

The Political Economy of Active Labour Market Policy for Young People

A comparative analysis of the effects of employers, employers' organisations and
collective training systems on the use of youth ALMPs in European countries
between 1998 and 2014

by

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A dissertation submitted to the Faculty for Social and Economic Science at the
Otto-Friedrich-University Bamberg

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Date of submission: November 21, 2021

Date of defense: May 23, 2022

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Bamberg, 2022

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URN: [urn:nbn:de:bvb:473-irb-542586](https://nbn-resolving.org/urn:nbn:de:bvb:473-irb-542586)
DOI: <https://doi.org/10.20378/irb-54258>

Abstract

Active labour market policy (ALMP) is widely used in European countries to reduce youth unemployment and help young people in their transition from school into apprenticeships and employment. Spending on ALMP for young people varies significantly and in surprising ways across countries. However, so far there has been no research into what influences the level of public expenditure on different types of ALMPs for young people. In this PhD thesis, I attempt to fill this gap.

Based on novel data, this thesis argues that spending on youth ALMP is influenced by other factors than ALMP for older people. Thereafter, it draws on the CPE literature on ALMP, collective training systems and business power, the sociological literature on school-to-work transitions and the economic literature on hiring decisions to develop a theory on how employers, pluralist and corporatist employer groups, and collective training systems (CTS) influence public expenditure on different types of youth ALMPs. This theory is then tested using a mixed-method approach combining a quantitative analysis of public expenditure on youth ALMPs between 1998 and 2014 in 28 European countries with a qualitative, process-tracing analysis of three country case studies: Germany, the United Kingdom, and Sweden.

The evidence shows that employers and employer groups influence public expenditure on youth ALMPs through their structural and instrumental power. The findings regarding the effects of different forms of employer groups are mixed. There is qualitative evidence for corporatist employer organisations influencing the use of youth ALMPs in ways that pluralist groups do not, and quantitative evidence for countries with corporatist groups spending more on youth ALMPs. However, the results of the two levels of analyses do not match; the qualitative findings cannot explain the observed variation in spending. The results regarding the role of CTS are unambiguous: firm-based training is strongly and positively correlated with spending on youth ALMP, in particular on training measures. CTS influence policymakers' ability to develop training ALMPs for young people and they make employer groups more likely to lobby for youth ALMPs to fight skills shortages or to support companies in training apprentices. Furthermore, CTS increase employers' preferences for measures providing qualifications over work experience programmes. The findings highlight the influence of structural and institutional factors, while de-emphasising the effects of partisanship on the use of youth ALMP.

The thesis' central contribution is the exploration of a new field of study – the determinants of the use of ALMP for young people. In addition, it unearths hitherto unknown causal dynamics in this policy area including the effect of structural business power and CTS on the human capital orientation of ALMP. Moreover, the thesis develops a method for disaggregating ALMP expenditure by age group that can be used by future studies for the separate analysis of measures for young and older people.

Acknowledgements

Writing a PhD thesis is a paradoxical undertaking. On the one hand, the thesis traditionally serves as a testament to the author's ability to independently carry out academic research. As such, researching and writing is a long and often solitary process. On the other hand, the success of this undertaking fundamentally relies on the support of others. As researchers, we rely on the foundation of knowledge produced by all those who came before us and, hence, we stand the metaphorical shoulders of giants to see even further. However, we also rely on the guidance of more experienced researchers, the feedback of our peers, the coffee breaks with our colleagues, the savvy of administrative staff to navigate academic bureaucracies, and the goodwill and encouragement of our family and friends to master this undertaking. For helping me throughout this long process, I want to acknowledge their support and sincerely thank all of them.

First and foremost, I am indebted to my three supervisors for their guidance, support, encouragement, and constructive criticism. Thomas Rixen bore the brunt of the supervisory work and was the target of many questions. Thank you for providing me with the freedom to develop my own ideas and the guidance to remain on track throughout the process. I want to thank Michael Gebel who greatly helped me improving my methodological skills as well as integrating a sociological perspective on youth unemployment and school-to-work transitions in my analysis. Finally, I want to thank Giuliano Bonoli. Despite becoming my third supervisor only at a later stage in the writing process, his expertise in the field of active labour market policies were invaluable to me.

I must also thank everybody who participated in the weekly politics colloquium at BAGSS as well as in the PFA colloquium at the chair for policy analysis where on numerous occasions I had the chance to receive feedback and valuable criticism on my research. Specifically, I want to thank Frank Bandau, Leo Ahrens, Malte Lübker, Lukas Hakelberg, Paul Löwe, Eliza Mandieva and Jonas Vossemer. At BAGSS, my thanks go to all (former) graduate students and in particular Javi, Nadja, Agata, Diana, Claudia, Elena, Elena, Gundula, Ai, Martin, Simon and Daniel for feedback, advise, coffee, lunch breaks and an all around very enjoyable time in Bamberg. At BAGSS I would like to further thank Steffen Schindler who helped me to better understand the sociological perspective on school-to-work transitions and who supplied me with valuable literature on this topic. A special thank you to Thomas Saalfeld, Miriam Schneider, Marc Scheibner and Olga Rayevska who kept the graduate school running during my time there. At the European Centre for Social Welfare Policy and Research, I want to thank my colleagues for encouraging and supporting me to finish this thesis alongside my regular assignments.

In addition, I had the privilege of presenting parts of this book at several conferences. For their valuable insights and criticisms I thank the participants of the Annual BAGSS

Conference and the Internal BAGSS Conference in Bamberg in 2016, the ECPR Graduate Conference in Tartu in 2016, the SASE Annual Meeting in Berkeley in 2016, the International Conference of Europeanists in Glasgow in 2017, the GOVPET Graduate Workshop in Zollikofen in 2018, the ESPAnet-Austria Forschungskonferenz Sozialpolitik in Innsbruck in 2019 and the International Conference of Europeanists in 2021. At the London School of Economics and Political Sciences, I thank Timo Fleckenstein, Anton Hemerijck and Waltraud Schelkle for comments and feedback on early drafts of this thesis. I would like to thank Lars Calmfors for kindly helping me with questions concerning the Swedish case. My particular gratitude goes to Axel Cronert and Tim Vlandas who took the time to discuss my ideas and help me make sense of my results. A special thank you goes to my friend and co-author on several other academic projects, Niccolo Durazzi who was a great help throughout the whole process of researching and writing this thesis. Furthermore, I thank Kirsty Weiler and Pepita for their help in proofreading this book.

The final thanks are reserved for my family. Thank you for all your support. You are the best.

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1 Introduction

What to do about unemployment young people? While this question is always of great societal and political relevance, it is particularly relevant in Europe at this point in time. Record levels of youth unemployment were one of the most visible effects of the Great Recession in Europe (Bell and Blanchflower 2011; Dietrich 2012; Scarpetta, Sonnet, and Manfredi 2010), and in late 2020, history appeared to be repeating itself. The restrictions imposed in response to the COVID-19 pandemic hit young people particularly hard. Youth unemployment rates rose and employment opportunities for young people are diminished as industries like the hospitality sector, which tend to employ younger workers, are shut down and employers abstain from hiring new employees and apprentices (Eurofound 2020; Mascherini and Sándor 2020). The current crisis is exacerbating the effects of secular trends on young people’s labour market prospects in many advanced economies. As skill-biased technological change and the transition to the knowledge economy are increasing employers’ demand for higher skills (Durazzi 2018; Durazzi and Benassi 2018; Oesch and Piccitto 2019), it has become more difficult for less academically gifted young people to transition from school into secure and stable employment (Bell and Blanchflower 2011; Dietrich 2012; Jacob and Solga 2015).

The negative consequences of youth unemployment are manifold. The most immediate effect is the lack of income for those affected. For example, from 2009 to 2016, the at-risk-of poverty rate (AROPE)¹ for 18 to 24 year old Europeans increased from 20% to 24% – the strongest increase among any age group (Chen et al. 2018). In addition to the monetary disadvantage, being unemployed also reduces the individual’s overall happiness levels and increases their risk of mental illness (Eurofound 2020; Voßemer and Eunicke 2015; Voßemer, Gebel, et al. 2017). Moreover, those effects are not always temporary. Unemployment early in a person’s career can have ‘scarring’ effects, which reduce happiness and life-time earnings (Bell and Blanchflower 2011; Gregg 2001). In addition, unemployment contributes to the societal and political disengagement of young people as they become disillusioned and stop participating in electoral politics (Eurofound 2012; Sloam 2014). The economic costs of joblessness are also substantial. The unemployed require financial support and pay less in taxes and social insurance contributions. Together, this creates significant costs for state budgets. Furthermore, the skills and productive capabilities of unemployed people are not available to companies, which can create skills shortages, undermining economic growth. In terms of numbers, Eurofound estimated the total economic loss resulting from young people not being in education, training or employment in the EU in 2011 to be 153€ billion, or 1.2% of European GDP (Eurofound 2012).

¹According to the Eurostat definition used here, at-risk-of poverty are people with an equivalised disposable income after social transfers of 60% or less of the national median.

1 Introduction

Given that the negative consequences of youth unemployed are the same everywhere, what are governments doing to improve young people’s labour market prospects, and why do we observe differences in their approaches? This book aims to answer this question by focussing on a central, but as yet poorly understood set of measures: active labour market policies (ALMPs) for young people. The technical definition of active labour market policy, used by the European Statistical Office (EUROSTAT) and applied by this book is “labour market interventions which are public interventions in the labour market aimed at reaching its efficient functioning and correcting disequilibria” (DG Employment, Social Affairs and Inclusion 2018, p. 5). In more simple terms, active labour market policies are publicly financed measures aimed at bringing the unemployed or inactive into employment, or supporting people who are employed from losing their job. These measures take various forms: counselling and placement services, training programmes, employment incentives, direct job creation (DJC) programmes, sheltered or supported employment opportunities or rehabilitation (SSE&R) measures, and start-up incentives to support entrepreneurship. Furthermore, active labour market policies can be distinguished by their ‘mode of production’ – i.e. whether they are implemented solely by the state or by the state in cooperation with companies (Cronert 2018a,b). Jointly-produced measures (JPM) like wage subsidies or firm-based training measures are implemented within companies. Unilaterally produced programmes concerns all other active labour market policies. They include, for example, direct job creation programmes and institutional training measures, i.e. training programmes implemented in publicly financed schools or workshops. Active labour market policies for young people are understood by this book as the subset of measures which are targeted at, and used by, people aged 24 or younger.²

Active labour market policies are an interesting subject to study for several reasons. Firstly, they are a key policy for addressing youth unemployment in developed economies (Bell and Blanchflower 2011; Caliendo and Schmidl 2015; O’Higgins 2017). Moreover, youth ALMPs are not trivial in size. According to one estimate, in 2007 the number of young people in the EU-15 countries participating in active labour market policies accounted for about 14% of the youth labour force in this region (Caliendo, Künn, and Schmidl 2011, p.2). Hence, understanding the use of youth ALMPs is important for understanding how governments are dealing with an important societal issue. However, studying this policy area is also interesting from an academic perspective. First of all, there has been hardly any investigation into what determines the use of youth ALMPs from a comparative perspective (Cronert 2018b). Secondly, we see variation in the use of active labour market policies for young people, but, as the next section will show, attempts to explain this variation based on ideas within the existing literature present the researcher with several puzzles.

²The age limit is based on the widespread definition of youth unemployment as unemployment among individuals aged 15-24. See the beginning of the literature review and the quantitative analysis in chapter 5 for more elaborate and technical definitions.

1.1 What's puzzling about the use of ALMPs for young people?

The first puzzle is that countries vary significantly, and in surprising ways, in their use of active labour market policies for young people. The second puzzle is that so far there have been few attempts to understand the determinants of the use of active labour market policies for young people, and the ALMP literature in general remains inconclusive on important questions. The third and last puzzle is that the literature on active labour market policies and the literature on collective training systems disagree about the role of employers and employers' organisations, even though, when it comes to young people, both are often analysing the same policies.

