now became organised on a full-time basis.

Over the ensuing decades, the courses offered by industrial vocational schools increased. In the 1970s, industrial vocational schools and high schools were amalgamated into integrated upper

⁷⁵ Statistikcentralen, "Student dropouts fell within vocational training" and "More student dropouts from university, technical university and upper secondary school education, fewer within vocational training" (www.tilastokeskus.fi). Dropout data are unfortunately not gender separated.

⁷⁶ CEDEFOP, *Comparative Presentation. 1002 – Funding for initial vocational training: Introduction* (www.trainingvillage.gr). Incentive grants represent about 2 percent of all educational funding.

⁷⁷ Eurybase - *The information database on education systems in Europe*. Iceland (www.eurydice.org).

secondary schools. In this context the general academic elements of vocational training were augmented and the training period extended, usually to between three and four years.

In Iceland, initial vocational training is offered by three types of educational institutions⁷⁸: (1) industrial vocational schools, (2) integrated upper secondary schools and (3) specialised vocational schools. Icelandic vocational training falls into two categories.⁷⁹ The first leads to a defined occupational licence and is organised primarily as apprenticeship training. A total of eight training areas lead to licensing in different occupations, among them workshop trades, transportation, building construction as well as health and social care. In the 2002/2003 academic year, about 20 percent of all upper secondary school students attended this type of vocational training.⁸⁰ The other category is aimed at industries without licensed trades or a system of occupational licences. This includes the food industry, commerce and the tourism industry. These programmes primarily take the form of school based training. This also means that students are subject to entirely different economic conditions. Apprentices receive wages while students in the latter areas must resort to loans.

Vocational training programmes leading to a trade licence have a higher status. They have the character of complete training while programmes aimed at unregulated occupations are perceived as a type of preparatory training. In the former type of training, the content is more regulated and the labour market partners play an important part in organising the training programmes. The partners exert their influence partly through a central collaboration committee for vocational training. This committee works closely with the ministry. Its tasks include providing advice and recommending changes and improvements in the educational area. In addition to the collaboration committee there are also fourteen occupational boards. These boards have a direct operational role in designing training programmes, providing follow-up and holding examinations at individual schools.

Companies receive no financial compensation for their participation in vocational training. There are no subsidies as in the Danish alternating training or Norwegian apprenticeship system (see the section on Norway below). There is also no fee system for redistribution of training costs and training risks over the employer collective.

All vocational training at the secondary school level must include general academic subjects such as Icelandic, modern languages (Danish, English plus one additional foreign language), social studies and mathematics. Physical education is also a compulsory core subject. The training does not provide automatic eligibility for college or university studies, but all vocational students should be offered the possibility of augmenting their training with subjects that confer such eligibility.

The average student age is fairly high compared to programmes preparatory for further studies. One reason is that many who earlier started but later dropped out of programmes preparatory for further studies opt for vocational training. Another reason is that labour market conditions allow youth to drop out of education, work for a time and then recommence their studies. A

⁷⁸ OECD, *Economic Surveys Iceland 2006*, highlights education as a special problem in Iceland. With respect to vocationally orientated training, expanded student counselling and a broadening of the programme range is recommended.

⁷⁹ *Structures of education, vocational training and adult education systems in Europe. Iceland 2003*. European Commission.

⁸⁰ The absolute number of students is for obvious reasons much smaller in Iceland than in the other Nordic countries. Apprentices number about 3,500.

third reason is that vocational training has no age limit such as the 20-year limit imposed in Sweden.

Low throughput is a major problem in Iceland as in other countries. Table 12 shows the dropout rate from vocational training and general education programmes.

Table 12. Percent of women and men who interrupted their education in the 2002/2003 academic year.

	<i>General education</i>	<i>Pre-vocational</i>
<i>Women</i>		
Total	18	19
18 years	8	20
19 years	7	21
20 years	13	18
21-24 years	27	23
25-29 years	45	27
<i>Men</i>		
Total	17	23
18 years	10	27
19 years	10	24
20 years	16	22
21-24 years	32	22
25-29 years	46	25

Source: Statistics Iceland. *Dropouts from upper secondary education by sex, age, mode of teaching and type of programme 2002-2003* (www.statice.is).

Three conclusions can be drawn from the data in Table 12. Dropout from pre-vocational training is more frequent than from programmes preparatory for further studies, at least in the under 21 age group. This observation is in line with conditions in most other countries (not only in the Nordic region). Secondly, young men are more inclined to drop out than young women. This picture also emerges in most other comparable countries. Thirdly, the dropout rate increases rapidly after age 20. The older the student, the more problematic study financing obviously becomes, especially in programmes preparatory for further studies where students have to resort to loans. Favourable labour market conditions also make the cost of dropping out seem low, at least in a shorter time perspective.

Iceland has no equivalent to the Danish system of "easier" and academically less demanding vocational training, nor are there any direct equivalents to the labour market policy programmes found in the other countries. There is on the other hand a shorter one-year programme at upper secondary school level for those who had difficulty coping with earlier compulsory school studies and for those who cannot decide on a particular occupation. However, this training includes no working life or vocationally orientating elements, but is entirely general.

Initial vocational training in Norway

All youth in Norway are guaranteed admission to upper secondary school, either in programmes preparatory for further studies or in vocational training. Initial vocational training comprises a larger share of all upper secondary school students in Norway than in the other Nordic countries. About 58 percent today choose vocational training; an increase of almost 15

percentage points since 1994.⁸¹ This rise reflects the growing appeal of such training both to students and employers in combination with an increased number of training locations. The first half of vocational training programmes is usually provided at integrated upper secondary schools. This is followed by a period of apprenticeship at a contracted company.

As mentioned above, vocational training in Norway is organised according to the so-called 2+2 model.⁸² Students can choose between a total of nine (until quite recently twelve) training programmes which range from medical and social care to workshop trades. Training starts with a one-year basic course designed to provide a broader orientation within the area of training. As of the 2006/07 academic year, this is designated VG1. The curriculum includes core subjects such as Norwegian, one foreign language, social studies, mathematics, natural history and physical education. Students who wish to qualify for university studies must take a supplementary six-month course after completing their vocational training. The first year is rounded out with a theory test. This test is part of the final examination and must be successfully passed before the workplace based segment can begin.

The first year is followed by two advanced courses, as of the 2006/07 academic year designated VG2 and VG3. VG2 is also a one-year programme and, like the basic course, school based. At this point there is increasing specialisation. In total the advanced courses offer about one hundred study alternatives. The final step towards specialised occupational competency involves the selection of a VG3 course. Now the actual two-year apprenticeship period begins. About half the apprenticeship period is to be earmarked for studies of trade theory. These studies are provided at the company where the apprentice is working, or through a training provider contracted by the company. There are about 180 occupational fields in total.⁸³ The apprenticeship period ends with a practically orientated skills test after which the apprentice receives a certificate of occupational skills or a journeyman's certificate.

As in Denmark, vocational training in Norway is based on extensive and regulated collaboration between educational authorities and schools on the one hand, and labour market partners on the other. At the national level there is a National Council for vocational training (Rådet for fagopplæring i arbeidslivet) and 20 national vocational training councils (Opplæringsråd). The first-named Council includes representatives of employer organisations and trade unions and collaborates directly with the Ministry of Education on training issues related to working life. The national vocational training councils represent specialist competence in various recognised occupations (i.e. about 180 training areas in total).

There are also operational organs at the county level where the partners have a majority influence. Responsibility for upper secondary school education is at the county or "fylke" level. Counties own the upper secondary schools and are responsible for vocational training. However, the operational responsibility rests with regional vocational training committees appointed for four-year terms in which partners have a majority. These committees are among other things responsible for monitoring the workplace based portion of vocational training and ensuring that the education standard at the companies meets set requirements. They are also required to issue diplomas upon completion of apprenticeship: a certificate of occupational skills or a journeyman's certificate.

⁸¹ Statistics Norway. *Videregående opplæring og annen videregående utdanning, 2006. Stadigt flere lærlinger.*

⁸² CEDEFOP. *Norway. Overview of the Vocational Education and Training System.* May 2005.

⁸³ *Læringsordningen – regjeringen.no* (www.regjeringen.no/nb/dep/kd/tema/Videregående-opplaring/).

The partners' commitment and responsibility for vocational training is also reflected in collective agreements between the main organisations, i.e. the equivalents of the Swedish Trade Union Confederation (LO) and Confederation of Swedish Enterprise (Svenskt Näringsliv).⁸⁴ Both the four-year main agreement and the two-year national wage agreement also address vocational and apprenticeship training. Consensus between the parties concerning conditions for apprentices, not least wage conditions, is most probably a key reason why the position of vocational training is strong in Norway, as in other countries where apprenticeship training is well developed.

In Norway the training costs are primarily covered by national tax revenues, even though practical training responsibility rests with the counties. Corporate costs related to the training of apprentices are also partly covered by government funding.⁸⁵ Companies that are recognised by the regional vocational training committees receive a training grant from government. Purpose of the grant is to contribute to costs during the time apprentices engage in academic studies and do not contribute to production; a period estimated at one year (of two workplace based years in total). The grant is relatively generous, amounting in 2007 to just over NKK 90,000 per apprentice.⁸⁶ There is no equivalent to the Danish system which redistributes parts of the training costs throughout the employer collective.

Most vocational students in Norway are between 16 and 21 years of age. However, schools and training programmes are also open to older individuals. About 20 percent of students are over age 21. As in most other countries, young women represent a majority among students in general education programmes, but a minority in vocational programmes. Variations between individual programmes are nevertheless considerable and divided along traditional lines. To cite a few examples: 87 percent of students in health and social sciences programmes are women while 96 percent of students in electrical trade programmes are men.⁸⁷

As in Denmark and Sweden, persons of immigrant background are underrepresented in vocational training programmes. Only 8 percent of upper secondary school students with an immigrant background are apprentices.⁸⁸

If we examine data on throughput and dropout rate in educational programmes, we find that Norway does not differ significantly from other countries. Data from Statistics Norway provide a somewhat different picture than the OECD data presented earlier. The dropout rate is considerable and, as in other countries, higher in vocational training than in programmes preparatory for further studies. Table 13 shows the proportion of students who have completed an education within a five-year period.

⁸⁴ Eurydice - *The information database on education systems in Europe. Norway* (www.eurydice.org).

⁸⁵ CEDEFOP. *Comparative Presentation. 1002 – Funding for initial vocational training: Introduction* (www.trainingvillage.gr).

⁸⁶ *Tillegg til rundskriv F-04-03 Tilskudd til bedrifter som tar inn lærlinger og lære kandidater. Tillskuddsatser for 2007* (www.regjeringen.no/kd/dep/).

⁸⁷ Statistics Norway. *4. Elever, lærlinger og lære kandidater i videregående opplæring, etter utdanningsprogram/studieretning. 1. oktober 2006. Andel kvinner* (www.ssb.no).

⁸⁸ The concept of apprentices should be understood here as the number of persons who have an apprenticeship contract and complete their final two years of vocational training. Statistics Norway. *5. Elever, lærlinger og lære kandidater i videregående opplæring med innvandrerbakgrunn, etter innvandringskategori. 1. oktober 2006* (www.ssb.no).

Table 13. Percentage of students starting an upper secondary school education in 2000 who completed the education within five years; by educational orientation and gender.⁸⁹

	Completed	Interrupted
<i>Programmes preparatory for further studies</i>		
Total	81	15
Women	85	12
Men	77	19
<i>Pre-vocational education</i>		
Total	53	38
Women	59	33
Men	48	43

Source: Statistics Norway. 2. *Elever som startet i grunnkurs for første gang høsten 1999 og 2000, etter fullført videregående opplæring i løpet av fem år, studieretning og kjønn. Prosent* (www.ssb.no).

Men are much more inclined than women to interrupt their education, just as in the other Nordic countries. The considerably higher dropout rate from vocational training than from general education programmes is also familiar. The dropout rate among students of immigrant - background is about 10 percentage points higher than the average for all upper secondary school students.⁹⁰

To encourage less motivated students to study, there are alternatives to the standard 2+2 vocational training model. Students can choose to start the workplace based phase immediately. They can also choose a shorter education as trainee candidates (lærekandidater). As shown earlier, there is also a well developed follow-up responsibility designed to find alternatives for youth who for various reasons have problems completing their education. The 20-year age limit applied in Sweden does not exist in the Norwegian secondary school system. Schools are obliged to offer upper secondary school education to all who do not already have such education up to and including the year they turn 24, although younger students are prioritised when places are limited.

Concluding assessments

We thus find that initial vocational training is organised very differently in the Nordic countries. The greatest differences are seen between Denmark and Sweden. These countries are opposite poles in a sense. The education systems in Finland, Norway and Iceland occupy a middle ground. The Finnish system is closest to the Swedish.

* In Finland and Sweden, vocational training confers general eligibility for higher studies. This is not the case in Denmark, Iceland or Norway. On the other hand, students can take extra courses to meet the requirements for general university admission in the last three countries.

* Denmark is the only Nordic country which lacks integrated upper secondary schools. Vocational training is provided at special schools. In Norway, where apprenticeship training also has a very strong position, the school based training segment takes place in integrated

⁸⁹ The difference in percentage between those who have, respectively, completed and interrupted their studies is explained by the fact that those who interrupt and then immediately start on another upper secondary school education are reported separately.

⁹⁰ Statistics Norway, *Utdanningsstatistikk. Gjennomstrømning i videregående opplæring. To av tre fullførte videregående* (www.ssb.no).

upper secondary schools. Iceland is in a middle position with significant elements of apprenticeship training as school based training. School based elements of apprenticeship training are provided at separate vocational schools while school based vocational training is provided at integrated upper secondary schools.

* Working life contacts are for obvious reasons more developed in countries with extensive apprenticeship training. The cooperation of partner organisations is a prerequisite for a functioning apprenticeship system. Collaboration with partners is regulated.

* In all countries the designation “initial vocational training” applies to training at upper secondary school level. However, the meaning of the concept differs. In Denmark, Iceland and Norway the intention is to offer complete training. In Sweden and Finland the nature of the training is preparatory. The emphasis on complete training in Denmark, Iceland and Norway should be seen from the perspective of a system of trade licences or licensed trades.⁹¹ Such regulatory provisions are less prevalent in the Finnish and Swedish labour markets.

* School based training is publicly funded in all countries. Financing conditions vary for the workplace based training segment. The trend has been to increase funding for employers who enter into contracts with apprentices, a factor reasonably linked to the supply of apprenticeship positions. Denmark is alone in having a system that redistributes and spreads training costs and training risks over the entire employer collective.

* Financing conditions for students also vary considerably. Most countries offer a general allowance which can be combined with a means tested allowance or loan. Apprentices receive compensation which is regulated through collective agreements. Danish students enjoy the most generous study financing conditions. Sweden has the least favourable conditions and upper secondary school students under age 21 are only offered a student grant commensurate with the child allowance.⁹² Other financing options only become available at the post-secondary level.

* Throughput is a general problem in vocational training. In all Nordic countries, young men are overrepresented among those who interrupt their studies and youth with an immigrant background drop out of studies more frequently than others. Since Finland and Iceland have no large groups of foreign-born youth, upper secondary school throughput is not affected as negatively in these countries. Even in Denmark and Norway, often highlighted in international presentations, including OECD publications, as countries where few interrupt their studies, dropouts are a major problem in the vocational training system. Apprenticeship training appears to offer no guarantee of better throughput.

* Throughput problems are handled in different ways. One is to allow individuals to remain in upper secondary school programmes for longer periods of time. Another approach is to offer shorter and mainly workplace based training programmes that are less demanding from the academic standpoint. Such training variants are common in Denmark, Finland, Iceland and Norway. They are also combined with measures from social agencies to seek out and attempt to induce youth who have dropped out to resume their studies (the follow-up responsibility). In many cases this involves cooperation between educational institutions and political actors in the labour market.

⁹¹ Sometimes also referred to as recognised occupations.

⁹² Parents are required to provide for youth who have not completed an upper secondary school education until they are 21 years of age.

Youth measures in the framework of labour market policy also differ between the Nordic countries, something we will examine in chapter 5.

5. Labour market policy measures

Both the scope and orientation of labour market policy measures for unemployed youth differ between the Nordic countries.⁹³ Table 14 shows the extent of the measures relative to GDP and as a percentage of total labour market policy expenditure.

Table 14. Public expenditure on labour market policy measures aimed at youth, and the expenditure as a percentage of total active labour market policy expenditure in 1995 and 2002.

	<i>Percentage of GDP</i>		<i>Percentage of expenditure on active labour market policy measures for youth</i>	
	1995	2002	1995	2002
Denmark	0.14	0.10	7.7	6.2
Finland	0.15	0.17	9.9	17.2
Norway	0.08	0.01	6.2	1.3
Sweden	0.02	0.02	0.7	1.8

Source: Quintini, Glenda & Martin, Sébastien, “Starting well or losing their way? The position of youth in the labour market in the OECD countries”, Table 6, OECD Social, Employment and Migration Papers 2006 (www.oecd.org/els/workingpapers).

Iceland is not included since the country lacks any significant degree of labour market policy. Since the data in Table 14 refers to active labour market policy measures, various forms of unemployment benefits and social assistance are excluded. As the data shows, the absolute and relative extent of the measures varies most considerably. Denmark and Finland allocate the most resources, Norway and Sweden the least. To what extent does this reflect different political ambition levels? Is the reason linked to national differences in the assistance packages for unemployed youth and young adults? Is it because of the varying degree to which youth fall under the same measures as adults? Does this impact the development of unemployment and inactivity on the one hand, and the proportion who complete an upper secondary school education on the other? These are some questions we will discuss in detail in this chapter.

Unemployment and inactivity

First of all we must relate the data on labour market policy measures to the respective country’s unemployment and inactivity level. As we noted in chapter 2, Finland and Sweden are the Nordic countries with the highest percentage of open unemployment in the under 25 age group as well as the highest percentage of inactive (youth outside both the workforce and the education system). This reasonably explains the fairly extensive level of youth measures in Finland. Then why is Sweden different? Is it because more extensive measures are made in the framework of the education system? As we also noted in chapter 2, the proportion of students among youth and young adults under 25 is somewhat higher in Finland and Sweden than in the other Nordic countries, but not sufficiently so to explain the differences in labour market policy measures. Instead there is much to suggest that Denmark and Norway are the countries which

⁹³ For a comparison of labour market policy for youth in different Nordic countries in the 1980s see Try, Sverre, “Arbiedsmarkedet og arbeidsmarkedspolitikka for unge i Norden i 1980-årene”, ISF Report 92:8.

have implemented and are implementing the most far-reaching measures aimed in the first place at offering training to unemployed youth.

Special measures for unemployed and inactive youth vary in nature depending on what is fundamentally considered “problematic”. This may include both individually related and structural factors. In general, perceptions about the causes of unemployment have changed in the Nordic countries since the 1980s. Until the 1980s, it was generally believed that unemployment was caused primarily by socioeconomic factors outside the individual’s area of influence. Labour market policy should reflect the principle of the right to work. If an individual was unemployed, society therefore had an obligation to provide compensatory measures either in the form of activity or unemployment benefits. Compensation should be generous and without strings attached.

The problems of lower economic growth, rising unemployment and high inflation (so-called stagflation) came to characterise the national economies from the mid-1970s. This created conditions for a different view of the causes of unemployment. Instead of the Keynesian perception that unemployment primarily reflects low demand, the significance of voluntary unemployment was stressed. Excessively generous social security systems impeded mobility and the inclination to look for work. Regulated, high entry wages made it more difficult for the most vulnerable groups – the poorly educated, youth and immigrants – to gain a foothold in the labour market. Added to this was the effect of globalisation with increasing low-wage competition from regions within and outside Europe. These new problem scenarios have had a powerful impact at the political level since the 1990s and have essentially characterised unemployment policy measures regardless of political majority conditions. Briefly stated, the decommodifying characteristics ascribed by Gøsta Esping-Andersen to the Nordic welfare regimes with their foundation in social democracy may be said to have gained a more recommodifying orientation: individuals should not be protected but prepared for the market.⁹⁴

Activation policy has been a key concept in this context.⁹⁵ The long-term unemployed and long-term welfare dependent should be activated rather than offered passive assistance. Not only unemployment insurance benefits but also social assistance should be made conditional. Unemployed and poorly educated youth have been the focus for the activation policy. Those who do not accept offered employment should perhaps not be entirely cut off from assistance, but at least face clear sanctions in the form of reduced assistance. The expression “activation policy” is primarily associated with Denmark, but has gained considerable currency also in the

⁹⁴ Esping-Andersen, Gøsta, *The Three Worlds of Welfare Capitalism*, Princeton 1990. It is obviously debatable how far this should be seen as something new. Unemployment benefits have always been subject to conditions. Moreover, the right to work was always a cherished concept, not least within Swedish labour market policy. What is new is perhaps rather a coordination of labour market policy and social policy to cover new measures and impose new conditions on those who were formerly in essence provided for through social assistance.