1.1.1 First puzzle: Surprising variation in the use of youth ALMPs across countries

The use of active labour market policies is usually measured in terms of the amount of public expenditure on those policies based on data by the OECD (Bonoli 2010; Cronert 2018a; C. J. Martin and Swank 2004; Nelson 2013a; Tepe and Vanhuysse 2013; Vlandas 2013) or Eurostat (Cronert 2017, 2019). This book uses a novel way to disaggregate ALMP expenditure by age groups.³ Figure 1.1 shows the average level of spending as a per cent of GDP from 1998 to 2014 (depending on data availability) on active labour market policies in total as well as on measures for young people (24 or younger) and older people (25 and older). The data in figure 1.2 controls for different levels of unemployment. It shows average spending on active labour market policies per unemployed person in % of GDP per capita. Again, the data is reported for ALMP expenditure in total, and, separately, for measures for younger and older people. Figure 1.3 shows the average level of spending per unemployed person on training measures only. Finally, figure 1.4, shows countries' distributions of spending across six categories of active labour market policies for young people: services, training, employment incentives, direct-job creation measures, S&SER measures and start-up incentives. In figures 1.1, 1.2 and 1.3, countries are ranked in descending order from left to right, based on their level of spending on measures for young people (the smallest bar). Figure 1.4 sorts countries from left to right based on the share of their spending on active labour market policies for young people allocated to training measures.

Figures 1.1 and 1.2 show that European Union countries differ widely in their spending on active labour market policies for young people. It becomes evident that those countries that spent most on on active labour market policies for young people are situated in Western and Northern Europe. In contrast, spending was much lower in many Central and Eastern European and Mediterranean countries. For example, between 1998 and 2014, Germany spent on average 0.23% of its GDP on youth ALMPs, which was nearly twice as much as Sweden (0.14%) and more than four times the amount Greece did (0.05%). The contrast is even stronger when the amount of public spending is consid-

³See chapter 5 and the appendix for a detailed description of the disaggregation methodology.

1 Introduction

Figure 1.1: Average expenditure on ALMPs by country and age group (1998-2014)*

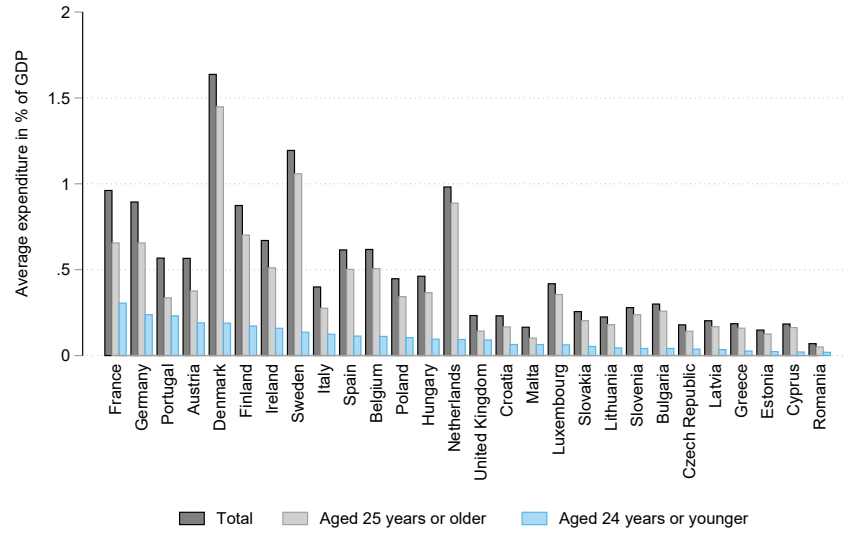
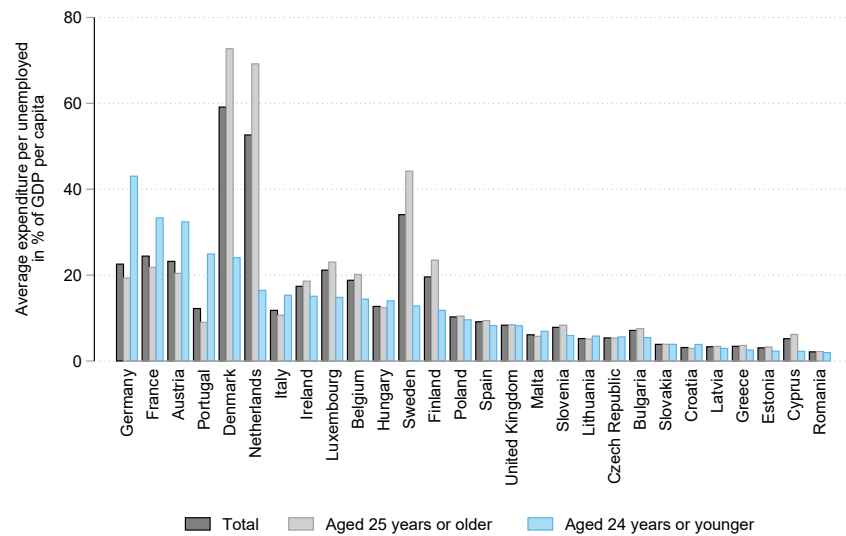


Figure 1.2: Average expenditure on ALMPs per unemployed person by country and age group (1998-2014)*



*Data availability by country: 1998-2014 (AT, DE, DK, EL, ES, FI, FR, IE, LU, NL, SE), 1999-2014 (PT), 2002-2014 (CZ), 2003-2014 (EE, HU, LT, LV, RO), 2004-2014 (BG, SK), 2005-2014 (PL, SL), 2006-2014 (CY), 2012-2014(HR), 2004-2010 (UK), 2000-2001 & 2004-2014 (BE)

1.1 What's puzzling about the use of ALMPs for young people?

Figure 1.3: Average expenditure on training measures by country and age group (1998-2014)*

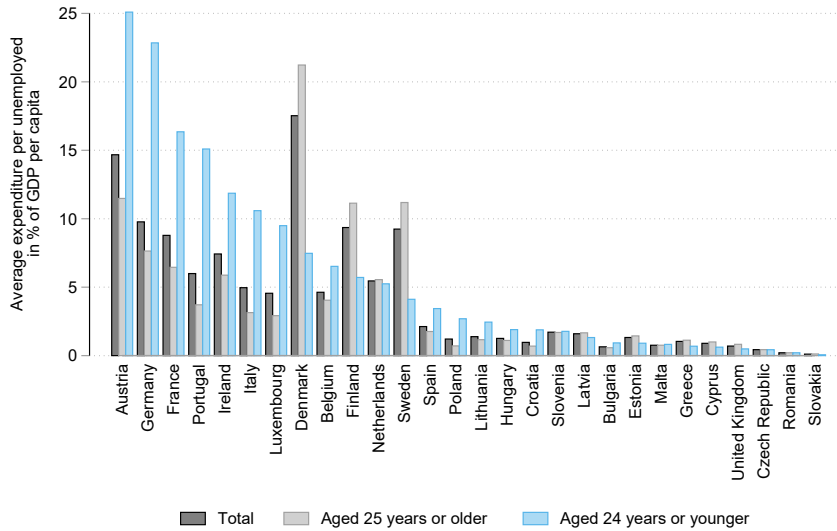
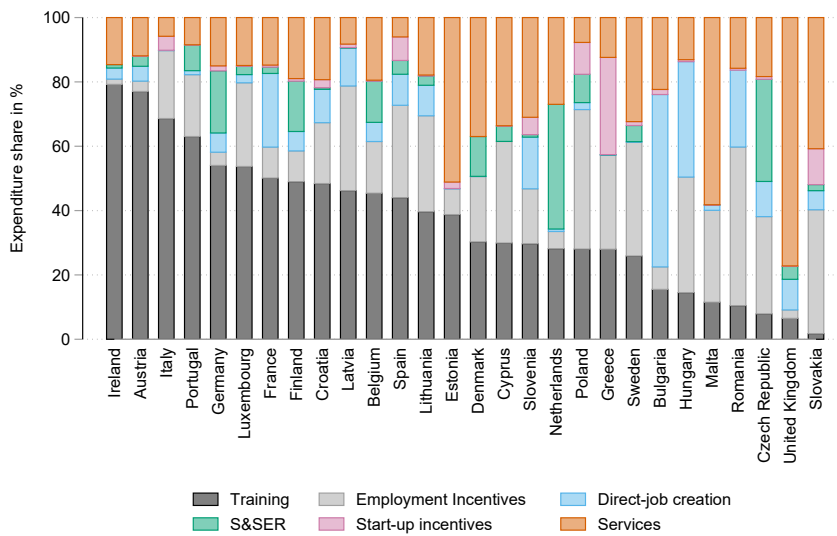


Figure 1.4: Average expenditure on different types of active labour market policies for young people (1998-2014)*



*Data availability by country: 1998-2014 (AT, DE, DK, EL, ES, FI, FR, IE, LU, NL, SE), 1999-2014 (PT), 2002-2014 (CZ), 2003-2014 (EE, HU, LT, LV, RO), 2004-2014 (BG, SK), 2005-2014 (PL, SL), 2006-2014 (CY), 2012-2014(HR), 2004-2010 (UK), 2000-2001 & 2004-2014 (BE)

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ered in relation to the number of unemployed, as in figure 1.2. Germany, France, Austria and Portugal are still the largest spenders, but the difference between the biggest and smallest spenders increases. For example, Germany, France and Austria spent more than 30% of per capita GDP on measures for each unemployed person under the age of 25, while Sweden spent on average 12.9%, and the United Kingdom only 8.3%. Finally, cross-country differences become even stronger when only expenditure on training measures per unemployed person is considered. Figure 1.3 shows that Austria spent on average about 25% of per capita GDP on each unemployed young person. This was more than five times the amount invested by Sweden and more than ten times the amount that countries like Slovenia, Greece or the United Kingdom spent on training measures.

The most surprising fact about cross-country variation in spending on youth measures is that it differs significantly from variation in total spending on active labour market policies. In other words, the countries spending the most on active labour market policies in *general*, are not necessarily the countries spending most on active labour market policies for *young people*. Some of the most striking differences can be seen when comparing Continental European countries with Scandinavia. The conservative welfare states of France, Germany or Austria have traditionally been regarded as laggards in embracing active labour market policies, whereas Scandinavian countries with social democratic welfare states have been considered pioneers in this field (Bonoli 2013; Esping-Andersen 1990). Disaggregating the data based on the age of participants, however, turns the picture on its head: Germany and Austria significantly outspent their Scandinavian peers when it comes to spending on measures for young people. The same holds true when only expenditure on training measures is taken into consideration as shown in figure 1.3. While Denmark, Finland and Sweden spent most on training ALMPs for older persons, Austria and Germany are by far the biggest spenders on training measures for young people.

Finally, figure 1.4 shows strong variations in the relative choice of active labour market policies for young people. All countries use a mix of measures ranging from services, training, and employment incentives, to DJC measures, S&SER programmes, and start-up incentives. While countries like Ireland, Austria and Germany spent more than half of their youth ALMP budget on training measures, Sweden and Slovakia rely much more on employment incentives. Bulgaria and Hungary, in contrast, rely heavily on DJC-measures.

In sum, European countries make very different use of active labour market policies for young people and patterns of variation across countries look very differently for the use of measures for young or older persons. This suggests not only that spending on active labour market policy for young and older people is influenced by different factors, but it also means that existing explanations for variation in the use of active labour market policy may not apply to active labour market policy for young people.

1.1.2 Second puzzle: Inconclusiveness of the ALMP literature and lack of studies on youth ALMPs

The second puzzle relates to the incomplete and inconclusive state of the comparative political economy literature on the determinants of the use of active labour market policies. Firstly, there is little research analysing variation in the use of ALMPs targeted at young people as a distinct category. This is despite the fact that young people face a particular set of challenges when trying to enter the labour market (Müller and Gangl 2003), and despite the fact that most countries deploy a range of active labour market policies specifically targeted at young people. This point has recently been made by Cronert, who concluded that “[o]f particular interest for further research is the treatment of three groups: youth, women and immigrants” (Cronert 2018b, p.52).

However, there is as of yet also no consensus when it comes to important questions on the use of active labour market policies in general. These unanswered questions include: why countries differ in the types of active labour market policies they use, what different measures mean to actors like politicians, trade unions and employers, and what causal processes underlie variation in the use of active labour market policies (Clasen, Clegg, and Goerne 2016; Cronert 2017, 2018b). For example, Cronert has noted that no clear understanding has emerged as to why some countries rely more heavily on training measures than others (Cronert 2018b), and he concludes that more research is needed “into the political determinants of the composition of ALMP program portfolios” (Cronert 2017, p.18). Clasen et. al. found that the “process of uncovering the causal dynamics specific to this policy field [ALMP] is still in its infancy” and that there is “a fundamental need in this field to reconsider and re-specify what the theoretically relevant dimensions of variation in ALMP are” (Clasen, Clegg, and Goerne 2016, pp.13-14).