⁹⁵ For an overview see Håkan Johansson, *Svensk aktiveringspolitik och aktiveringsgarantin i Nordisk belysning*. Report to ESS 2006:3. For a very detailed review of policy content in thirteen countries, including Denmark and Finland, see *Thematic Study on Measures concerning Disadvantaged Youth*. Study commissioned by the European Commission, DG Employment and Social Affairs in the framework of the Community Action Programme to Combat Social Exclusion 2002-2006. Final Report Volume. Andreas Walther & Axel Pohl in collaboration with Andy Biggart, Ilse Julkunen, Yuri Kazepov and Siyka Kovacheva. Tübingen, October 2005.

other countries.⁹⁶ The concept is broad and, as we shall see, allows various interpretations. It also comes close to what in the Anglo-Saxon countries is called *workfare*, i.e. a policy for moving people from social assistance into work.

Fundamentally, activation policy is based on the notion that long-term unemployment among youth is linked to a personal disinclination to look for work and acquire the necessary competence to earn a living. This disinclination is reinforced if welfare systems are too generous and impose no specific conditions. What is needed is therefore stronger financial incentives as well as a range of sanctions to foster behaviour that will lead to long-term paid employment.

Danish experiences of activation policy

As noted in the previous chapter, a varied palette of training measures has been the predominant element in Danish policy to counteract youth unemployment and prevent social marginalisation among the young. Training, not employment, should be the main alternative for unemployed youth. This strategy has resulted in establishment of the referenced production schools as well as shorter and flexible initial vocational training variants. This in turn has reduced the significance of traditional labour market policy measures such as employment subsidies and public works.⁹⁷

Coordination has also been a keyword in Danish policy. One expression of this has been the development of job and training centres at the local level, partly as a result of the educational and vocational guidance reform of 2004.⁹⁸ These centres should include various service orientated institutions ranging from labour exchanges and social services to schools in order to give individuals better opportunities for obtaining coordinated and needs-adapted assistance. Assistance strategies should be based on individual action plans and long-term monitoring of results for up to two years after completed training.

Coordination and investment in training have also been central strategic elements in the activation policy developed in phases since the early 1990s. As early as 1990, a first so-called youth guarantee (Tiltak for arbejdsledige ungdom) was introduced, a model which eventually spread to Norway and Sweden. Its purpose was to guarantee unemployed youth rapid activation measures, primarily in the form of training. Initially targeted to youth aged 18-19 years with no accrued entitlement to unemployment benefits, the system was gradually expanded to include young adults under 30 years of age. Social assistance to those who rejected the offered activity was reduced.

In 1995 a requirement was introduced which stipulated that youth under age 25 who had been unemployed for six months had to accept training or see their social assistance reduced. The training period should comprise at least 18 months and the compensation would equal 50 percent of the unemployment benefits. A more radical step came in 2005 with the decision that

⁹⁶ Andersen, Jørgen Goul & Pedersen, Jacob J., "Continuity and change in Danish active labour market policy: 1990-2005", paper prepared for the international conference on Welfare State Change: Conceptualisation, Measurement and Interpretation, St. Restrup, Denmark, 13-15 January 2006.

⁹⁷ Walther, Andreas, Hejl, Gry Moerch, Jensen, Torben Bechmann & Hayes, Amanda, *Youth Transitions, Youth Policy and Participation*. Research Project YOYO. Working Paper 1. IRIS, Tübingen, February 2002.

⁹⁸ *Thematic Study on Measures concerning Disadvantaged Youth*, p. 90.

youth and young adults would receive no assistance at all if they refused to undergo training. Parents of youth who dropped out of school would also face reduced assistance.⁹⁹

The focus on training, and that poorly educated youth should in the first instance be trained, is familiar from other countries. The more stringent activity requirements for those dependent on social assistance are also familiar, not least from a Swedish perspective. However, there is more to the Danish policy than stricter requirements. The Danish compensation systems for students and those dependent on social assistance are, as already noted, very generous by international standards. The Danish social assistance system is probably the most generous in the world and offers 60 percent of the unemployment benefits to single individuals and 80 percent to those who cohabit.¹⁰⁰ Unemployment insurance provisions are also generous. The maximum compensation period is four years, compared to 60 weeks in Sweden. This is also a feature of what is usually called *flexicurity*; an attempt to increase mobility and facilitate matching in the labour market through a combination of generous compensation systems and the absence of legally enshrined job security.¹⁰¹

Several international studies also show that Danish social security systems have been very effective from a distribution policy perspective. A major study of conditions for unemployed youth in the Nordic countries and Scotland from the late 1990s showed that the unemployed were much less prone to personal financial difficulties in Denmark than in other countries.¹⁰² One result was that they had less need to change their way of life and consumption patterns. Ultimately this also meant that they had a more positive attitude to life in general.

Overall, the unemployed also seem to have had a positive attitude to the activation policy. Activation has primarily meant training. For middle-aged and older workers, job training within public operations has been another important element. For youth, all has revolved around training. With reference to Jørgen Goul Andersen's and Jacob J. Pedersen's argument: if this is to be called workfare, it must be seen as workfare light.

Youth measures in Finland

In Finland, training measures have very high priority, as we noted in the previous chapter. Unemployed youth are often referred to standard training programmes, as in Denmark. But the training focus is not as dominant as in Denmark. Youth measures also include more traditional labour market policy approaches.

As in Denmark, activation has been a keyword in the framework of youth measures. Among other things this has meant a drive for increased flexibility and individual adaptation of measures as well as coordination between social services, social insurance systems and the labour exchange. Special service centres for unemployed youth have been established.¹⁰³ Coordination is intended both to provide a broader range of measures and contribute to more

⁹⁹ Andersen, Jørgen Goul & Pedersen, Jacob J., op. cit., p. 17.

¹⁰⁰ By contrast, introduction assistance to refugee immigrants has been drastically reduced and is, according to Danish welfare researchers Jørgen Goul Andersen and Jacob J. Pedersen, probably the least generous in all of North-Western Europe.

¹⁰¹ For a good overview of the Danish flexicurity model see Phillipe Egger and Werner Sengenberger (ed.), *Decent work in Denmark*, Geneva, ILO 2003.

¹⁰² Furlong, Andy & Hammer, Torild, *Youth Unemployment and Marginalization in Northern Europe*, London 2000.

¹⁰³ *Thematic Study on Measures concerning Disadvantaged Youth*, p. 89.

efficient utilisation of the collective public resources. It should be possible to use funding from unemployment insurance to create employment opportunities for the long-term unemployed, e.g. through hiring grants.

As in the other countries, the activation policy is based on a form of youth guarantee, referred to as a social guarantee for youth as well as a training and work placement guarantee.¹⁰⁴ Intention of the first guarantee is to offer unemployed youth extensive counselling and guidance through the referenced employment centres. A job should be offered within three months of the start of unemployment. However, in contrast to current conditions in Sweden, the Finnish youth guarantee is also linked to a training guarantee. The service centres are free to arrange training or work placement, all depending on the individual's background and needs. The process should be based on an individualised action plan. As in the other countries, the policy includes the option of sanctions. Those who do not participate actively in the placement process, or in the activities offered, can be cut off from assistance.

Employment grants are an important feature of Finnish labour market policy. There are two types of grants: one for private companies and one for the public sector.¹⁰⁵ Private companies can receive funding equivalent to 10 months' wages for hiring an unemployed youth, provided that the company offers the person open-ended employment. Similar grants are available in the public sector, so-called temporary public sector jobs. These measures should primarily be directed to long-term unemployed youth who risk becoming permanently excluded from the labour market.

Labour market training is not used as an instrument for unemployed youth in Finland. Labour market training within the arsenal of labour market policy is intended for middle-aged and older workers. The unemployed must have reached age 40 to be referred for training. On the other hand there are two job training programmes that also include unemployed youth. Firstly, unemployed are assigned to a workplace or workplace-like environment administered by the labour exchange for on-the-job training for a period extending from one year to a maximum of eighteen months. Compensation equal to unemployment benefits is paid during work placement. Funding of activity grants can be direct via unemployment insurance. Secondly, there is a programme for apprenticeship training which is linked to standard vocational training. Unemployed youth can be offered both initial vocational training and supplementary training. The compensation is equivalent to unemployment benefits and employers who accept apprentices receive compensation as in the standard vocational training system.

The youth guarantee in Norway

In Norway, labour market policy measures for youth and young adults are organised in the framework of a youth guarantee. A special guarantee to activate unemployed youth under age 20 was formulated already in the late 1970s. In the mid-1990s the system was expanded to include long-term unemployed in the 20-24 age group. The intention of the guarantee was that they should be offered some form of measure as an alternative to long-term unemployment. In accordance with the principles of activation policy, sanctions in the form of reduced or denied assistance should be used as disciplinary instruments when an unemployed person refused to participate in assigned activities.

¹⁰⁴ Julkunen, Ilse & Öhman, Johanna, *op. cit.*, European Commission. Tübingen 2005.

¹⁰⁵ *Labour Market Policy. Qualitative report. Finland.* European Commission 2003.

The youth guarantee can be seen as part of the package usually referred to as Reform 94 which we touched on in the previous chapter.¹⁰⁶ Under the reforms, everyone should be offered the right to a three-year upper secondary school education and a follow-up responsibility would be introduced for working with youth who for various reasons failed to start or complete an education. The youth guarantee became the activating element for those who could not be returned to the standard education system.

When the guarantee was introduced for 20-24 year-olds in 1995, two objectives were formulated. Firstly, all who had been unemployed for four months or longer would be called to the labour exchange for follow-up interviews. The purpose would be to design an individual action plan. The action plan then had to be followed, otherwise the unemployed risked losing their social assistance. Secondly, the guarantee would comprise a number of activity goals, set out in detail in the action plan. Activities could consist of work placement, participation in job clubs, labour market training or standard school-based training.

Work placement has been the dominant element of the Norwegian youth guarantee. Over time there has been a shift in emphasis from training towards work. Initially there was more talk of the preparatory nature of the measures. A 1999 decision makes it clear that job assignment should be prioritised. The latter is reasonably also linked to the significant drop in the number of openly unemployed and long-term unemployed youth in Norway in the second half of the 1990s. Of all the Nordic countries, Norway also has the lowest proportion of long-term unemployed as a percentage of the total number of unemployed.

Concluding assessments

The activation policy trend of the 1990s has characterised youth measures in all the countries discussed, but the concrete design has varied. In Denmark, education has been entirely dominant. In Norway, the youth guarantee has been orientated towards work placement. In Finland, measures have been more varied and have included both employment and training elements.¹⁰⁷

Several aspects of the youth measures in these three countries are worth a special look from the Swedish perspective. After all, Sweden has also had a type of youth guarantee aimed at providing youth and young adults under 25 with some form of activity after no more than 100 days of unemployment. As noted earlier, there is also a municipal follow-up responsibility for tracking down youth under 20 years of age who are not studying. Under a 1998 amendment of the Social Services Act, social assistance to unemployed youth can also be made conditional.

A first aspect worth examining is the coordination of measures. In Sweden this has been a major problem.¹⁰⁸ The division of responsibility between secondary schools (IV programmes), social services and the labour exchange has been unclear. There have also been obvious conflicts of objectives. Labour market policy measures in the framework of the youth guarantee

¹⁰⁶ Hardoy, Inés, Røed, Knut, Torp, Hege & Zhang, Tao, ” Ungdomsgarantien for 20-24-åringer: Har den satt spor?” Report 2006:4, Institute for Social Research.

¹⁰⁷ The concept has spread outside the Nordic area. In the framework of the Lisbon process the EU today recommends that member countries apply a youth guarantee to activate youth who have been unemployed for longer than six months.

¹⁰⁸ The coordination problems are discussed in detail in a memorandum from the review on more flexible labour market training: SOU 2007:18 *Arbetsmarknadsutbildning för bristyrken och insatser för arbetslösa ungdomar*.

(formerly called the development guarantee) have been financed by the national Labour Market Administration but organised by the municipalities. Municipalities feel they have received inadequate resources for long-term planning of their activities while government has been dissatisfied because measures provided under the youth guarantee have not focused enough on jobs. There has consequently been obvious tension between the sociopolitical aim of the programme at the municipal level and the labour market policy intentions which dominate at the government level. Municipalities have wanted to save on social assistance expenditures while government has seen the municipal responsibility as an opportunity to free itself from responsibility for unemployed youth and young adults.

In Sweden, the follow-up responsibility has primarily applied to information, i.e. municipalities have had to keep informed about youth employment. There has been no requirement of contacts or active measures on the part of municipalities. Moreover, the responsibility has only applied to youth under age 20. In Denmark, Finland and Norway the emphasis has rather been on reaching out to youth and young adults who have not completed an upper secondary school education. Age has been less important in this context. A review of the follow-up responsibility carried out some time ago by the National Agency for Education also shows major deficiencies, including a lack of information on about 30,000 youth under age 20 outside the education system.¹⁰⁹

We also find that training measures have been minor in Sweden compared to the other countries. The growing difficulty for many Swedish youth to complete their upper secondary studies coupled with high unemployment in the 20-24 age group has not been offset by increased training measures. Sweden does not offer the option of attending academically less demanding vocational training programmes. In addition, labour market training has not been designed to accommodate unemployed under 25 years of age. Given the limited offering of vocational training within Komvux and the 20-year age limit applicable to studies in the Swedish secondary school system, young adults have had very limited opportunities to obtain initial vocational training.

Sweden also differs in terms of the sharp demarcation between education and job training within labour market policy and the standard education system. In Sweden, training measures in the framework of labour market policy have become increasingly separated from the standard education system. The fundamental concept has been that training provided with labour market policy funding should eliminate temporary bottlenecks and short-term competence shortages in the labour market and concentrate on qualifications that can be acquired over a maximum training period of about one year. Added to this is a perception that standard training for fairness reasons should not be offered in the framework of labour market policy. It would be unfair and create a number of incentive problems in the training area if large numbers of unemployed were to have their vocational training funded by activity assistance while others must apply for standard student funding. In the other countries, particularly Denmark, entirely different assessments have been made. The premise has rather been that a completed upper secondary school education should be seen as a right. In addition they have pointed to an efficiency gain from the distribution policy standpoint: those who are furthest from the education system and at greatest risk of becoming stuck in a socially marginalised situation have obtained both an education and a livelihood at an acceptable level.

¹⁰⁹ National Agency for Education, *Information om icke skolpliktiga ungdomar – det kommunala uppföljningsansvaret*, 2006.

In conclusion it should be noted that Swedish labour market policy has entered a period of intensive change. Youth measures (the municipal youth programme for unemployed in the 16-19 age group and the youth guarantee) will be replaced by a job guarantee. The job guarantee will be administered by the labour exchange. This will relieve municipalities of responsibility for unemployed youth (but not of the subsistence responsibility for those dependent on social assistance). To this comes a restructuring of vocational training in upper secondary schools towards more apprenticeship training and reduced core subject content. Labour market training volumes have also fallen considerably. What impact this will have on the noted coordination problems, and by extension on throughput and inactivity levels, it is still too early to say.

There have been several outcome assessments of labour market policy youth measures. Many Swedish assessments paint a negative picture of the results of the measures in terms of jobs and income generation, while the picture is somewhat brighter with respect to the number who embark on standard training after completing a youth programme.¹¹⁰ Corresponding studies on the effects of youth measures in Denmark provide a slightly more positive picture, especially regarding transition to regular studies.¹¹¹ The importance of breaking lengthy periods of unemployment, not least in order to reduce the risk of stigmatisation, is also emphasised. A Norwegian outcome assessment of the youth guarantee also paints a more positive picture.¹¹² Above all it is stressed that the goal of activating the long-term unemployed has been achieved. Outcomes in terms of work for long-term unemployed after completed programme participation also suggest a positive trend. Transition to regular studies is on the other hand not very common, although this may indeed not have been expected considering the orientation of the Norwegian youth guarantee.

What we are discussing here is essentially the effectiveness of the different national systems from a broader social justice perspective. This concerns both the importance of youth measures for counteracting unemployment and social marginalisation and the extent to which the systems are able to compensate for the difficulty experienced by individuals of different gender, class and ethnicity in establishing themselves on the labour market. These are some of the main issues discussed in the next chapter.

6. Fair and equitable conditions

Economic research assesses the impact of society's educational investments on individuals and society. The fact that education constitutes investment with a long and uncertain yield horizon suggests that government must assume a financing responsibility if education is to attain the socioeconomically desired scope. Labour market policy measures have likewise been justified on the premise of economic theory. Labour market policy measures, including those directed toward youth, have been perceived as means to maintain human capital, reduce transaction costs and facilitate matching in the labour market.

¹¹⁰ Carling, Kenneth & Larsson, Laura, "Does early intervention help the unemployed youth?", *Labour Economics*, vol. 12, 2005. See also Forsslund, Anders & Nordström Skans, Oskar, (*Hur*) hjälps ungdomarna av arbetsmarknadspolitiska program för unga? IFAU 2006.

¹¹¹ Jensen, P, Rosholm, M & Svareser, M, "The response of youth unemployment to benefits, incentives, and sanctions", *European Journal of Political Economy*, vol. 19, 2003.

¹¹² Hardoy, Inés, Røed, Knut, Torp, Hege & Zhang, Tao, " Ungdomsgarantien for 20-24-åringer: Har den satt spor?" Report 2006:4, Institute for Social Research.

Going back to earlier discussions we find that experiences in the Nordic countries appear quite variable. Education at upper secondary school level is differently organised and also offers students very different funding conditions, although a formal, legally enshrined right to education exists in all countries. Measures implemented in the framework of labour market policy for especially vulnerable youth, including those who fail to complete an upper secondary school education, also differ. Fundamentally these differences appear to reflect different perceptions of the effectiveness of vocational training and labour market policy, respectively, particularly with regard to youth and young adults. To highlight the extremes: Sweden has since the early 1990s tended to downplay the significance of initial vocational training at the upper secondary school level in favour of programmes preparatory for further studies. By contrast, apprenticeship training has been reinforced in Denmark. In Sweden the experiences of labour market policy measures for youth have been described as negative, while Denmark has made extensive investments in order to create specially adapted and preparatory vocational training programmes for unemployed youth both within and outside the standard training system. Both countries are attempting to design a policy which is fair as well as effective. But the premises for reaching the objectives are evidently assessed very differently.

The foundation of a fair education policy

The dual concepts of fairness and effectiveness often surface in political contexts. Effectiveness and fairness are often spoken of as opposites, i.e. more or less as contradictions in terms. Although fairness in particular is an awkward concept which can be defined in different ways depending on the value-based and social premises, most would agree that policy has to serve well defined fairness objectives. The issue in education and labour market policy has been that measures should compensate differences in conditions related e.g. to class and country of birth. Measures should not simply be gender neutral, but should strive to break the traditional gender division in the labour market.

In Europe, most countries have formulated objectives of this nature independently. Within the Lisbon process, EU has also defined clear and measurable goals for countries to reduce perceived fairness deficiencies relating to the proportion of youth who fail to complete an upper secondary school education, unemployment etc. Some years ago, a European Commission research group also prepared a report which presented 29 fairness indicators for education systems in EU member countries.¹¹³ Several of these indicators are linked to the so-called PISA studies performed regularly by the OECD.¹¹⁴ PISA studies measure the outcome effectiveness of education systems in different countries. Both knowledge and skills are assessed such as the development of reading, writing and arithmetic skills among 15 year-olds in different countries relative to a range of socioeconomic background variables.

The premise of these objectives and indicators is to create fairness in the sense of equitable conditions. Ultimately it is about influencing the individual's wage-earning conditions. Education is one of the factors most profoundly able to influence living conditions and income distribution within a nation. According to researchers, the standard of education has positive effects on health, the ability to collaborate, adaptability to change etc. Studies show that most

¹¹³ *Equity of the European Education systems. A set of indicators. European Group of Research on Equity of the Education systems.* A Project supported by the European Commission Directorate General of Education and Culture (2005).

¹¹⁴ PISA stands for *Programme for International Student Assessment*. The latest studies comprise the years 2000 and 2003. The 2003 study primarily looked at students' arithmetic knowledge and skills.

differences in income distribution between countries can be ascribed to variations in education and qualification levels.¹¹⁵

What does equitable conditions mean?

What then is the significance of equitable conditions? To a major extent the debate has been inspired by researchers such as Amartya Sen and John Rawls. It is also a matter of operationalising the fairness concept in specific objectives and indicators, e.g. within the UN and EU. The economist and philosopher Amartya Sen is probably the most influential welfare theorist of our time. He has argued for closer alignment of the objective and subjective meaning of the welfare concept. He differentiates between functions and capabilities.¹¹⁶ Functions refer to fundamental welfare aspects such as income level and health. Capabilities refer to the ability of individuals to satisfy their own subjectively perceived expectations. This in other words relates both to availability of resources and to income distribution and power relations in society – in short, how humans are able to influence their life situation. The ability to satisfy basic functions is among other things highly dependent on the availability and design of training. As noted before, education is of fundamental importance for income distribution.