1.1.3 Third puzzle: The role of employers, employers' organisation and collective training systems

The third puzzle is that the literature on the determinants of the use of active labour market policies, and the comparative political economy (CPE) literature on collective training systems (CTS) formulate different expectations regarding the role of employers and employers' organisations, even though, when it comes to young people, they deal with similar, and even identical, policies.

The literature on the determinants of cross-country variation in the use of active labour market policies focusses largely on the effect of politically left-wing groups. Power-resource theory (PRT) regards strong labour movements as the primary champions of active labour market policy (Boix 1998; Esping-Andersen 1990; Huber and Stephens 2001; Huo, Nelson, and Stephens 2008), and provides the theoretical foundation for why social-democratic Nordic countries are expected to spend the most on active labour market policies. As a response to PRT, the dualisation literature has argued that the insider-oriented unions and social-democratic parties indeed oppose active labour market policies because those measures tend to conflict with the goals of their core constituencies (Rueda 2005, 2007). Much of the more recent literature has tried to reconcile both

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approaches by dissecting the preferences of trade unions and politically left-wing parties in more detail (Cronert 2017, 2018b; Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013). Employers and employers' organisations, in contrast, have received less attention, and when they have been studied, results have been inconclusive. Those studying the role of employers have focussed on three questions: (i) do employers support spending on active labour market policies? (ii) what is the role of employers in the implementation of active labour market policies? and (iii) does the form of employers' organisation matter? Some authors have argued that (some) employers are indeed supportive of higher spending on active labour market policies (C. J. Martin and Swank 2004, 2012; Swenson 2002), or that they influence the choice between different policies (Cronert 2018a). Several authors have also argued that companies are crucial for the success and implementation of (some) active labour market policies (Bredgaard 2018; Bredgaard and Halkjaer 2016; Cronert 2018a; Ingold and Stuart 2015; Liechti et al. 2017), that corporatist employers' organisations increase firms' willingness to participate in the implementation process and their demand for spending on active labour market policies (C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012), and that involving employers in the development and implementation of measures increases their effectiveness (Bredgaard 2018; Caliendo and Schmidl 2015; Card, Kluve, and Weber 2010; Kluve 2010; O'Higgins 2001, 2017). Despite these arguments stressing the importance of employers, however, the perspectives of individual companies regarding active labour market policies have received less attention. In other words, it is not entirely clear what different active labour market policies mean from the employer perspective and how their preferences may vary across countries (Clasen, Clegg, and Goerne 2016). Moreover, not much attention has been paid to the question of how policymakers' reliance on employers for the development and implementation of effective policies may influence the use of active labour market policy for young people. In short, while individual firms and employers' organisations play an important role in the field of active labour market policy, their influence appears to not be fully appreciated by the comparative literature.

In contrast, employers' organisations have been described as "the pivotal actor" (Busemeyer 2012) in the literature on collective training systems. Collective training systems are training systems in which employers, trade unions, and the state jointly organise vocational training by developing curricula, monitoring and financing training, and wherein training is mostly carried out in the form of firm-based apprenticeships (Busemeyer and Trampusch 2011). Strong coordination among employers is seen as a prerequisite for the existence of collective training systems (Acemoglu and Pischke 1998; P. D. Culpepper 2001; Finegold and Soskice 1988; Hall and Soskice 2001), and the organisation and preferences of employers are regarded as a major factor influencing their development (Busemeyer 2012; Busemeyer and Trampusch 2013; P. D. Culpepper 2007; Di Maio, Gräf, and Wilson 2020; Kathleen Thelen 2004, 2012, 2014; Kathleen Thelen and Busemeyer 2008; Trampusch 2010; Unterweger 2020). The different roles attributed to employers by the two literatures are relevant because active labour market policies for young people and firm-based apprenticeships can be very similar, especially in countries where both exist. Both can be used to reduce youth unemployment and to increase the supply of skilled labour (Iversen 2005; Soskice 1994). Moreover, as this book will show, many ac-

1.1 What's puzzling about the use of ALMPs for young people?

tive labour market policies in countries with collective training systems are based on the curricula of the collective training systems, or even try to replicate apprenticeships outside the regular training system (Bonoli and Wilson 2019; Durazzi and Geyer 2019, 2020, 2021). In short, both literatures describe largely similar measures, but the expectations regarding the influence of employers and employers' organisations differ.

Moreover, despite the described links between collective training systems and active labour market policies for young people, and some recognition by the literature that the former may influence the use of the latter, the relationship between training systems and active labour market policies has not yet been conclusively analysed. For example, Tim Vlandas has suggested that countries with dual systems spend less on active labour market policies providing training, because all training is provided through firm-based vocational education and training (VET) (Vlandas 2013). In contrast, several studies have found that Germany and Austria use active labour market policies for young people to support their dual training systems (Bonoli and Wilson 2019; Durazzi and Geyer 2019; Lassnigg 2016, 2017), suggesting a positive relationship between the existence of collective training systems and public spending on active labour market policy. Thus, further research is required to understand whether, and if so, how and why, the existence of collective training systems influences the use of active labour market policies.

1.1.4 Research questions

Based on the three puzzles described above, this book proposes an employer-centred approach to the comparative study of the use of active labour market policies targeted at young people. More specifically, it asks the following four research questions:

- Do individual employers influence the use of youth ALMPs, and if so, how?
- Do employers' organisations influence the use of youth ALMPs, and if so, how?
- Do differences in the form of employers' organisations influence the use of youth ALMPs, and if so, how?
- Does the existence of collective training systems influence the use of youth ALMPs, and if so, how?

Thereby, youth ALMPs are understood as active labour market policies targeted at, or predominately used by, people aged 24 or younger, and the "use" of youth ALMPs is defined as the levels of public expenditure on such measures. Expenditure is measured in terms of spending on youth ALMPs in total (i.e. the sum of expenditure on all types of active labour market policy for young people), on specific categories of measures (e.g. expenditure on subsidies for young people) and types of measures relative to each other (e.g. expenditure on jointly-produced measures relative to unilaterally produced measures).

With regards to employers' organisations, this book follows the work of Martin and Swank and differentiates between "pluralist" and "coordinated" or "corporatist" em-

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employers' organisations⁴ (C. J. Martin 2004a, 2010; C. J. Martin and Swank 2004, 2012).⁵ These two labels for types of organisation describe extremes on either side of a spectrum and differ in the extent to which they can truly and exclusively represent the interests and policy preferences of a large number of employers. Pluralist organisations represent only a limited number of companies, they compete with other employers' organisations for members and they are not organised within a clear hierarchy. This means that pluralist organisations cannot claim to exclusively represent the policy preferences of all companies. Corporatist employers' organisations, on the other hand, represent most or all companies within a country. Furthermore, while multiple organisations may exist, they are organised hierarchically or with a clear division of competencies among them. Consequently, corporatist employer groups cooperate, rather than compete with each other and – individually, if there is one head organisation, or jointly if there is a division of functions among several leading organisations – are the authoritative voice of business. To capture the differences between types of employers' organisations, this book uses *employer density* – the share of companies within an economy which are members of an employer organisation – as central measurement.

Collective training systems are understood as training systems which are collectively organised by the state, employers, employers' organisations and, in most cases, trade unions (Busemeyer and Trampusch 2011). The crucial feature of collective training systems from the perspective of this book, is the strong involvement of employers in the development of standardised training curricula, the certification of skills, and the administration and financing of firm-based training. The most common example of such systems are the dual training systems of Germany and Austria. The existence of collective training systems is measured by several variables reflecting the degree of employer involvement in the training system and the provision of firm-based training (see chapter 5). The common thread linking companies, employers' organisations, and collective training systems is, hence, the central role of employers. For this reason, this book is described as an employer-centred approach to the study of active labour market policies for young people.

1.2 Addressing the research questions

To address the research questions, this book first develops and then tests a theory on how employers, employers' organisations, and collective training systems influence the use of active labour market policies for young people.

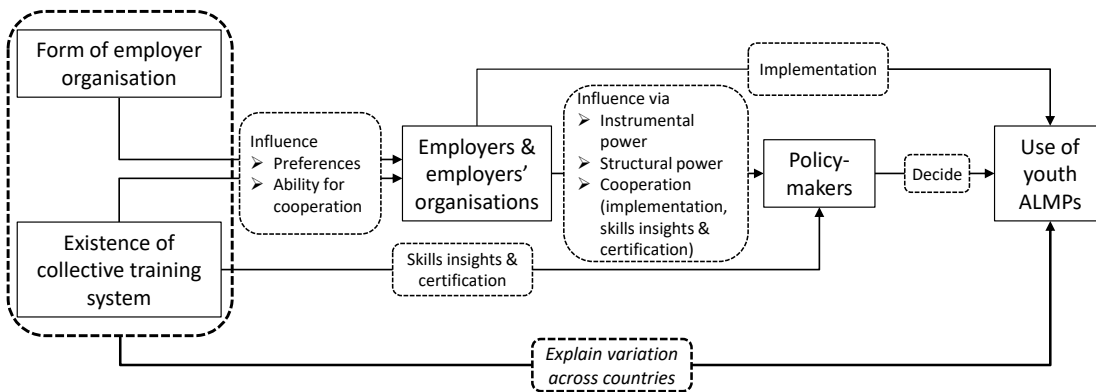
⁴The terms “coordinated” and “corporatist” in reference to employers' organisations are used interchangeably throughout the book.

⁵Moira Nelson and Axel Cronert who conducted similar studies distinguished between “neo-corporatist” and “firm-level” forms of employer coordination and the presence or absence of “corporatist arrangements” (Cronert 2018a; Nelson 2013a).

1.2.1 An employer-centred theory

The central elements and mechanisms of the theory are graphically presented in figure 1.5. The form of employers’ organisation – i.e. whether employers’ organisations are corporatist or pluralist – and the existence of collective training systems are theorised to influence the use of active labour market policies for young people. In other words, the form of employers’ organisations and the existence of collective training systems are the principal independent variables. The use of active labour market policies for young people is the principal dependent variable. The core argument is that variation in the existence of those institutions across countries leads to cross-country variation in the use of active labour market policies for young people. This argument is symbolised by the long arrow from the institutional arrangements on the left of figure 1.5, to youth ALMPs on the right.

Figure 1.5: Basic theoretical model



The principal link between the independent variables and the dependent variable are employers, employers’ organisations, and policymakers. Policymakers – politicians and the public officials working on their behalf – and employers view active labour market policies differently. Policymakers are theorised to use active labour market policies to address electorally salient issues in an exercise of “affordable credit claiming” (Bonoli 2012a). Simply put, they use these measures to signal to voters that they are dealing with important problems. Specifically, policymakers use active labour market policies to reduce unemployment or to support economic growth by improving labour supply (Cronert 2017; Furåker 1976). Employers, in contrast, view active labour market policies as measures that help them to recruit new employees by improving young people’s skills, reducing employment costs, or providing training and work experience, which helps employers to better judge job applicants’ productivity. In short, active labour market policies can help employers by increasing the quality and quantity of labour supply, or decreasing the cost of labour. Employers’ organisations aggregate the interests of companies and represent these interests in the political sphere. In other words, employ-

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ers' organisations are theorised as acting in accordance with a "logic of membership" (Streeck and Kenworthy 2005).

Policymakers decide on the use of active labour market policies. They chose which new measures should be launched, which ones should be terminated, and how much money should be spend on each. Employers, however, strongly influence the use of measures. They may do so *directly* by (not) participating in the implementation of jointly-produced measures like subsidies or firm-based training programmes (Cronert 2018a; Ingold and Stuart 2015). For example, policymakers – and only policymakers for that matter – can decide to pay companies a bonus of 500€ for each person under the age of 20 they hire. However, employers are still free not to hire young people, which would undermine the policy. In other words, employer willingness to participate in the implementation of a policy – in this example by hiring people under the age of 20 and accepting the bonus – is necessary for the policy to work and for funds to be spent. This direct effect is indicated by the direct arrow from employers to the use of youth ALMPs in figure 1.5. Furthermore, employers and employers' organisations can *indirectly* alter the use of active labour market policies for young people by influencing policymakers' decisions. The theory suggests three different ways in which this mechanism functions.