According to Sen, equitable income distribution should be understood in the context of the *proportionality* concept, i.e. income distribution which is objectively justifiable on the premise of the contributions made by different citizens to the social economy. Income distribution which is significantly influenced by inherited wealth, inequitable gender relations, discrimination of ethnic minorities and transient scarcity values cannot be considered fair in this respect. Social and education policy that counteracts such effects on income distribution increase distribution fairness, but reduce the affluence of certain individuals who have to relinquish discretionary consumption because of higher taxes.

Fairness and distribution are linked. To address conditions that conflict with the proportionality principle, some form of resource distribution is necessary. This means giving more to some who at the outset have fewer resources, while others who have more will get less. Here we approach the timeless question of the relationship between equitable distribution and individual freedom. Does distribution fairness demand too far-reaching limitations of individual freedom?

One who has examined this issue in detail is the welfare theorist and philosopher John Rawls.¹¹⁷ For Rawls the premise was that fairness cannot be divorced from the concept of freedom. Optimally fair distribution can only arise if we disregard the factors that influence today's income distribution such as ethnicity, gender, inheritance, wealth, education and talent. If we rather base our premise on a situation where all are free to shape their life choices regardless of present restrictions; if we imagine making our choices *in the veil of ignorance*, what would society look like then? Rawls speaks firstly of the freedom principle. We would choose to live in a society that is open and guarantees access to different positions in society. We would furthermore want to live in a society that guarantees the weakest groups the best

¹¹⁵ Nickell, Stephen, "Poverty and Worklessness in Britain", *Economic Journal* vol. 114, 2004. A study of USA and Germany from a few years earlier produced similar results. See Freeman, Richard B. & Schettkatt, Ronald, "Skill Compression, Wage Differentials and Employment: Germany versus the US", NBER Working Paper Series W 7610, 2000. The much greater income distribution inequality in USA than in Germany is primarily explained by the more uniform education standard of German workers.

¹¹⁶ Grusky, David B. & Kanbur, Ravi (ed.), *Poverty and Inequality. Essays by Amartya Sen et al.*, Stanford, Calif. 2006.

¹¹⁷ Rawls, John, *A Theory of Justice*, Cambridge, Mass. 2005.

possible social security, primarily because we do not know whether we ourselves would fall into the group with the poorest earning power. According to Rawls, we here find a fully rational and egoistical motive for minimising income spread.

But Rawls also spoke of the difference principle. His premise was that differences in earning power and wealth distribution were justified as long as they contributed to high economic growth and better material conditions for the poorest groups in society. Like Amartya Sen, Rawls argued for equitable conditions rather than an equitable outcome or absolutely equitable income distribution. However, John Rawls' theories can obviously be used to support extensive income equalisation. The main principle is once again that variations in income distribution only can be justified and defended as long as they improve the standard of living for the poorest segment of the population.

Several other of today's liberally orientated welfare theorists have grappled with questions of what should be seen as fundamental human needs on the one hand, and how far income equalisation should be pursued on the other hand. Is it even possible to define human needs that transcend time and space? Yes, if we consider e.g. housing, fresh air, health, individual freedom and stimulating employment as prerequisites for a meaningful life. Without health and personal freedom it is difficult to imagine a tolerable existence. According to British welfare researcher Ian Gough, these welfare aspects can be seen as universal and all nations that claim to provide for the welfare of their citizens must therefore make every effort to create conditions where these needs can be fulfilled. This would then encompass everything from active environmental policy to labour market and education policy.¹¹⁸ The premise is consequently that welfare requires that certain fundamental and universal needs be met. And for this to be possible, the means to meet these needs must also be regarded as universal.

Are the fairness objectives being reached?

Below we will discuss to what extent educational institutions in the Nordic countries can be regarded as effective in terms of reaching the fairness objectives. A basic aspect, to which we have referred in previous chapters, concerns the extent to which it has been possible to achieve a low level of unemployment and inactivity regardless of educational level. See Table 15.

¹¹⁸ Gough, Ian, *Global Capital, Human Needs and Social Policies. Selected Essays, 1994-99*, Basingstoke 2000.

Table 15. Percentage unemployed and inactive by gender, age and education in 2003.

	Compulsory school only		Upper secondary education	
	Women	Men	Women	Men
<i>Denmark</i>				
20-24	5.3	4.8	2.4	3.6
25-29	7.6	4.8	3.7	1.6
<i>Finland</i>				
20-24	22.0	23.2	8.7	14.5
25-29	17.8	11.5	10.1	8.5
<i>Norway</i>				
20-24	8.7	18.2	3.7	5.4
25-29	4.0	6.4	4.0	5.7
<i>Sweden</i>				
20-24	15.4	17.7	6.0	8.1
25-29	11.4	11.4	7.0	5.6

Source: OECD, *Education at a Glance 2005*. Unfortunately no data is available on Iceland.

As already noted, unemployment is highest in Finland and Sweden. This is also evident when unemployment and inactivity statistics are broken down by education level. Numbers are higher in Finland and Sweden both for those who have not completed an upper secondary school education and for those with a complete education. Norway does show higher unemployment and inactivity levels among men aged 20-24, but it must be stressed that they represent a smaller percentage of all individuals in that age group than in Finland and Sweden.

True of all countries is that those who have not completed an upper secondary school education are heavily overrepresented among the unemployed and inactive. It is nevertheless evident that levels differ considerably between countries. Denmark clearly has the lowest level of unemployed and inactive both among those without, and those with, an upper secondary school education. In Norway the proportion of unemployed and inactive is relatively low both among those with, and those without, an upper secondary school education in the 25-29 year age group. The differences between Denmark and Norway on the one hand, and Finland and Sweden on the other, can partly be explained by differences in economic conditions. However, institutional conditions also play an important role. To what extent the design of upper secondary school education plays a part is hard to say. Research in this area is lacking. Moreover, as we found in chapter 4, the common view of a positive association between apprenticeship training and upper secondary school throughput does not appear to stand up to closer scrutiny.¹¹⁹ One hypothesis is that the collective offering of education measures, at different levels and with different orientations, both within and outside the standard education system, has facilitated efforts to drive down unemployment and inactivity in Denmark and Norway; and above all in Denmark.

A fundamental question when speaking of education and establishment opportunities for youth from a fairness perspective is how educational performance is affected by differences in background conditions. But this is not enough. We must also examine how training choices are influenced by differences in social background. This applies to class related background conditions as well as gender and ethnicity.

¹¹⁹ This perception is emphasised e.g. by Paul Ryan, "The School-to-work Transition: A Cross Country Perspective", *Journal of Economic Literature*, vol. 39, 2001.

In this area more research has been done, both in the Nordic countries and elsewhere.¹²⁰ The referenced PISA studies also provide an important background perspective. In the PISA studies, the charting of school performance among 15 year-old students shows that socioeconomic background factors influence results to a very high degree in all countries. In this respect the Nordic countries are consequently no exception. Socioeconomic background factors also outweigh the impact of ethnic background when the abilities and skills of students are measured. The gender difference, which is altogether quite small, favours the girls. Results for the year 2000 are shown below in Table 16. The first column shows differences in performance between students whose parents are in the weakest socioeconomic position (the 25 percent with the lowest incomes) compared to other 15 year-olds in the respective countries. A value of e.g. 0.8 means that those in the privileged group as measured by the parents' social and occupational status achieved results with a positive standard deviation of 0.8 compared to the less privileged group. A standard deviation of 0 therefore means that there is no difference between the groups. The second column measures the gap between students whose parents were born in the country and those with a foreign family background. The third column reports the difference in knowledge and skills between girls and boys.

Table 16. Variations in the abilities and skills of 15 year-old compulsory school students relative to the parents' socioeconomic position and ethnic background, and between boys and girls.

	<i>Socioeconomic position</i>	<i>Ethnicity</i>	<i>Gender</i>
Denmark	0.80	0.32	0.01
Finland	0.54	0.28	0.20
Norway	0.61	0.37	0.12
Sweden	0.71	0.21	0.11
Germany	0.98	0.38	0.07
United Kingdom	0.93	0.09	0.05

Source: Equity of the European Education systems. A set of indicators. C.1.1. Table 2.

In Table 16, data for Germany and the United Kingdom have been included to place the results of the Nordic countries in perspective. As shown in the first column, the parents' socioeconomic background as defined above has a very major impact on the student's performance. The Nordic countries, especially Finland and Norway, show somewhat less inequality in this area, although it is still very high. Differences between countries are larger in terms of variations in performance related to ethnicity. Sweden fares better than Denmark, Finland and Norway. We must nevertheless remember that the composition of immigrant populations varies

¹²⁰ With respect to Sweden we can refer to the study by Robert Eriksson and Jan O. Jonsson *Ursprung och utbildning – social snedrekrytering till högre studier*, SOU 1993:85. Main report of the Enquiry concerning socially skewed recruitment to higher studies, which focused on the significance of socioeconomic background factors for the choice of post-secondary education. In a later study, Jan O. Jonsson also pointed to the continued strong impact of social origin for the choice of upper secondary school education, particularly the choice of vocational training. See Jan O. Jonsson, "Gymnasiets yrkesutbildningar efter reformen – mer valvärda alternativ?", in Olofsson, Jonas (ed.), *Utbildningssvägen – vart leder den?*, Stockholm 2007. In an appendix to Economist Åsa Löfström's review of gender division in the labour market, Jan O. Jonsson also describes the extremely strong gender division between programmes in the Swedish upper secondary school. See SOU 2004: 43 *Den könsuppdelade arbetsmarknaden: Könssegregeringen inom utbildningssystemet. Förändringar och förklaringar* (Appendix 6).

strongly between the Nordic countries. In Sweden, the proportion of immigrants from neighbouring countries is much higher than in the other Nordic countries. Differences in performance between girls and boys appear to be fairly significant in the Nordic countries, except Denmark.

One conclusion is that educational performance outcomes both in the Nordic countries and elsewhere vary considerably depending on the student's social background. We have also found that educational choices differ depending on social background. Persons from a less privileged socioeconomic background are more inclined to choose initial vocational training than programmes preparatory for further studies directly after compulsory school. We can also see that unemployment and inactivity are very unevenly distributed among young adults with different levels of education. In the Nordic countries, as in other comparable countries, youth without a complete upper secondary school education are heavily overrepresented among the unemployed and inactive. We can conclude that neither education nor other youth measures appear to achieve the goal of compensating entirely for differences in the social background, ethnicity and gender of young people.