The link between employers and employers' organisations and policymakers

The first way in which employers influence policymakers' decisions is through the *instrumental power* of employers' organisations. Instrumental power describes active lobbying for or against policies (Paster 2015). Employers' organisations use this power to influence policymakers' decisions on behalf of their members. More specifically, they seek to influence the choice between different measures, and the overall level of spending on given measures. For example, a government may declare it is allocating a specific sum of money, for example 100€ million over three years, to measures to reduce youth unemployment. In response to this announcement, employers' organisations may lobby policymakers to allocate this money to the types of active labour market policies which are most preferred by the companies they represent. For example, an employer group may demand the whole sum to be spent on a subsidy programme to incentivise firms to hire more young people. In this scenario, the lobbying effort would not influence spending amounts, because the budget has already been set, but it would influence how much money is spent on one *type* of measure. In addition, employers' organisations can use their instrumental power to influence the total level of spending on a policy. For example, when the economy is growing rapidly and unemployment is low, employers' organisations may demand more spending on training measures to increase the supply of skilled labour (Swenson 1991, 2002).

Employers, i.e. individual companies, influence policymakers actions through *structural power*. Structural power describes the power business derives from the aggregated consequences of the profit-seeking behaviour of individual firms (Block 1977; Lindblom 1977; Poulantzas 1973). Simply put, it describes the way in which companies react individually, without any coordination or concertation among themselves, to policies, and how the aggregate of these reactions influence policymakers' decisions. Structural power

is important in the field of active labour market policies because the goals policymakers pursue with those policies – reducing unemployment and increasing economic growth – ultimately require companies to hire the young people who participated in the measures. This is rather obvious when the goal is to lower the unemployment rate: unemployment can only be reduced effectively by increasing employment. Returning to an earlier example, a subsidy to support the hiring of unemployed young people will only reduce the youth unemployment rate if companies decide to hire more young people in response to the measure. However, supporting growth by improving labour supply also only works if companies make productive use of the larger number of, or the more highly trained, workers available to them. For example, a programme providing computer programming skills will only contribute to growth if the graduates of this programme are later hired into jobs in which they can use their new skills productively.

Drawing on the work of Tasha Fairfield, structural power is theorised to influence policymakers' decisions through two mechanisms (Fairfield 2015). The first mechanism is called *realised* structural power. It describes a process in which policymakers launch a policy and, after realising that the policy does not achieve its goals because employers do not react to it as intended, they change or terminate the measure. In the case of jointly-produced measures, like that of the hiring bonus example, the failure of the policy is immediately visible: if employers do not hire subsidised workers, the measure has no effect. The effectiveness of other measures, however, is not always immediately visible. For example, whether participants in a qualification programme implemented not in a firm but in a public training institute are more likely to find employment than other jobseekers who did not participate is more difficult to discern. However, active labour market policies in most countries are subject to regular evaluations, which analyse the labour market prospects of participants who complete a scheme against a control group (Kluve 2010; Kluve et al. 2016; Weishaupt 2010). If the participants are not more likely to find a job, i.e. if companies are not *more* likely to offer a job to them, than to the people in the control group, the measure will not be considered successful, and policymakers are likely to reform or terminate it. Consequently, realised structural power is theorised to influence the use of all active labour market policies for young people. The second mechanism through which structural power can influence policy use is called *perceived* structural power (Fairfield 2015). It describes a scenario in which policymakers *anticipate* employers' behaviour and develop policies accordingly. For example, in a scenario where policymakers know (or believe) that companies value qualifications more than work experience in young job applicants, policymakers looking to help more young people find a job are likely to launch a training programme instead of measures providing work experience. In other words, they will make a decision based on their *ex ante* beliefs about employer behaviour, instead of an *ex post* evaluation of how employers have behaved.

The third and last way in which business is theorised to influence the use of youth ALMPs is through *cooperation*. This form of influence is based on the understanding that policymakers require the cooperation of employers and employers' organisations in the development and implementation of some active labour market policies. The first form of cooperation has already been mentioned: jointly-produced measures require the

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cooperation of employers in the implementation process. This means the willingness of individual companies to take part in the implementation influences the use of jointly-produced measures. Furthermore, the cooperation of corporatist employers' organisations can help policymakers increase the buy-in of companies. Corporatist employers' organisations (but not pluralist groups) can change their members' perceptions of the costs and benefits of participating in the implementation of policies by advertising the measures to them (C. J. Martin 2004a,b; C. J. Martin and Swank 2004, 2012). Thereby, the cooperation of corporatist groups makes it easier for governments to use jointly-produced measures like subsidy programmes. The second type of active labour market policies requiring the cooperation of employers' groups are training measures. The challenge of developing training measures is that training is only effective if it produces the types of skills demanded by employers, and if the training provided has a high "signalling value" (Spence 1973). Developing such measures is not easy. As the literature on skills mismatches shows (Adalet Mc Gowan and Andrews 2015; M. Wolbers 2003), public policies often teach skills employers are unable to use. Furthermore, participation in an active labour market policy is not necessarily interpreted as a positive signal by employers (Liechti et al. 2017). Here again, it is theorised that corporatist employers' organisations (but not pluralist groups) can help by providing insights into what kind of skills employers need, and by supporting the certification of training qualifications (P. D. Culpepper 2001).

Corporatist employers' groups and collective training systems

Now that the mechanisms whereby employers and employers' organisations influence the use of active labour market policies have been outlined, we turn to the question of how the *form of employers' organisations* and the existence of *collective training systems* matter. Based on the existing literature and own theoretical considerations, this book theorises that both factors influence employers' preferences and the ability of employers' organisations to cooperate with policymakers.

When it comes to the effect of the form of employers' organisations, the employer-centred theory developed in this book follows earlier research on the effect of employers' organisations on the use of active labour market policies, in particular the work of Cathie Jo Martin and Duane Swank (C. J. Martin 2004a,b; C. J. Martin and Swank 2004, 2012). This body of work argues that *corporatist* employers' organisations have a positive effect on public expenditure on active labour market policies, while *pluralist* groups do not. Some of the reasons for this have already been touched upon. First, corporatist groups can use their dense networks of membership and high levels of trust between the organisation and its members to promote policies. In doing so, they can convince individual companies to participate in the implementation of active labour market policies. In short, corporatist groups have the ability to change the preferences of their members with regards to policy implementation and, in doing so, provide a very valuable form of cooperation to policymakers. Martin and Swank refer to this as the *cognitive effects* of corporatist groups (C. J. Martin and Swank 2012). Pluralist groups, in contrast, are not equally persuasive. Even if they promote labour market measures, this

does not increase employer buy-in (C. J. Martin 2004a,b; C. J. Martin and Swank 2004). Furthermore, Martin and Swank argue that corporatist groups have *political economic effects* (C. J. Martin and Swank 2012), which, again, influences employers' preferences by making them more supportive of spending on active labour market policies. The argument is based on the observation that corporatist employers' organisations tend to engage in collective wage bargaining with strong trade unions. The resulting agreements lead to wage compression and, in particular, wage increases at the bottom end of the income distribution. In response, companies are expected to lobby for active labour market policies for young people to increase the productivity of workers, or decrease the employment costs of less productive workers.

In addition to these effects of corporatist employers' groups, this book adds a third mechanism. Namely, it argues that corporatist groups can help policymakers by supporting the development of training measures through *skills insights & certifications*. Their large membership and dense networks allow corporatist groups to identify exactly what kinds of skills are required by their members. Furthermore, in the same way in which employers trust the recommendations of their organisation when it comes to participating in the implementation of policies, they trust that qualifications certified in cooperation with employers' groups are truly a sign of high productivity. Pluralist groups, in contrast, cannot rely on the same trusted networks, and are hence unable to provide the same form of cooperation to policymakers. Providing skills insights and supporting the certification of qualifications is, therefore, another ability which sets corporatist employers' organisations apart from pluralist groups. Moreover, this mechanism is also theorised to influence employers' preferences with respect to the use of active labour market policies to fight skills shortages. The argument that employers lobby for more spending on active labour market policies to increase labour supply is not a new one (Bonoli 2012a; Swenson 1991, 2002). However, this book argues that employers will only demand more spending on labour market measures if they are convinced that these measures will indeed produce more workers with the skill they need. It is thus precisely because corporatist employers' organisations can help governments develop training measures that cater to the skills needs of their members that employers in countries with such groups are expected to respond to skills shortages by lobbying for more spending on active labour market policies for young people. Employers in countries with pluralist groups, in contrast, are more sceptical about the efficacy of labour market training programmes and are thus unwilling to support them, even if faced with skills shortages.

What about collective training systems? Such systems also provide *skills insights & certification*. Training in such systems is based on curricula developed collectively by employers, trade unions, and the government, which ensures that the training provided in collective systems is highly relevant for the labour market (Gangl 2003). This has a great advantage for policymakers. By using the curricula of the training system to inform the training content of active labour market policies, they can ensure that the skills taught in training measures for young people are relevant for employers. In addition, collective training systems have established mechanisms to certify qualifications, which can also be used for the certification of training measures. Again, this makes it

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easier for policymakers to develop effective training measures, and employers' are more likely to lobby for the expansion of labour market training programmes when faced with shortages of skilled labour. There are two differences between the effects of corporatist groups and collective training systems on training measures, however. The first relates to the form of cooperation. Whereas policymakers need to ask corporatist groups to provide information about what kind of qualifications companies need, collective training systems make employers' skills needs very transparent. Policymakers can simply consult the publicly available training standards to learn which skills are expected by companies in different industries. For this reason, figure 1.5 shows a direct arrow from collective training systems to policymakers. The second difference relates to the intensity and duration of training measures. Corporatist groups can help develop new training programmes, but these tend to be focussed on a defined set of qualifications which can be taught within a limited timespan. Collective training systems, however, allow policymakers to develop intensive long-term training measures. More specifically, policymakers can simply copy the curricula of firm-based apprenticeships and offer the same content within an institutional training measure lasting as long as an apprenticeship, i.e. around three years. The ability to develop meaningful long-term training measures also makes a differences during periods of high unemployment. Whereas most governments can only use direct-job creation programmes to substantially reduce youth unemployment numbers, policymakers in countries with collective training systems can use long-term training programmes instead.

Furthermore, collective training systems influence employers' preferences for spending on training measures and for the use of measures providing qualifications relative to measures providing work experience. Employer support for spending on training measures originates in their trust in the efficacy of such measures to increase the *supply of skilled labour*. In addition, training measures can also be used to *shift* part of the *cost of training* apprentices from the employer onto the state (Busemeyer 2009c; Busemeyer and Trampusch 2013). For example, policymakers can "unburden" employers by offering tutoring services for apprentices or pre-apprenticeship training to those young people employers do not view as sufficiently qualified to start an apprenticeship. A desire to shift costs is therefore a second reason why employers in countries with collective training systems may lobby for higher spending on training measures for young people. Finally, companies in countries with collective training systems tend to value *qualifications* more than *work experience* in job applicants (Breen 2005; Gangl 2003). The qualifications provided in collective training systems tend to have very high signalling values. In other words, employers can immediately judge from a qualification whether a job applicant has the type of skills they are looking for. In addition, firm-based training provides apprentices with ample work experience during their training. As such, additional work experience has little value for employers. These preferences are expected to also influence employers' preferences for active labour market policies for young people. As a consequence, employers in countries with such systems also have a preference for training measures over measures providing work experience, namely subsidies and direct job creation programmes. These preferences, in turn, are then expected to influence the use of active labour market policies for young people through employers' instrumental

and structural power.