Different fairness strategies

Reverting to the introductory discussion in this chapter, we thus find that Denmark and Sweden can be seen as two extremes among the Nordic countries in terms of upper secondary school education systems and the design of supplementary measures for youth who are unemployed and have difficulty coping with standard training programmes. In Sweden, the fairness strategy has aimed to make conditions equitable for all youth by having them study the same thing as far as possible, i.e. by achieving general admission to post-secondary studies. By contrast, Denmark has opted for several alternative education pathways at different levels. The Swedish strategy has resulted in a larger proportion having difficulty completing an upper secondary school education, a higher level of long-term unemployment, and increased dependence on social assistance. In Denmark the alternative education measures have allowed a larger proportion of youth and young adults to avoid unemployment and inactivity. The level of long-term unemployment and long-term social assistance dependence is lower. However, the question is whether the Danish strategy has a higher price in the longer term. Does the policy contribute to segmentation, reduced mobility and greater social gaps? Is it also true as sometimes claimed that traditional forms of initial vocational training have lost their relevance in the modern technology and knowledge intensive economy? Are job functions and skill requirements changing so fast that it is almost impossible to plan for meaningful vocational training just a few years ahead?¹²¹ Should this be true, it would speak in favour of the Swedish strategy, at least as currently designed, where curriculums at the upper secondary school level are kept as broad as possible in order to keep all doors open in terms of future studies and occupations.

Only a small amount of empirical research addresses these issues.¹²² Discussions are based on different assessments and future scenarios. From a social distribution perspective it could nevertheless be claimed that vocational training offers youth from less privileged home environments better opportunities of finding work and enjoying a positive income

¹²¹ See e.g. Kreuger, Alan B. & Lindahl, Mikael, "Education for Growth: Why and for Whom?", *Journal of Economic Literature*, vol. 39, 2001.

¹²² However, one exception is Crouch, Colin, Finegold, David, & Sako, Mario, *Are Skills the Answer? The Political Economy of Skill Creation in Advanced Industrial Countries*, New York, 1999.

development.¹²³ The Danish experience suggests that this is the case. As previously noted, students in vocationally orientated training programmes more often come from low-income families with no experience of higher education than students in programmes preparatory for further studies. These students moreover attain considerably poorer marks in compulsory school than students in programmes preparatory for further studies. Using data and information from Statistics Sweden on marks achieved in compulsory school, we will now examine conditions for youth aged 20-24 from different educational backgrounds.

In order to compare the outcomes of different educational programmes and orientations, we need information about the students' previous experience of education. Data on marks achieved in compulsory school give an indication of a student's previous school performance. We also know that marks correlate strongly with the student's social background. We can firstly assert that individuals with at most compulsory school education or a vocationally orientated upper secondary school education have been strongly overrepresented among 20-24 year-olds with below-average marks from compulsory school. This overrepresentation has increased from 1993 onward. In 1993 it was just below 40 percent for those with at most compulsory school education and just over 20 percent for those with vocational training. In 2002 the numbers were about 70 percent and 50 percent, respectively. Those with an education preparatory for further studies were clearly overrepresented among students with above-average marks from compulsory school.

Compared to students with an upper secondary school education preparatory for further studies, the parents of those with vocational training were much more likely to have a below-average annual income and an education equivalent only to compulsory school.¹²⁴ Both among those with at most compulsory school education and those with vocational training, the proportion whose parents had an average income below the mean (2002 level) exceeded the group's share of the total 20-24 year cohort by over 20 percentage points. Among students with an education preparatory for further studies, the overrepresentation of parents with above-average incomes was between 10 and 20 percentage points. The same pattern emerges when we look at the parents' education level. Students with at most compulsory school education or initial vocational training had parents with a weaker educational background than those with an education preparatory for further studies. In 2002, the overrepresentation of parents with only compulsory school education was 50 percent among students with compulsory school education and 40 percent among those with vocational training. The data on compulsory school results and parental education and income reflects the distribution of students by social origin.

Does vocational training compensate differences in social background?

Table 17 shows different aspects of the composition of three educational groups: those with at most compulsory school education, those with initial vocational training and those with an education preparatory for further studies. Data in the table should be interpreted as follows: A score below 1 means that the educational group's share of a certain category is smaller than its share of the total 20-24 year cohort. Or vice versa: a score above 1 signifies that the educational

¹²³ For international reviews of the connection between vocational training, welfare policy regimes and income distribution, see Estevez-Abe, M., Iversen, Torben, & Soskice, David, "Social Protection and the Formation of Skills: A Reinterpretation of the Welfare State", in Hall, Peter A. & Soskice, David, (ed.), *Varieties of Capitalism. The Institutional Foundation of Comparative Advantage*, Oxford 2001, and Ashton, David & Green, Francis, *Education, Training and the Global Economy*, Cheltenham, 1996.

¹²⁴ Olofsson, Jonas & Östh, John, "Yrkesutbildning i ett socialt perspektiv", in Olofsson, J., (ed.), *Utbildningsvägen – vart leder den?*, Stockholm 2007.

group is overrepresented. The group with at most compulsory school education was almost twice as large among those with very low annual incomes (below one price base amount) as in the entire 20-24 year cohort (about 15 percent) in the period 1999 to 2002. This is evident from Table 17. Within this group the proportion on social assistance was almost four times as high as the group's share of all 20-24 year-olds.

Those with education preparatory for further studies as their highest educational level were slightly overrepresented among 20-24 year-olds with the lowest incomes at the start of the study period. While their unemployment level was lower than their share of the entire 20-24 year cohort, they were overrepresented among students, at least until the mid-1990s. They were clearly underrepresented in the group of 20-24 year-olds who subsisted mainly on social assistance in the period 1993 to 2002. Their representation among those with relatively good incomes – from three price base amounts and up – was considerably lower in the early 1990s but gradually increased and became essentially equivalent to the educational group's share of the 20-24 year cohort in 2002.

Moving to the group with completed initial vocational training, we find that its share of unemployed was considerably higher (by an average of 20-30 percent) than its share of the total 20-24 year cohort. While this is negative, other data on the group's earning situation suggest that it relatively speaking experiences less establishment problems, not only compared to individuals without an upper secondary school education but also compared to those with an education preparatory for further studies. In all years from 1993 onwards, the share of social assistance recipients has been underrepresented among those with vocational training relative to the size of this educational group. The same applies to the proportion with incomes below one price base amount while the proportion with relatively good incomes – three price base amounts and up – is considerably higher than its share of the entire age group. Table 17 shows that the group with vocational training scored about 50 percent above its share of the 20-24 year population from 1993 to 2002. The proportion of vocationally trained who were gainfully employed and primarily lived on their wages was also higher (by about 20 percentage points) than their share of the age group.

Table 17. Proportion of the 20-24 year age group with at most compulsory school education, initial vocational training, and education preparatory for further studies in various groups compared to the total cohort with the same education in the same age group.

Year	At most compulsory school				Vocational training				General education			
	1	2	3	4	1	2	3	4	1	2	3	4
1993	-	0.7	3.7	0.6	1.2	1.1	0.7	0.8	0.6	1.0	0.6	1.3
1994	1.4	0.7	3.3	0.6	1.3	1.2	0.7	0.9	0.8	1.0	0.6	1.3
1995	1.3	0.8	3.2	0.6	1.3	1.2	0.8	0.9	0.8	1.0	0.6	1.2
1996	1.3	0.7	3.3	0.6	1.3	1.2	0.9	0.8	0.9	1.0	0.6	1.2
1997	1.5	0.7	3.5	0.6	1.5	1.2	0.9	0.8	0.8	1.0	0.6	1.2
1998	1.5	0.8	3.8	0.6	1.5	1.2	0.8	0.8	0.7	1.0	0.6	1.2
1999	1.5	0.8	3.9	0.6	1.5	1.2	0.7	0.9	0.5	1.0	0.5	1.1
2000	1.6	0.9	4.4	0.6	1.6	1.3	0.6	0.9	0.7	1.1	0.3	1.2
2001	1.7	1.0	3.8	0.6	1.6	1.2	1.4	0.8	1.3	1.2	1.0	0.9
2002	1.7	1.0	4.1	0.6	1.5	1.3	0.4	0.9	0.6	1.2	0.2	1.1

1=Below average marks, compulsory school. 2=Mainly gainfully employed. 3=Mainly subsisting on social assistance (social support).4=Parents with above-average annual incomes.

Year	At most compulsory school				Vocational training				General education			
	5	6	7	8	5	6	7	8	5	6	7	8
1993	1.5	0.9	1.5	0.5	0.7	1.4	1.3	0.3	1.2	0.7	0.7	1.3
1994	1.4	0.9	1.6	0.6	0.8	1.4	1.3	0.4	1.1	0.8	0.8	1.2
1995	1.5	0.8	1.5	0.7	0.7	1.5	1.3	0.4	1.1	0.8	0.9	1.1
1996	1.6	0.8	1.4	0.7	0.9	1.5	1.4	0.4	1.1	0.9	0.9	1.0
1997	1.6	0.7	1.3	0.8	0.8	1.5	1.5	0.4	1.0	1.0	0.9	1.0
1998	1.7	0.7	1.4	0.8	0.8	1.5	1.4	0.4	1.0	1.0	0.9	1.0
1999	1.8	0.7	1.5	0.7	0.8	1.5	1.4	0.4	1.0	1.0	0.8	1.0
2000	1.9	0.8	1.6	0.6	0.7	1.6	1.5	0.4	1.0	1.1	0.8	0.8
2001	1.8	0.9	1.7	0.7	1.0	1.3	1.5	0.5	1.0	1.2	1.3	0.6
2002	1.9	0.9	1.6	0.6	0.7	1.4	1.5	0.3	1.1	1.0	0.8	0.8

5=Income below one price base amount. 6=Income above three price base amounts. 7=Mainly subsisting on unemployment insurance or activity assistance. 8=Study-related income.

Source: Statistics Sweden, Louise.

A low proportion of social assistance recipients combined with a high proportion with good incomes suggests that vocational training has given youth better opportunities not only to find jobs, albeit not always permanent ones, but also to qualify from a subsistence standpoint for adequate compensation via unemployment insurance or other forms of social insurance.

While further research is needed on causative relationships and the effects of various educational orientations in upper secondary school, what has been reported above indicates that initial vocational training may have clearly positive effects. It should once again be stressed that results presented above primarily relate to individuals who completed an education in the framework of the former line-based upper secondary school.

We will continue in the next chapter by highlighting certain themes relating to research on entry conditions for unemployed youth, with special emphasis on the importance of vocational training and specific labour market policy measures being implemented in the Nordic countries.

7. Research on youth unemployment and the transition from school to working life

Below we will touch on some of the themes addressed in research on the transition of youth from school to working life. It would be somewhat pretentious to call it an overview. We hope to make a reasonably representative selection. The research discussed so far has largely dealt with establishment and earning difficulties that arise from poor education. However, the research addresses several other topics. Firstly it concerns the impact of long-term unemployment at the individual level. What is the effect of unemployment on factors such as social isolation, mental ill health and the inclination to commit crimes? What significance does participation in education and labour market policy programmes have on the wellbeing of unemployed youth? These are the two themes we will examine in this chapter. Secondly it concerns effects at the societal level. How are conditions such as social cohesion and trust in public institutions affected by unemployment and education? Let us start by discussing a concept that recurs continually in research about establishment problems for vulnerable youth: social exclusion.

Social exclusion

There is a long tradition of sociologically and psychologically orientated research into the negative effects of unemployment at the individual level. Studies go back to Marie Jahoda's classic investigations of the effects of unemployment from the 1930s onward.¹²⁵ On the premise of these investigations, Jahoda developed a theory about the negative effects of unemployment. This was not primarily about the effects of unemployment on personal finances, but the effects it has on life rhythm and living habits. She formulated five factors that are especially important for human quality of life: time structure, social contacts, identification with collective endeavours, social status and regular activities. In all five cases she believed that unemployment had markedly negative effects. Her premise was that unemployment had a negative influence on living conditions and self-perceived quality of life, which in the longer term contributed to heightened social marginalisation and increasing ill health.

This view has been confirmed by more recent research. Not only does unemployment have negative effects on personal finances but, as we noted in the introductory chapter, it also has a number of other negative repercussions. In recent years, interest in investigating these different and multifaceted effects of unemployment has increased. Pure poverty research has expanded to include what is usually called social exclusion. The German social scientist Martin Kronauer has highlighted several different dimensions of the concept.¹²⁶ This includes everything from objective conditions affecting welfare to more subjective factors and issues relating to personal resources. According to Kronauer, the first important ingredient is exclusion from the labour market which leads to resignation or dejection with respect to the chance of ever finding work again. The second factor is economic exclusion which leads to a lower material standard, increased dependence on the social security system and/or family and friends. The third factor involves institutional exclusion. This concerns everything from exclusion from the housing market and possibilities of obtaining consumer credit to high entry thresholds in the education system and difficulty dealing with public agencies. A fourth element discussed by Kronauer concerns social exclusion, i.e. the vulnerability that follows from weakened social networks. A

¹²⁵ Jahoda, Marie, Lazarsfeld, Paul F. & Zeisel, Hans, *Marienthal: The sociography of an unemployed community*, London, 1974.

¹²⁶ Kronauer, Martin, "'Social exclusion' and 'underclass' – new concepts for the analysis of poverty", in Andress, H.-J., (ed.), *Empirical Poverty Research in a Comparative Perspective*, Aldershot, 1998.

fifth factor is so-called cultural exclusion. This refers to inability of keeping up with prevailing norms of lifestyle and living habits which in turn leads to stigmatisation. As the sixth and final factor he mentions so-called spatial exclusion. This refers to segregation which results in the socially most vulnerable tending to concentrate in specific neighbourhoods with a weaker social infrastructure, which in turn may exacerbate feelings of isolation and stigmatisation.

Education is critically important for preventing and counteracting tendencies to social exclusion. Vocational training reduces the obstacles to entering the labour market. But education also affects an individual's resources and options in other respects. Better education improves the ability to deal with the authorities. Studies also show that education tends to make it easier for individuals to plan their finances.

It is important to see how different factors of exclusion are associated and reinforce each other. Individuals with incomplete education have often grown up in environments characterised by a multitude of social problems. Economic exclusion is often linked to poor education via spatial exclusion, i.e. through growing up in a socially disadvantaged residential environment.

The importance of counteracting measures

The question remains to what extent educational and labour market policy measures are capable of ameliorating the negative effects of unemployment. This question was addressed in a major EU funded project on youth unemployment and social exclusion in the late 1990s.¹²⁷ The project also included a number of studies on conditions in the Nordic countries.¹²⁸ The studies were based on large questionnaire surveys and interviews.

The studies show that there is no simple or direct link between youth unemployment and social exclusion and ascribe this partly to positive effects of the social security systems in the Nordic countries. In all countries it was evident that unemployed youth received support from parents and friends. A minority stated that they felt isolated because of unemployment. In addition, the repercussions on personal finances were not as serious as in other European countries. About 35 percent stated that they experienced no hardship whatsoever. Here the range was nevertheless greater. As previously noted, Denmark is the country where the unemployed consider themselves least negatively affected by unemployment. The referenced study also showed that the proportion who claimed financial difficulties was higher in all other Nordic countries, although not nearly as high as e.g. in the United Kingdom or Germany.

The studies also included questions about the health status of the unemployed, particularly their mental health.¹²⁹ There is a marked connection between personal financial worry on the one hand, and symptoms such as anxiety and depression. In Denmark the unemployed claimed notably few health related problems. This is interpreted as reflecting the absence of financial worry, as well as a result of the short average duration of unemployment periods and the circumstance that Denmark has a fairly long history of high unemployment. The latter suggests that unemployment need not be perceived equally shameful as in countries with low

¹²⁷ Gallie, Duncan, "Unemployment, Work and Welfare. A Preliminary Assessment of the Implications of the EU's Framework Programme Research", paper presented to the seminar "Towards a Learning Society: Innovation and Competence Building with Social Cohesion for Europe", Quinta de Marinha, Guincho, Lisbon, 28th-30th May 2000.

¹²⁸ Hammer, Torild, (ed.), *op. cit.*, Bristol 2003

¹²⁹ Hammer, Torild, "Mental Health and social exclusion among unemployed youth in Scandinavia. A comparative study", *International Journal of Social Welfare*, 2000.

unemployment. Data shows that Iceland is a country where unemployed youth to a higher extent experience mental problems, the explanation being that unemployment levels are considerably lower in Iceland and the unemployment benefits less generous. Another hypothesis is that the unemployed are a more select group in countries with low unemployment. Ill health can be a cause as well as a result of unemployment.

The studies also show that health problems resulting from unemployment are relieved by participation in labour market policy programmes. The Norwegian sociologist Torild Hammer conducted a study based on experiences in Norway from the late 1980s and early 1990s which showed that unemployed youth who participated in special training measures were less affected by ill health.¹³⁰ The same findings emerge from a Swedish study based on data from the 1990s.¹³¹

It is interesting to note that the referenced European research project did not support the hypothesis that generous income compensation during unemployment tends to reduce the inclination to look for work. On the contrary the investigations, which were based on interviews with unemployed, found search intensity to be highest in countries with generous compensation systems, i.e. the Nordic countries. They also found nothing to suggest that the meaningfulness of work is negatively influenced by high compensation levels. The unemployed consistently considered gainful employment very important, and not only by reason of personal finances.¹³² This is also confirmed in a Swedish study of the long-term unemployed and conditions for those dependent on social assistance.¹³³ Those who have been out of work and dependent on social assistance for lengthy periods are anxious to find a job. On the other hand it was found that those with a weak educational background and who lack a complete upper secondary school education are less inclined to embark on studies; a factor probably linked both to poor self-confidence and a lack of student funding options.

The Swedish social researcher Bengt Starrin participated in another EU funded project comprising six countries, Sweden being the only Nordic nation.¹³⁴ This study, again based on conditions in the 1990s, showed that unemployment is associated with impaired mental and physical health, partly because of harmful consumption habits (smoking and alcohol intake). Incomplete education stands out as a factor which greatly increases the risk of social exclusion.¹³⁵ Unemployed who have a complete education are generally out of work for shorter periods. Their greater personal resources also enable them to cope with the unemployment

¹³⁰ Hammer, Torild, "Unemployment and mental health among youth: a longitudinal study", *Journal of Adolescence*, 1993.

¹³¹ Hallsten, Lennart, Grossi, Giorgio & Westerlund, Hugo, "Unemployment, labour market policy and health in Sweden during years of crisis in the 1990s", *International Archives of Occupational and Environmental Health*, 1999.

¹³² Gallie, Duncan, "Unemployment, Work and Welfare. A Preliminary Assessment of the Implications of the EU's Framework Programme Research", paper presented to the seminar "Towards a Learning Society: Innovation and Competence Building with Social Cohesion for Europe", Quinta de Marinha, Guincho, Lisbon, 28th-30th May 2000.

¹³³ Angelin, Anna, " Utanförskapets pris – effekter av långvarig arbetslöshet och bidragsberoende hos unga vuxna i Malmö", i Olofsson, Jonas (ed.), *Utbildningsvägen – vart leder den?*, Stockholm 2007.

¹³⁴ Targeted Socio-Economic Research Programme (TSER): "Youth unemployment and Social Exclusion: Objective Dimensions, Subjective Experiences, and Innovative Responses in Six European Countries". The project included researchers from Belgium, Greece, Italy, Spain, Germany and Sweden.

¹³⁵ Starrin, Bengt, Rantakeisu, Ulla, Forsberg, Erik & Kalander-Blomkvist, Marina, "International Debate on Social Exclusion", in Kieslbach, Thomas (ed.), *Youth Unemployment and Social Exclusion. A Comparison of Six European Countries*, Budrich 2000.

situation more effectively, both financially and emotionally. The poorly trained are more often unemployed for longer periods, more often live in socially vulnerable neighbourhoods, and are negatively affected by what we earlier identified as institutional exclusion. However, the studies also showed that relatively extensive institutional and social support measures, e.g. in the form of financial assistance and job creation measures, reduce the risk of social exclusion. In this context Sweden emerged as a country which offers fairly extensive institutional support compared to the continental European countries studied.

Changing transition patterns create new demands

Another theme which has created much attention among youth researchers both in the Nordic countries and elsewhere in Europe concerns new transition and establishment patterns among young adults following the rise of so-called post-modern society. While growing affluence in the established industrial countries has given individuals more opportunities to shape their lives, new risk scenarios have evolved. Sociologists such as Ulrich Beck and Anthony Giddens have related how decades of high economic growth and full employment in the 1950s and '60s were characterised by a belief that scientific advances combined with the rationality of the political system would make it possible to create a perfect society, an efficient economy and social harmony.¹³⁶ Many now see technical development as a threat. Economic growth has not met the expectations of universal welfare, and old class differences have been replaced by new patterns of social marginalisation.