1.2.2 Research design and empirical approach

The theory is tested using a nested research design and a mixed-method approach (Lieberman 2005) to analyse the use of active labour market policies for young people in European countries from 1998 to 2014. In a first step, a quantitative analysis covering 27 European Union countries and the United Kingdom is used to test hypotheses on the relationship between the core independent variables, the existence of corporatist employer groups and collective training systems, and public expenditure on active labour market policies for young people. The analysis introduces a novel approach to disaggregate Eurostat data on ALMP expenditure by age groups by weighting expenditure by the share of young and older participants at the level of individual measures. Descriptive statistics, scatterplots and bivariate regressions, as well as time-series cross-sectional (TSCS) analysis (Beck and Katz 1995, 1996; Plümper and Troeger 2007; Podestà 2002) are then used to test the formulated hypotheses. Thereafter, a qualitative process-tracing analysis (Beach and Pedersen 2013, 2016) is conducted on three selected country cases: Germany, the United Kingdom and Sweden. The selection of cases follows Lieberman's recommendations, and is determined by whether the hypothesised relationships are confirmed in the quantitative analysis (Lieberman 2005). Where the hypothesised macro-correlations have been confirmed, well-predicted cases – that is cases in which the hypothesised relationship was found – with high and low values on the independent variable are selected to further investigate which mechanisms *caused* the macro-correlation. Where the hypothesised relationships were not supported by the quantitative analysis, the case studies serve to find out why the predicted causal mechanisms failed and, based on these findings, to further refine the theory. Germany is used as an example of a country with corporatist employers' groups and a well developed collective training system. Sweden is taken as an example of a country with corporatist employers' groups and no collective training system and the United Kingdom serves as an example of a country with pluralist employers' groups and no collective training system. All case studies cover periods of both high youth unemployment and of low youth unemployment and skills shortages to analyse why and how active labour market policies for young people are used in different economic contexts (Bonoli 2010). The case studies use primary data in the form of documents and expert interviews with individuals involved in the development and implementation of ALMPs, as well as secondary literature.

1.3 Central findings

Previewing the results, the analysis finds support for the influence of employers, employers' organisations and collective training systems on the use of active labour market policies for young people.

Answering the first research question, the evidence shows that employers do in fact influence the use of active labour market policies through their *realised* and *perceived*

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structural power. More specifically, this book finds several instances of employers' structural power influencing the use of jointly-produced measures, and the choice between training measures and policies providing work experience. Regarding the former, both the German and the UK cases feature examples of subsidy programmes failing at the implementation stage because companies simply would not participate in the schemes. After realising that cooperation among employers was lacking, both programmes were terminated by policymakers. A strong example of employers' realised structural power is also found in the Swedish case, where a string of evaluations showed subsidy programmes to be more effective in integrating young people into employment than training measures which then contributed to a reorientation of active labour market policies from training programmes to subsidy schemes for young people. Finally, perceived structural power contributed to a strong focus on training and work experience programmes in Germany and the United Kingdom respectively. In both countries, policymakers held strong beliefs – supported by lobbying from employers' organisations – that what really prevented companies from hiring more young people was a lack of qualifications (Germany) and experience (United Kingdom). Consequently, policymakers in Germany chose to invest primarily in training programmes, while policymakers in the United Kingdom spent mostly on subsidy schemes and direct-job creation measures. This finding is interesting because it shows that companies can influence the use of active labour market policies even without actively engaging in the political process. Their actual, and even their expected, hiring decisions can be sufficient to steer policy choices.

With regards to the second question, this book finds that employer organisations clearly influenced the use of active labour market policies for young people. More specifically, this book finds substantial evidence of employer groups using their *instrumental power* to influence public expenditure on different types of youth ALMPs. As expected, employer groups lobby policymakers to influence the selection of policies, to terminate active labour market policies they oppose, and to increase spending on measures they see as beneficial for their members.

Regarding the third question – the influence of differences in the form of employer organisation – the findings are mixed and the results of the qualitative and quantitative analysis do not fully match. The quantitative analysis found some support for a positive effect of corporatist groups on spending on active labour market policies for young people, in particular on training measures. There is also qualitative evidence that Sweden's corporatist employers' organisations can provide *skills insights* and help with the *certification* of qualifications. For instance, a group representing employers in the Swedish IT industry developed a training programme with the government to provide the unemployed with specific IT-skills that were in demand among employers. In addition, Swedish employer groups support the use of some training ALMPs for young people which they viewed as useful to address specific shortages of skilled labour. However, these programmes were very small in terms of expenditure. Hence, skills insights & certifications do not appear to explain much of the comparatively high Swedish youth ALMP expenditure. The evidence concerning the *cognitive effects* and the *political economic effects* of corporatist groups is also mixed. On the one hand, the qualitative analysis found that corporatist employers' organisations in Germany and Sweden were

able to convince their members to participate in the implementation of jointly-produced measures, while pluralist employers' organisations in the United Kingdom failed to do so. However, the statistical analysis found no significant effect of the form of employers' organisation on the use – i.e. the total or relative amount of spending – of jointly-produced measures. In other words, the findings of the quantitative analysis do not support the theory that the form of employer organisation influences expenditure on jointly-produced measures. With regards to the *political economic effect* of corporatist groups, the Swedish case did show that high, collectively negotiated minimum wages for young people are viewed as problematic by employers. While employer groups did not lobby for youth ALMPs to ameliorate the situation, there is evidence that Swedish policymakers used subsidy programmes deliberately to lower the employment costs of labour market entrants without interfering with the country's collective bargaining system. This mechanism suggests that countries with corporatist employer groups spend more on subsidies for young people. However, the quantitative analysis finds no evidence for a positive relationship between corporatist employer groups and public expenditure on this specific type of youth ALMP.

Lastly, regarding the fourth research question on the effects of collective training systems, this book finds their existence to strongly influence the use of active labour market policies for young people. The German case provides support for all of the theorised mechanisms. German policymakers used *skills insights* from the country's dual training system and support from employer groups in the *certification of qualifications* to develop training measures for young people including long-term training programmes that were used to occupy a large number of youth during economically difficult periods. Furthermore, the findings support the theory that collective training systems influence employers' preferences for active labour market policies for young people. German employers' actively lobbied for higher spending on training measures which increase the *supply of skilled labour* and which help firms *shift* unwanted *training costs* onto the state. Lastly, the comparison between Germany and the United Kingdom shows that the German apprenticeship system influenced employers' preferences for qualifications over work experience in young job applicants. The findings of the qualitative analysis are supported by strong quantitative evidence. The strength of collective training systems has a strong and positive relationship with spending on active labour market policies for young people; the level of spending on training measures; the amount of spending on training measures relative to policies providing work experience; and the amount of spending on institutional training measures relative to direct job-creation programmes.

In addition to the theorised mechanisms, the case studies find evidence that other *political* and *strategic* considerations may influence how employers' organisations engage with active labour market policies. In the United Kingdom, it is notable that employers' organisations often publicly supported measures to reduce youth unemployment without actually translating those statements into real world commitment. This suggests that they were motivated less by a genuine interest in the policies, but rather by an attempt to gain publicity or gather the goodwill of policymakers. In Germany, employer organisations' support for, and opposition to, some policies seems to have been motivated primarily by concerns over protecting the stability of the apprenticeship system and em-

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employers' organisations' own control over it, instead of a strong first-order preference for specific policies themselves. In sum, this book finds evidence for several ways in which employers, employers' organisations and collective training systems influence the use of active labour market policies for young people, while it does not find support for some of the effects of corporatist groups on the use of active labour market policies theorised by earlier studies.

1.4 Contributions and relevance

The central contribution of the book is the exploration of a new field of study – the determinants of active labour market policies for young people. In doing so, the book follows repeated calls for a more fine-grained analysis of active labour market policies (Bonoli 2013; Clasen, Clegg, and Goerne 2016; Cronert 2018b; Vlandas 2013). Moreover, the book shows that certain active labour market policies for different age groups are influenced by different factors and should, hence, be analysed separately. In addition, this work shows the importance of factors influencing the use of active labour market policies, which so far, have received little attention. The first factor is the existence of collective training systems. There is only a small number of countries with well-developed collective training systems, but in these political economies, most active labour market policies for young people are strongly linked to the training system. The second factor is the structural power of employers. Here, this study's contribution represents more of a change of perspective instead of an entirely new finding. The fact that politicians tend to prefer measures which are cost-effective in integrating the unemployed into jobs is rather straightforward. However, integrating people into jobs implies their being hired by employers. The argument about employers' structural power essentially changes the analytical focus from the supply side (what do job candidates offer?) to the demand side (what do employers want in a candidate?). The benefit of the demand side view is that it allows us to account for systematic differences in employers' hiring preferences, for example, their relative preferences for qualifications and work experience.

Moreover, this dissertation makes conceptual and methodological contributions which may inform future research in the field of active labour market policies. Conceptually, the book builds on earlier work to further theorise and test our understanding of the *meaning* of active labour market policies from the perspective of policymakers, employers and employers' organisations. Furthermore, by showing that policymakers and employers distinguish between measures providing work experience and those providing qualifications, it addresses a shortcoming in the literature by showing another 'theoretically meaningful dimension' of variation (Clasen, Clegg, and Goerne 2016, p.13) in the use of active labour market policies. For the quantitative analysis, this book developed a novel method to disaggregate active labour market policies expenditure by age group. This method, for the first time, allows for the separate analysis of measures targeted at young people. In addition, future work may use this method for the analysis of measures targeted at older individuals, or for an explicit comparison of measures targeted at different age groups. Lastly, the qualitative analysis contributes to the literature

through the theorisation and operationalisation of causal mechanisms in the tradition of the process-tracing literature. By describing and testing, step-by-step, how the actions of actors influence expenditure on different types of active labour market policies, this book contributes to ‘uncovering the causal dynamics specific to this policy field’ (Clasen, Clegg, and Goerne 2016, p.13) and, thereby, addresses another gap in the literature on the comparative use of active labour market policies.

The findings on the effects of corporatist employers’ groups and collective training systems have important implications. The two most consequential are the following. First, the findings suggest that the human capital orientation of active labour market policies for young people is strongly dependent on structural and institutional factors. More specifically, it depends on employer preferences for qualifications relative to work experience, and on the ability of employer organisations and training systems to provide skills insights and trusted skill certification mechanisms. These factors cannot easily be changed by political actors (Finegold and Soskice 1988; Hall and Soskice 2001). By extension, this means that politicians in countries without corporatist employers’ organisations or collective training systems who want to invest in the skills of unemployed young people may not be able to do so. Instead, they may be stuck with subsidies or direct-job creation measures, which can be less effective in increasing the long-term labour market prospects of young people.

Second, the strong and positive effect of collective training systems on spending on active labour market policies is remarkable. Countries with collective training systems usually have the lowest youth unemployment numbers anywhere in the world (Biavaschi et al. 2012; G. Martin 2009), and the systems have been praised for offering young people without tertiary education a pathway into stable and well-paid employment (Busemeyer 2015; Iversen 2005; Soskice 1994). In other words, countries with collective training systems are already very successful in integrating disadvantaged young people into good employment. Nevertheless, it is these countries which tend to spend the most to *further* reduce youth unemployment and *further* upgrade the skills of unemployed young people. Taken together, those two implications suggest it is unlikely that we will see convergence between European countries in their support for one of the most vulnerable groups. Whereas countries like Germany, Austria, or Denmark, which already make great efforts to help young people during economically difficult times, will continue to do so, countries with no collective training systems and pluralist employer groups are likely to continue to only provide basic support.

1.5 Outline of this book

The remainder of the book is structured as follows. The *second* chapter outlines the different types of active labour market policies, and provides a review of the relevant literature. The literature review serves two purposes. First, it creates space for further research by establishing in detail why variation in the use of active labour market policies for young people presents an empirical and theoretical puzzle which deserves attention. Second, it draws on the comparative political economy literature on the use of active

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labour market policies and collective training systems to suggest factors which are most likely to influence the use of youth measures, namely employers, employer groups, and collective training systems. The *third* chapter develops the theory on how employers, employers' organisations and collective training systems can influence the use of active labour market policies for young people. By drawing on existing comparative studies on the determinants of variation in the use of active labour market policies across countries, the comparative literature on collective training systems, the sociological literature on school-to-work-transitions, the economic literature on hiring and signalling and the political economic literature on business power, it develops in detail the theory sketched out in the introduction. The chapter spells out the different assumptions on which the theory is based, and describes the mechanisms which lead to variation in the use of youth ALMPs across countries. The *fourth* chapter outlines the research design and describes how quantitative and qualitative analysis complement each other in testing different elements of the theory. The chapter operationalises the theory for both analyses by developing testable hypotheses for the quantitative analysis, and causal mechanisms with clear observable manifestations for the qualitative analysis. Furthermore, the chapter discusses the case selection and the empirical strategy for qualitative analysis. The *fifth* chapter is the quantitative analysis. It first describes the measurement of the key concepts and availability and quality of data. It develops an approach to disaggregate EUROSTAT spending data by age group and discusses several variables for measuring the corporatist nature of employer groups and the size of collective training systems. The analysis uses descriptive statistics, bivariate regressions, and cross-sectional time-series regressions to test the hypotheses developed in chapter four. Chapters *six* to *eight* are the three case studies, which form the qualitative part of the analysis, and serve to test the causal mechanisms connecting employers, and the different forms of employers' organisations and training systems with the use of active labour market policies for young people. The German case is discussed first, followed by the United Kingdom and Sweden. All three chapters follow the same structure and first outline the employers' organisations and the training system of the respective country before analysing the use of active labour market policies for young people during economic downturns and high youth unemployment and periods of growth and labour shortages. The *ninth* and last chapter is the conclusion. It briefly repeats the theoretical arguments and discusses how far they are supported or rejected by the evidence. It discusses the relevance of the findings for the academic literature and for the situation of young people in different countries. Finally, it outlines some areas for further research.

2 Literature review: Puzzle, relevance and analytical focus

The purpose of this literature review is to show in more detail that variation in the use of active labour market policies for young people across countries presents an interesting puzzle worthy of attention. Moreover, the chapter draws on the existing literature to understand which factors can plausibly be expected to cause the observed variation. So far, the topic of active labour market policies for young people has attracted very little attention from the comparative political economy literature. However, there are two strands of literature which deal with related questions. The first comprises the comparative literature on variation in the use of active labour market policies *in general* – i.e. without a specific focus on young people or any other age-group. The second strand comprises studies on collective (or dual) training systems. Collective training systems combine school-based education with practical work-place training, and are in many ways very similar to active labour market policies. Both can simultaneously achieve social goals (reduce youth unemployment), and economic goals (increase labour supply and skill levels), and as such, it has been suggested that they may act as substitutes for each other. Based on a critical reading of both literatures, and in line with the puzzles mentioned in the introduction, this chapter will make the following five arguments.

First, the literature on the determinants of variation in the use of active labour market policies has not yet reached conclusive results, and little effort has been made to understand variation in the use of measures targeted at young people. Second, it will be argued that there are clear problems with applying the general literature on the determinants of active labour market policies to measures for young people. Namely, young and older unemployed require different types of active labour market policies and the data suggests that public expenditure on measures for young people is influenced by different factors than spending on measures for older people. Therefore, new or revised theories are required to understand variation in the use of active labour market policies for young people. Third, based on the first two arguments it will be argued that the study of active labour market policies for young people is relevant in its own right, but it may also contribute to a better understanding of variation in use of active labour market policies in general. Fourth, a critical reading of the ALMP literature, and a comparison of the roles attributed to employers by the ALMP literature and the literature on collective training systems suggests that employers and employer organisations play a crucial role in influencing the use of active labour market policies for young people. Finally, the literatures on collective training systems and school-to-work transitions suggest that the existence of collective training systems may also strongly influence the use of active labour market policies. As a consequence, the influence of

employers, employers' organisations and collective training systems should be the focus of analyses of the political-economic determinants of cross-country variation in the use of active labour market policies for young people.

The chapter is structured as follows: the first section provides a more detailed description of active labour market policies targeted at young people. The second section discusses the comparative literature on the determinants of the use of active labour market policies, the lack of youth-specific analyses, the problems with applying this literature to measures targeted specifically at young people, and the role of employers and employers' organisations in this literature. The section argues that studies on the use of active labour market policy for young people should focus more on the role of employers and employers' organisations. The third section discusses the literature on collective vocational training systems and the similarities and differences between this literature and the literature on active labour market policies, and highlights how collective training systems are important to the analysis of variations in the use of active labour market policies for young people. The fourth section then goes on to discuss the limitations of focusing on employers, employers' groups and collective training systems in an analysis of variation in the use of youth ALMP. The fifth section concludes the chapter with a summary of core arguments.

2.1 Active labour market policies for young people

Active labour market policies are public interventions in the labour market targeted at individuals or groups of individuals, which aim at reducing unemployment and improving labour market participation in quantitative (more opportunities) and qualitative (more productive, better paid employment) terms. The focus on individual people sets active labour market policies apart from other policies which can also have positive employment effects, such as expansionary fiscal policies, or industrial policies. Furthermore, active labour market policy combines the social goal of providing employment to the jobless and the economic goal of providing workers to the labour market. As such, active labour market policy is often cited as a prototypical social investment policy (Garritzmann et al. 2017). While the basic concept of what function active labour market policy should fulfil is clear, there is an ongoing debate on which policies should be counted as active labour market policies (Clasen, Clegg, and Goerne 2016; Cronert 2018b; Vlandas 2011). Therefore, it is important to briefly discuss the definition of active labour market policy used in this book.

The commonly used Eurostat classification defines active labour market policies as a subset of labour market policies (DG Employment, Social Affairs and Inclusion 2018, p.5). Labour market policies comprise the categories *services*, *measures* and *support* (table 2.1). Labour market services include all services provided by public employment services to unemployed individuals or firms seeking to hire. These services include placement, counselling and guidance, job-search courses and mobility support to take up employment (1.1) as well as services required for the administration of measures and supports (1.2.1 and 1.2.2). The second class – labour market policy measures – are

2.1 Active labour market policies for young people

Table 2.1: Different types of labour market policies

Group	Category	Name
LMP Services	1	Client services
	1.1	Information, case management
	1.2	Other activities of the PES
	1.2.1	Administration of measures
	1.2.2	Administration of supports
	1.2.3	Other services
LMP Measures	2	Training
	2.1	Institutional training
	2.2	Firm-based training
	2.3	Alternate training
	2.4	Special support for apprenticeships
	4	Employment incentives
	5	Sheltered and supported employment and rehabilitation
	6	Direct job creation
7	Start-up incentives	
LMP Supports	8	Out-of-work income maintenance and support
	9	Early retirement

labour market interventions other than services which aim to bring individuals into employment, prevent them from becoming unemployed, or help them improve their labour market situation. In general, such measures are of temporary nature, with the exception of programmes to support people with “permanently reduced working capacity” (DG Employment, Social Affairs and Inclusion 2018). There are five different types of measures. *Training* measures cover measures that aim to increase the employability of participants by improving their skill sets. Training can take place in institutions like schools or the training facilities of public or private training providers (2.1), private companies (2.2) or both (2.3). Furthermore, training measures include a group of measures called “special support for apprenticeships”. These measures comprise financial incentives for employers to take on apprentices, and financial support for disadvantaged groups during an apprenticeship (2.4). *Employment incentives* are financial subsidies for employers to hire new employees, including apprentices, or retain workers at risk of unemployment.¹ *Sheltered and supported employment and rehabilitation* (SSE&R) measures are long-term oriented instruments with the goal of providing employment for people unable to find regular employment due to physical or mental impairments. The typical target groups are people with permanent disabilities or people suffering from long-term but temporary impairments, like for example, recovering drug addicts. *Direct job creation measures* create additional non-market jobs, and in contrast to sheltered and supported unemployment, these measures do not have to be limited to people with reduced productive capabilities. Usually, such measures consist of (primarily) state financed employment in the public or non-profit sector. In addition, this category covers work experience programmes which aim at increasing the labour market prospects of participants by providing them with some (initial) experience with paid employment. *Start-up incentives* can be a form of labour market policy. Such measures promote entrepreneurship through a variety of means including financial support and business advice. Lastly, *supports* are policies intended to help the unemployed deal with the consequences of joblessness, and can be divided into out-of-work income maintenance and support – usually unemployment benefits – and early retirement programmes.

Eurostat reports all expenditure on LMP measures (categories 2-7) as active labour market policy expenditure. However, there is an ongoing debate in the comparative literature on the question of whether services should also be counted as “active” policies (Cronert 2017; Vlandas 2013). Services are problematic because they include funding for services which are directly helpful for unemployed individuals, such as placement services, but also administrative expenditures, and funds used to monitor the compliance of benefit recipients. In other words, only some spending on services is used to help reducing unemployment or increasing employment. Due to the unclear nature of services, some studies exclude the category from their analyses (Cronert 2017; Vlandas 2013), while others include them (Bonoli 2010, 2013; Nelson 2013b). This book includes services in its definition of active labour market policies for two reasons. First, when it comes to active labour market policies for young people, excluding services would be difficult to

¹Note that the former category 3 – job rotation and job sharing programmes – is no longer in use and has been subsumed under employment incentives. Therefore, there no longer is a category 3.

justify. As table 1.4 in the introduction shows, services account for a substantial part of the expenditure on youth ALMPs in several countries. Furthermore, labour market services such as career guidance or matching services are of particular value for young people because they often do not yet possess the job-finding skills (e.g. knowledge of how to write applications, professional code) and networks which help older job-seekers to find suitable employment. Second, the methodological problems described by (Vlandas 2013) can be overcome with the use of the programme-level data provided by Eurostat, which is used in this book, because it allows a distinction to be made between services and administrative expenditures, i.e., supporting active measures on the one hand, and the administration of passive measures on the other.² Therefore, this book defines ‘active labour market policies for young people’ as all measures and active services included in the Eurostat definition which are used by people below the age of 25. In other words, it includes all services included in categories 1.1, 1.2.1 and 1.2.3 of the Eurostat definition, as well as all measures (categories 2, 4, 5, 6 and 7) defined as active labour market policies. Having clarified the definition of active labour market policies for young people, the next section will review how scholars have (tried to) explain variation in their use.

2.2 The literature on active labour market policy

The disparate use of active labour market policies across countries has occupied scholars of comparative political economy for some time. There is some agreement that active labour market policy is used as a functional response to competitive pressures and structural change (Bonoli 2013; Katzenstein 1985). However, the literature remains inconclusive when it comes to many important questions. Notably, there has not yet been a systematic, comparative attempt to understand what determines the use of active labour market policies for young people (Cronert 2018b). One study that comes close to this is by Tosun, Unt and Wadensjö, which analyses youth-oriented active labour market policies in Scandinavia and the Baltic countries (Tosun, Unt, and Wadensjö 2017). However, their work does not treat labour market measures targeted at young people as politically, or in any other way, different from active labour market policies for older workers. This undifferentiated treatment, as will be argued in the subsection 2.2.2, is problematic for three reasons: young people have different needs than older workers, unemployed young people constitute a numerically very small group with little electoral power, and the data strongly suggests that the use of measures for young people is influenced by different factors than those influencing the use of measures for older workers.

In light of this, the purpose of this section is twofold. First, it seeks to describe open questions regarding the determinants behind the use of active labour market policies. Second, it aims to discuss which existing theories, or elements thereof, are most likely to help us understand variation in the use of active labour market policies for young people. To this end, the following will first provide an overview of the literature on the determinants behind the use of active labour market policy, its developments and

²See chapter 5 and the methodological appendix for details.

its remaining open questions. In the next step, the problems of applying the general literature to measures for young people will be discussed. Thirdly, the treatment of employers and employer groups in the literature on active labour market policies will be critically examined before an interim conclusion sums up the central arguments of this section.

2.2.1 Approaches and open questions

Much of theoretical and empirical work on the determinants behind spending on active labour market policies draws on some form of power resource theory (PRT) and understands active labour market policy as a social democratic policy, pushed for by social democratic parties and trade unions (Bonoli 2013). Policy effort, generally measured in terms of levels of public expenditure, is hence argued to be positively associated with the current and historical strength of politically left-leaning parties and/or trade unions (Boix 1998; Bonoli 2010, 2013; Clasen, Clegg, and Goerne 2016; Cronert 2018b; Esping-Andersen 1990; Huber and Stephens 2001; Huo, Nelson, and Stephens 2008; Rueda 2007; Vlandas 2013). In order to understand and critically assess the applicability of this literature for measures targeted at *young* people, a brief review of the micro-foundations of power resource theory is required.

Power resource theory and the political left

The central premise of power resource theory is that differences in exposure to risk between capital owners and workers at the micro-level, translate into class struggle at the macro-level. The outcome of this struggle determines the development of decommodifying policies providing employees with a material basis for existence independent of their market income (Esping-Andersen 1990, p.3). Decommodifying policies, that is policies which prevent workers from having to sell, i.e. to ‘commodify’ their labour, include unemployment insurance, universal healthcare, or pensions. These policies allow workers to survive (at least temporarily) without paid employment (pensions, unemployment benefits) or they provide them with an essential service (health care) independent of their market income. Decommodifying policies are hence in the interest of workers and employees (Esping-Andersen 1990).