Anthony Giddens has pointed to a growing conflict between motivation and identity creation by young people on the one hand, and public institutions linked to the transition from youth to adult life on the other. This aspect in particular has interested a number of youth researchers. It has been pointed out that transition patterns from education to gainful employment and earning a living look entirely different today than just 25-30 years ago. The process is not nearly as linear as before. Where the establishment process used to be characterised by stable transition from education to work, earning a living and starting a family, the pattern is much more variable today. Periods of study are juxtaposed with recurring phases of unemployment and gainful employment. Living patterns and family circumstances are generally less stable. There is a greater demand for personal involvement in fundamental life choices. Many researchers believe that educational institutions, vocational training and labour market policy measures are poorly adapted to these realities.¹³⁷

In a comparative project which included Danish psychologist and youth researcher Svend Mørch, entry conditions for youth in Denmark and eight other European countries were studied.¹³⁸ There was criticism that activation policy measures in several countries were too one-dimensional. By only focusing on work, many other important causes of vulnerability and social exclusion were being overlooked. In addition, the need for greater influence and participation of stakeholders was stressed. Coercion and treatment of unemployed as a type of clientele risked leading to counterproductive outcomes. The Danish youth measures were in

¹³⁶ Beck, Ulrich, *Power in the Global Age. A New Global Political Economy*, Cambridge 2005 and Giddens, Anthony, *Modernitet och självidentitet. Självet och samhället i den senmoderna epoken*, Göteborg, 1999.

¹³⁷ See e.g. Stauber, Barbara & Walther, Andreas, *Avoiding Misleading Trajectories: Transition Dilemmas of Young Adults in Europe*, 1999.

¹³⁸ Walther, Andreas, Hejl, Gry Moerch, Jensen, Torben Bechmann & Hayes, Amanda, op. cit. Research Project YOYO. Working Paper 1. IRIS, Tübingen, February 2002.

many respects held up as models for other European countries, precisely because of their multidimensional nature and emphasis on individual adaptation.¹³⁹

Trust and social cohesion

As mentioned earlier, a number of studies suggest that a relatively even educational standard in a society tends to reduce the spread of crime, facilitate cooperation and contribute to involvement in various social institutions. Robert Putnam's concept of social capital comes to mind. Does vocational training and active youth measures contribute to stronger social cohesion?

In a research report on behalf of Cedefop, Andy Green, John Preston and Lars-Erik Malmberg attempted to address this question.¹⁴⁰ Among other things they point to the importance of apprenticeship training in countries with strong traditions in this area such as Denmark and Germany. Apprenticeship training has not only been very important for developing and distributing qualifications, but has also had strong socialising functions. The training content has been relatively broad with room for so-called civic education. Contact with adults in the workplace has contributed to entrenching the norms of working life and adulthood. The studies also show that knowledge and skills are more evenly distributed in countries with developed vocational training systems, among them the Nordic countries, than in the Anglo-Saxon countries where vocational training is poorly developed. As pointed out earlier, the latter is probably an important reason why income gaps are so much narrower in the Nordic countries, and also in countries such as Germany and Austria which have strong elements of vocational training at the upper secondary school level.

According to the authors of the Cedefop report, it is precisely in effects on income distribution that we discern the positive effects of education on trust and social cohesion. However, there may also be a connection in the opposite direction. As noted earlier, several international studies show that there is a link between income distribution and the choice of vocational training.¹⁴¹ In countries with more even income distribution, the inclination to choose vocational training in favour of a general academic education increases. This can be explained from an insurance perspective. Relatively speaking, the uncertainty associated with more narrowly focused and occupation-specific vocational training diminishes if wage differences between job categories are small. This uncertainty is further reduced in the presence of social security systems that cover a significant part of the income lost during unemployment.¹⁴² Considering that individuals from socially less favoured home environments tend to be overrepresented in vocational training and that vocational training offers these groups a more secure pathway to establishment in the labour market, there are also gains to be made here from the distribution standpoint.

¹³⁹ Bechmann Jensen, Torben, Mørch-Hejl, Mørch, Sven & Os Stolan, Liv, "YoYo. Youth transitions, youth policy and participation. National report from Denmark", Department of Psychology. University of Copenhagen.

¹⁴⁰ Green, Andy, Preston, John & Malmberg, Lars-Erik, "Non-material benefits of education, training and skills at a macro level", 2004 (www.cedefop.eu.int). Cedefop is the EU collaboration organ for vocational training issues.

¹⁴¹ Estevez-Abe, M., Iversen, Torben, & Soskice, David, op. cit., in Hall, Peter A. & Soskice, David, (ed.), *Varieties of Capitalism. The Institutional Foundation of Comparative Advantage*, Oxford 2001.

¹⁴² And which also offer generous opportunities for adult education.

8. Summary and conclusions

Even though the Nordic countries show marked similarities in terms of socioeconomic and social conditions, there is much that separates them. Welfare policy ambitions may be similar, but when we examine the conditions for youth to establish themselves in the labour market and earn a living, we find significant variations. Youth face considerably less favourable labour market conditions in Finland and Sweden than in the other Nordic countries.

In the present study our aim has been to analyse these differences between the countries against the background of variations in institutional conditions in the field of education and labour market policy. In which way does initial vocational training differ between the countries? What efforts are made for youth who have problems at school and because of this experience special difficulties establishing themselves in the labour market?

Differences in vocational training and labour market policy

We found that upper secondary school education shows clear differences between the countries. Finland and Sweden offer mainly school based vocational training programmes leading to general university admission. The other countries offer apprenticeship training linked to a regulated system of trade licences.

Apprenticeship training offers no guarantee of high throughput. We found, for instance, that throughput problems in Danish apprenticeship training are very large compared to conditions in Finland, despite Finland having a school based and academically more demanding vocational training system. While results in Sweden may be negatively affected by the high proportion of students with immigrant background, this is by no means the only reason why throughput problems appear to be especially large in Sweden. One factor which helps to mitigate problems in Denmark, Finland and Norway, compared to Sweden, is the availability of more multifaceted training options at various levels. These countries also have no upper age limit – or time limit – for upper secondary studies; the premise being that everyone has a right to complete an education. More extensive efforts are made to prepare students for upper secondary school studies, partly through an optional supplementary year, while follow-up of those who drop out of school is also more extensive and action orientated.

This is also linked to the orientation and extent of labour market policy. In real terms Sweden allocates fairly modest resources for special youth measures in the framework of labour market policy. This is reflected not only in higher youth unemployment, but also in a higher level of inactivity among young adults. While e.g. Denmark activates unemployed and poorly educated individuals through various education programmes, long-term unemployment and social assistance dependence is more common among youth in Sweden. We also found that Sweden, in contrast to the other Nordic countries except Iceland, differs by a more rigid demarcation between the standard education system and labour market policy measures. In Sweden, standard education is in principle not permitted within the framework of labour market policy. This makes labour market policy measures less flexible while at the same time limiting the possibilities of offering initial vocational training to young adults.

A fairness perspective

The differences between the countries can be discussed from a fairness perspective. The operationalisation by Amartya Sen and John Rawls of the fairness concept in a distribution perspective can be used to illuminate challenges faced by education systems and labour market policy. The transcending goal in all Nordic countries is to create equitable conditions for youth and young adults, regardless of background conditions such as class, gender and ethnicity. A summary look at educational outcomes and segregation of students in the education system shows that no country has been able to reach this transcending goal, even though the Nordic countries have been more successful than most. We have also found that countries appear to have very different views on how the goals should be reached: the fairness strategies vary.

The clearest differences can again be seen between Denmark and Sweden. Vocational training and labour market policy in Denmark is based on coordination, individual adaptation and generous funding conditions. Educational measures and labour market policy in Sweden are on the other hand characterised by a division of responsibility between the school, labour exchange and social services, strict demarcations between standard education and youth measures, and an emphasis on general or academically orientated upper secondary school education.

The question remains whether anything can be said about the effectiveness of these different strategies. While we have no foundation for a definitive assessment, we nevertheless wish to formulate a few suggestions based on conditions in Sweden:

- Swedish measures for unemployed and inactive youth would benefit from closer coordination between different actors: the school (IV programmes), labour exchange and social services. Today's unclear distribution of responsibility makes the measures less effective.
- Initial vocational training in various forms and at different levels should be offered in the framework of the Swedish upper secondary school. General university admission should not be the obvious goal of all education programmes.
- More opportunities must be created for young adults (over age 20) to participate in initial vocational training. At present this option is essentially missing. Most vocational training programmes offered to this age group, such as Qualified Vocational Training (KY), are at the post-secondary level.
- The demarcation between labour market policy and standard education should be re-examined. Distribution fairness as well as powerful effectiveness motives speak for a more flexible use of the available labour market policy resources.

In the concluding part of the study we also noted that research on the establishment of youth in the labour market underscores the critical significance of education. Inadequate education in the meaning of incomplete upper secondary school education raises the possibility of long-term unemployment and earning problems. The research also shows that unemployment has a number of negative repercussions, some of them in the health area. At the same time several Nordic studies suggest that unemployment by no means has to result in social exclusion. The social security systems and policy measures made to counteract exclusion appear to be relatively successful, especially compared to the Anglo-Saxon countries. It is not the unemployed in general but a group of long-term unemployed who experience the greatest problems. This can in turn be traced to a combination of different social risk factors: poor education, poor family finances, living in a socially vulnerable neighbourhood etc.

Measures that open doors

Youth researchers seem essentially to agree that transition patterns from adolescence to adult life, and from school to working life, have changed in recent decades. The pattern is not only more protracted. Transition is not as linear or fixed as before. The process is characterised by upward and downward leaps. The problem is that measures implemented within the education system, as within labour market policy, are insufficiently adapted to these changes. Activation policy characterised by coercion and focused on jobs is an example of a one-sided policy that has no room for individually tailored measures, nor allows the individual to participate and influence the nature of the measure. Also, a job need not always be the most desirable goal. On the contrary, a measure leading to a menial job may reduce the individual's possibility of developing and earning a living in the longer term.

In other words, there is a need to keep many doors open. Narrow measures and narrow training closes doors and limits the options. It is for instance often said that apprenticeship training hardly provides the prerequisites that are needed today. However, we should avoid hardlining the arguments. One conclusion of our study is that a variety of measures are needed. Individual tailoring is essential. Initial vocational training of an academically less qualified nature may very well lead to opportunities. The contact with working life provides a significant first experience and may have a great impact on self-confidence. In addition, apprenticeship training offers a wage-earning opportunity to groups who often come from socially less privileged environments.

Vocational training and labour market policy can be of critical importance by compensating for differences in the social background of youth and young adults. From the Swedish standpoint the problem appears to be that the changes implemented in recent years with regard to vocational training and labour market policy have tended to limit the possibilities both of training and labour market policy in this respect.