Labour organisations such as trade unions, and political parties aligned with them, are expected to support decommodifying policies. In return, the beneficiaries of those policies are assumed to elect left-leaning politicians. Employers, in contrast, are theorised to oppose decommodification because it weakens their bargaining position with workers, and because they oppose the taxes necessary to pay for such policies (Korpi 2006). Based on this theory, Esping-Andersen argued that his famous three Worlds of Welfare Capitalism developed out of the historical strength of labour. In Scandinavia, where social democratic parties formed effective political coalitions with farmers, the universalistic and strongly decommodifying Nordic (or social democratic) welfare states developed. Continental European countries where Christian democratic parties dominated formed conservative, contribution-based welfare systems with moderate levels of decommodi-

ying policies, and the Anglo-Saxon world formed residual, liberal welfare states with overall low levels of social expenditure (Esping-Andersen 1990).

Active labour market policies do not aim to decommodify labour, but instead aim to help bring people *into* employment. Nevertheless, these policies originated in Sweden and have been strongly associated with the Nordic welfare states and social democracy (Bonoli 2013). There are different explanations for the (claimed) support of left-leaning political parties for active labour market policies. Esping-Andersen argued that active labour market policy allows countries to maintain the high employment levels necessary to finance extensive social democratic welfare states (Esping-Andersen 1990). Similarly, Boix described active labour market policy as an element of a distinctly progressive supply-side economic policy combining high employment levels with strong economic growth in a dynamic economy (Boix 1998). A different explanation has been offered by scholars pointing at the *individual* benefits of paid employment (Huber and Stephens 2001; Huo, Nelson, and Stephens 2008). Drawing on the feminist welfare state literature, Huber and Stephens and Huo et. al. criticise Esping-Andersen's focus on decommodification as missing other forms of economic dependency, and underestimating the importance of market income for developing personal liberty. In their view, the classic decommodification argument ignores how "market dependency may actually be less threatening to an individual's autonomy than family or state dependency" (Huo, Nelson, and Stephens 2008, p.8). The goal of social democratic policy, in their view, is hence not only to establish a safety net of decomodifying policies, but also to provide "maximum support" for the labour market integration of those willing and able work (Huber and Stephens 2001, p.334). From this perspective, the early and extensive use of active labour market policies by social democratic welfare states can also be explained as a social policy enabling women and other excluded groups to gain the benefits of paid employment (Huo, Nelson, and Stephens 2008). In sum, there are different theories sharing the view that the use of active labour market policies is determined by class conflict, with left-leaning groups supporting higher spending on active labour market policies to benefit specific groups of workers who, in turn, provide electoral support for left-leaning parties. Conservative, employer-aligned parties, in contrast, are assumed to oppose active labour market policies.

The dualisation criticism

The view of labour as a primary proponent of active labour market policy was challenged by the dualisation criticism formulated by David Rueda (Rueda 2005, 2007). Rueda's work on the insider bias of left groups in dualised labour markets turned the conventional wisdom on its head, arguing that unions and social democrats are indeed opposed to active labour market policy. In Rueda's view, power resource theory disregards the existing preference heterogeneity within the labour camp. In his view, the labour markets of many industrialised countries are in fact "dualised", meaning that they consist of well-protected "insiders" in regular employment, and poorly protected "outsiders" in involuntary part-time or temporary employment. As a consequence of the differences in employment protection, outsiders bear the brunt of cyclical fluctuations,

while insiders are largely insulated from the threat of unemployment. The different risk profiles, in turn, lead to opposing positions on active labour market policy. Largely immune to unemployment, insiders are primarily concerned about retaining high levels of employment protection and high wages. However, active labour market policies aim at increasing the labour market participation of the unemployed or inactive. While outsiders would benefit from active labour market policies, insiders are unlikely to ever profit from them. To the contrary, the entry of outsiders onto the labour market would increase the competition and put downward pressure on wages. In this context, Rueda argues, social democratic parties side with insiders, who are more politically active, and hence electorally relevant (Rueda 2005, p.62). As a consequence, unions and labour parties in countries with dualised markets should not be expected to be more supportive – or indeed should be less supportive – of active labour market policy than conservative parties (Rueda 2007, p.74).

Attempts to disaggregate ALMP by type of measure

In response to Rueda's work, several studies have tried to solve the conflicting theoretical expectations concerning labour preferences by disaggregating active labour market policies into different measures. Using the same micro-level logic as power resource theory, these approaches then theorised the preference of unions and left-leaning parties based on the expected preferences of workers, i.e. union members and left-party voters. However, those studies do not agree what these expected preferences are. For instance, Tepe and Vanhuyse argue that unions regard active labour market policy as a 'second-best' option, to be used if employment protection legislation cannot be achieved. Therefore, trade unions, worried about the re-employment prospects of their members, should support public spending on the types of measures most likely to directly benefit their members, which, according to the authors, are labour market services, employment incentives (subsidies), and labour market training. Direct job creation programmes, in contrast, are seen as mostly benefiting outsiders, and should not be supported by unions or left parties (Tepe and Vanhuyse 2013). Similarly, Vlandas contends that political parties prefer some types of measure over others (Vlandas 2013). He distinguishes between training schemes, employment incentives and rehabilitation, and direct job creation measures. Training is regarded as raising human capital and, in line with Tepe and Vanhuyse, should be in the interest of the left (though he does not find empirical support for this theory). In contrast to Tepe and Vanhuyse, however, Vlandas argues that direct job creation measures create employment through publicly financed jobs. This, in his view, should in fact be in the interest of left parties, because it decreases unemployment and creates upward pressure on wages. Lastly, employment incentives are seen as lowering the reservation wage of employees, and therefore constitute a threat to existing wage levels. Therefore, in Vlandas' view, subsidies are counter to the interest of the left. A third paper published in the same year by Moira Nelson also looks at partisan effects and, agreeing with Vlandas, assumes that left governments spend more on direct-job creation measures and, here siding with Tepe and Vanhuyse and against Vlandas, employment incentives. Moreover, she disagrees with both studies on the issue of training which, in

her view should be supported by *both* left and centre-right governments (Nelson 2013a).

The effects of regimes and institutions

One problem with focusing strongly on the ideology of governing parties is that the use of active labour market policy tends to vary more strongly between countries than within countries. In other words, even in Sweden or Denmark, a conservative government would be expected to spend more on active labour market policy than a progressive government in the United Kingdom. This insight is confirmed by several studies finding that the preferences of political parties for the use of active labour market policies are shaped by different welfare state regimes and individual institutions. This makes understanding the effect of the governing party on the use of active labour market policy yet more challenging.

For example, Nelson argued that social democratic welfare states tend to be more concerned about the training of lower-skilled individuals than other types of welfare states, independent of the political orientation of the governing party. Conservative welfare states, in contrast, are more likely to leave training to firms. In support of this argument, she finds that, independent of the governing party, social democratic welfare states spend more on training than other welfare regimes (Nelson 2013a). Similarly, Vlandas finds no effect of partisanship on training expenditure, but that social democratic welfare states spend more on training than conservative welfare states, which again, spend significantly more in this area than ‘minimalist welfare states’ (Anglo-Saxon and Mediterranean welfare states) (Vlandas 2013). Both authors also find a positive relationship between social democratic welfare states and spending on employment incentives. Furthermore, Vlandas finds diverging effects for left party governments on spending on job creation measures between social democratic welfare states and other OECD countries. To make sense of this variation, Vlandas points towards the capacity of Scandinavian countries to use regular employment in the public sector as a functional equivalent to direct job creation measures. Nordic welfare states tend to have higher tax revenue and can expand public sector employment in order to fight unemployment. Regular employment in the public sector is usually more secure and of higher quality than direct job creation schemes, which are by definition only temporary. Therefore, Vlandas suggests that left-parties in Nordic states do not support direct job creation measures because they have a higher quality alternative at their disposal. Furthermore, he suggests that conservative welfare states like Germany that have collective training systems may spend less on training ALMPs because much of the training required is already provided by firms (Vlandas 2013). Moreover, Nelson suggests that the effect of partisanship and welfare regime can change over time. Specifically, she argues these effects changed with the ‘activation turn’ – the increased use of activation policies in many European countries starting in the late 1990s. In addition, the way in which labour market policies are administered and financed, i.e. the institutions of welfare states, has been found to influence the use of active labour market policy. For example, it has been argued that the social insurance principle at the heart of conservative welfare states is in conflict with the (forced) activation of unemployed (Clasen 2000). Furthermore, in conservative

states like Germany, both active and passive unemployment policies are financed out of the same budget. This means that during times of rising unemployment, the increase in passive benefit payments results in a necessary reduction of active measures (Manow and Seils 2000). Both factors are used to explain the generally lower levels of spending of conservative welfare states in comparison to the Nordic welfare states.

These studies on the (supposed) preferences of political parties and trade unions took an important step by distinguishing between different types of active labour market policies. However, they also show that different expectations can be deduced from the same theoretical approach, and that the preferences of the governing party regarding the use of active labour market policies are not stable, but dependent on the national context. As such, the described studies do not provide conclusive and comprehensive answers as to why the use of active labour market policies varies across countries, and why politicians from different political parties use different types of active labour market policy. The latter question is particularly problematic because politicians unquestionably play a central role in determining the use of all public policies through legislative, budgetary, and executive decisions. As such, considering how and why policymakers decide to launch new policies, reform or terminate existing measures, or change their budgets is important for any theory on the determinants of the use public policies, including active labour market policies. How then are we supposed to think about politician's perspectives on active labour market policy? Put differently, which goals do politicians pursue with active labour market policies, and what, if any, are the differences between politicians from different political parties? Two of the latest, and (so far) less criticised approaches, are Bonoli's conceptualisation of active labour market policy as means for 'credit claiming' for politicians (Bonoli 2012a), and Cronert's theory of 'constrained partisanship' (Cronert 2018b, 2020). Both have shifted the focus away from the Eurostat classification (services, training, employment incentives, sheltered and supported employment and rehabilitation, direct job creation and start-up incentives) to other dimensions of conflict and generally de-emphasised partisan differences.

Credit claiming

According to Bonoli, active labour market policy offers politicians an opportunity for 'affordable credit claiming' in a context in which budgetary constraints prevent other forms of more costly welfare spending (Bonoli 2012a, 2013). In the decades following World War II, European countries saw a general expansion of the welfare state, and claiming credit for such expansion was a widespread electoral strategy of politicians during this time. Since then, decreasing growth rates, ageing populations, and spending commitments for existing social policies have created pressures for "permanent austerity" (Pierson 1998), preventing the development of new, large-scale programmes, and requiring cuts to existing policies. In this context, politicians have shifted to a strategy of "blame avoidance": Governing politicians try to disassociate themselves from necessary cuts to pensions and other forms of entitlements (Bonoli 2012a).

Bonoli, however, argues that active labour market policies are different from traditional welfare policies, in that they offer politicians an opportunity for continued credit

claiming even under austerity (Bonoli 2012a, 2013). Active labour market policy is much cheaper than traditional social policies like unemployment benefits or pensions, and, in contrast to passive benefits, active labour market policies can contribute to growth, and, thereby, at least partially pay for themselves. Moreover, the initial level of spending on active labour market policy in most countries was much lower than in other social policy areas. Therefore, comparatively minor increases in spending on labour market policies were much more visible.

As is the case with power resource theory, Bonoli sees electoral motives behind politicians' use of active labour market policy. However, his account differs from power resource theory in two important ways (Bonoli 2013). First, it assumes a different micrologic. As outlined above, power resource theory assumes politicians expand welfare programmes to earn the votes of the programmes' beneficiaries. Hence, the higher the number of beneficiaries and the larger their power, the more spending we should expect. In the case of active labour market policy, however, the group of direct beneficiaries tends to be small, and being 'activated' may not always be regarded as positive by those affected, particularly when more spending on activation measures goes hand-in-hand with decreasing spending on passive policies like unemployment benefits. Therefore, those targeted by activation efforts may not support them, and even if they do, as a group they are not politically powerful enough to push for higher spending. At the same time, Bonoli contends that activation policies can be very appealing to middle class voters because activation may reduce welfare dependency, which is in the interest of taxpayers. Against this background, Bonoli argues that "[t]he groups targeted by this credit-claiming exercise, however, are not limited to the receivers of the policies but are mostly geared towards the middle class" (Bonoli 2013, p.56). Second, in accordance with the centrist appeal of active labour market policy, Bonoli does not find partisan effects on the use of this policy since the late 1990s (Bonoli 2013). While his analysis finds that the activation turn was in many cases initiated by social democratic or labour parties³, similar policies have been used by subsequent conservative governments. Therefore, his analysis concludes that "it is difficult to identify clear differences in the policies adopted by governments with different political orientations" (Bonoli 2013, p.176). The idea that partisanship matters less for the use of active labour market policies than expected by scholars in the tradition of power resource theory is also expressed in Cronert's theory of 'constrained partisanship'.

³Bonoli offers two explanations why left parties were the first to adopt the new policies. First, many labour parties on the left – notably New Labour in Britain and the social democrats in Germany – came to power after a long period in opposition. Against this background, they wanted to use bold policies to differentiate themselves from their conservative predecessors. Second, left parties may have used active labour market policies more prominently because such policies often include tighter restrictions and higher demands on job seekers. For this reason, a reorientation from passive to more active policies can be controversial for politically left groups such as trade unions. Against this background, social democratic parties may face less opposition when trying to reform their social and labour market policies in this direction. Akin the popular wisdom that it took a politician with strong anti-communist credentials like Nixon to go to China, it can take a party with a strong social policy record to reform labour market policies in a way which can inflict some immediate pain on the unemployed (Bonoli 2012a, 2013).

Constrained partisanship

The latest attempt to reconcile the literature and to understand the role and influence of political parties was made by Axel Cronert (Cronert 2017, 2018a,b, 2020). Based on several studies, Cronert concludes that the party in government still matters, but differently and less so than expected by earlier accounts. In his view, active labour market policy should be understood as Swiss army knives – multi-tools which can be attractive to all parties, which are hence used widely across countries by very different political actors. Partisan differences do exist, but politicians are “constrained” in their actions by the vested interests of stakeholders, economic pressures and the technocratic advice of policy experts (Cronert 2020). In this context, partisan differences manifest themselves along different variables than those previously assumed. Instead of the overall level of spending and the degree of human capital investment identified by earlier works, Cronert argues that the politically salient aspects of active labour market policies are their *targeting*, their *intended outcomes*, and their *modes of production*.

Like power resource theory and Bonoli’s credit claiming approach, Cronert assumes politicians to be office seeking. However, in his view, social democratic and conservative parties rely on different strategies for their electoral success. Based on the work of (Hibbs 1977), Cronert theorises that the re-election prospects of parties from both sides of the political spectrum are strongly influenced by economic growth, while parties on the left are more electorally vulnerable to high unemployment levels. Furthermore, following the work of Bengt Furåker (Furåker 1976), Cronert distinguishes between policies aimed at decreasing unemployment, a primary concern of left parties, and policies aimed at increasing labour supply. Increases in labour supply are considered to contribute to economic growth – a policy goal shared by all political parties. This understanding of partisan preferences and the different effects of active labour market policies allows Cronert to identify party preferences with respect to targeting and intended outcomes. Active labour market policies can be targeted at various segments of the labour market. Programmes targeted at the unemployed, or at people at risk of unemployment will reduce unemployment numbers, while measures targeted at people outside the labour force – the inactive – will also increase the labour supply and thereby contribute to growth. Thus, due to their increased vulnerability to high unemployment rates, left parties in government are more likely to expand programmes “exclusively targeted at the unemployed and/or the employed at risk of dismissal” (Cronert 2018b, p.48). Measures targeted at people outside the labour force, in contrast, also contribute to growth by increasing the supply of labour. Such measures should therefore be supported equally by parties on the left and the right. Similarly, some active labour market policies change the labour market status of participants. People who take part in them are no longer counted as unemployed, which contributes to a reduction in the official unemployment rate. Such measures should hence be more strongly supported by politically left policy-makers. In support of his theory, Cronert finds that left party governments are associated with higher spending on measures reducing unemployment numbers, but conservatives are equally as likely as progressive parties to support spending on measures that increase labour supply. Lastly, with regards to the mode of production, Cronert distin-

guishes between jointly and unilaterally produced active labour market policies. The joint production of measures, Cronert argues, is likely to entail economic benefits for firms. Therefore, employers – and by extension parties on the right, which tend to be more closely aligned with employers’ interests – tend to prefer jointly-produced measures over unilaterally produced active labour market policies.

In sum, Cronert finds partisanship still matters for the use of active labour market policies, but not because parties on the left support all measures while parties on the political right oppose them. Instead, parties on both sides of the political spectrum can use active labour market policies to improve their own electoral prospects. However, it is also important to note the areas in which Cronert finds the political orientation of the party in government to have no effect. Namely, Cronert finds no evidence for partisanship influencing the human capital orientation of active labour market policies, i.e. the amount of public spending on active labour market policies allocated to training measures (Cronert 2020). Instead, Cronert suggests that “a tentative hypothesis for future research is that the human capital investment content of active labour market policies is determined more by non-partisan assessments of the needs of the target groups and of their prospective *employers*” (Cronert 2020, p.13) (*emphasis added*).

The inconclusiveness of the ALMP literature

The accounts by Bonoli (Bonoli 2012a) and Cronert (Cronert 2017, 2020) offer promising approaches for reconciling some of the earlier contradictions in the literature. Bonoli provides a convincing explanation for policymakers’ motivations for using active labour market policies. However, the credit-claiming concept also has clear limitations. Most importantly, while it is intuitive that policymakers introduce measures to please some constituents, Bonoli’s theory does not tell us much about variation in the use of active labour market policy. More specifically, it does not tell us why some countries spend more on active labour market policy than others, or how to explain variation in the types of measures used. Cronert’s theory of constrained partisanship, on the other hand, advances the literature by drawing our attention to new, so far understudied, elements of active labour market policy, and he provides sensible explanations for why left-leaning or conservatives parties support spending on this policy area. Nevertheless, important gaps still remain. This leads us to the *first argument* of this chapter: the comparative literature on the use of active labour market policies remains inconclusive and incomplete in at least four ways.

First, the “extreme levels of cross-national variation” (Bonoli 2010, p.436) in spending on active labour market policies have still not been fully explained (Clasen, Clegg, and Goerne 2016), and the role of class-conflict in determining expenditure levels remains unclear. There are some useful approaches: globalisation and de-industrialisation seem to play a role here (Bonoli 2013). Furthermore, the data (e.g. figures 1.1 and 1.2) shows that Social Democratic welfare states generally tend to spend more on active labour market policies than other types of welfare states. However, the persistent differences in spending levels between types of welfare state are not very well explained. Whereas politically left-leaning parties and trade unions are seen by many as the driving force

2 Literature review: Puzzle, relevance and analytical focus

behind increased spending on this type of policy, as a means to meet the needs of their constituents and members (Boix 1998; Esping-Andersen 1990; Huber and Stephens 2001; Huo, Nelson, and Stephens 2008), dualisation scholars contend the opposite (Rueda 2005, 2007) and Bonoli's and Cronert's accounts de-emphasize the effect of partisanship on the *total* amount of spending on active labour market policy (Bonoli 2012a, 2013; Cronert 2017, 2020).

Second, there is the question of the choice of different types of active labour market policies used, and in particular, how much active labour market policies are oriented towards human capital investment. The attempts by Vlandas, Nelson and Tepe and Vanhuyse to explain variation in the use of active labour market policies by focussing on the preferences of trade unions and social democratic parties show that different results emerge, even when approaching the question from the same theoretical vantage point (Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013). In particular, they show that the *meaning* of different forms of active labour market policy for different actors is not clear (Clasen, Clegg, and Goerne 2016). Many scholars seem to agree that one of the substantively relevant variables is the degree to which active labour market policy improves the *human capital* of participants (Bonoli 2010, 2013; Cronert 2018b; Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013). A stronger human capital orientation is associated with better jobs for the participants, sometimes with positive effects for productivity and economic growth. However, the findings of the various authors are not consistent and it has been acknowledged that the determinants of the human capital orientation of active labour market policies remain unclear (Cronert 2020).

Third, and related to the first two points, questions remain concerning the meaning of policies and the "causal dynamics" in the field of active labour market policy (Clasen, Clegg, and Goerne 2016). Bonoli and Cronert provide useful accounts of what active labour market policy means for politicians (although these are still incomplete regarding the question of human capital investment). However, what is the perspective of other actors like trade unions or employers on these policies? The studies by Vlandas, Tepe and Vanhuyse and Nelson (Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013) showed that different and contradictory arguments can be made concerning which types of policies should be in the interest of workers and unions. Moreover, while Vlandas and Cronert suggest that training systems and employers influence the use of training measures, their theories have not yet been tested (Cronert 2018b; Vlandas 2013). Hence, more qualitative work should be done to understand which types of active labour market policy matter for different actors (Cronert 2020), and how their preferences influence the use of those policies.

Finally, there is the aforementioned lack of studies on the determinants of active labour market policies targeted at societal groups with specific needs. For example, Cronert suggests that further studies should investigate the determinants of measures targeted specifically at women, immigrants and youth (Cronert 2018b, p.52). Focussing on measures for a specific age group, however, is only worthwhile if the existing theories cannot be applied to this group. In other words, it only makes sense to specifically focus on the determinants of the use of active labour market policies for young people if we expect those measures to be influenced by different factors to, and in different

ways than, active labour market policies targeted at older people. That this is indeed the case – measures for young people are influenced by other factors than measures for older people, and applying the existing literature to the case of youth ALMPs is hence problematic – is the *second argument* of this chapter, which will be outlined next.

2.2.2 Can the ALMP literature be applied to measures for young people?

There are three central problems with applying the literature on the determinants of the use of general active labour market policy to the specific case of active labour market policy for young people: the needs of the target group and the meaning of policies, the question of who supports spending on youth measures, and surprising variation with regards to the use of youth measures.

Work experience and the meaning of measures

The first problem relates to the needs of young people and the related meaning of policies, in particular, direct-job creation programmes and the value of (additional) work experience. DJC programmes have largely been treated as measures to occupy the unemployed, instead of a tool to help the jobless find regular employment (Bonoli 2010, 2013). For example, Bonoli finds that occupation measures were used extensively to reduce open unemployment in response to the oil shocks in the 1970s (Bonoli 2012b). Similarly, while the accounts of Vlandas and Tepe and Vanhuyse differ in terms of whether trade unions should support direct-job creation measures, they both treat them as an occupation policy (Tepe and Vanhuyse 2013; Vlandas 2013). This approach seems perfectly appropriate for older workers who already had long labour market careers and for whom an additional six months of work experience would do little to increase their chances of finding a job. However, when it comes to young people, direct job creation measures often take the form of work experience programmes which have a very different goal. Instead of merely providing participants with some form of paid occupation for a limited period of time, the experiences gained in such programmes can improve young peoples' chances of finding regular employment because employers value experience as a signal of productivity (Spence 1973). This means that direct job creation programmes for young people can be significantly different from direct job creation programmes for older workers: one can function as an activation policy while the other is an occupation measure.

Unemployed young people: non-voting outsiders?

The second problem relates to the political determinants of active labour market policy. As outlined above, power resources theory assumes politically left politicians enact decommodifying policies to earn the votes of the policies' beneficiaries. However, it has been pointed out that this approach has its limitations, because the target groups of active labour market policies are much smaller and electorally less significant than those of traditional social policies like health care, unemployment insurance or pensions (Bonoli 2013, p.52). This problem is even more relevant in the case of the young unemployed.

While unemployment in early years can have devastating effects which last a lifetime (Eurofound 2020; Voßemer and Eunicke 2015; Voßemer, Gebel, et al. 2017), the total number of young unemployed at any given time make up only a tiny proportion of the electorate. To illustrate this point, even at the height of the devastating recession in Greece in 2013, when the youth unemployment rate reached 58.3%, the actual number of unemployed below the age of 25 never exceeded 184.000.⁴ To put this into perspective, the number of registered voters in the Greek parliamentary elections 2015 was 9,9 million (Greek Ministry of Interior 2015). Even assuming all young unemployed people were eligible to vote (i.e. 18 or older), they would have accounted for less than 2% of eligible voters. Moreover, research has shown that unemployed young people are one of the demographics least likely to vote in elections (Sloam 2014). Therefore, Bonoli's conclusion that "it would be unreasonable to expect any relevant political effect of active social policy, if the support basis were limited to the beneficiaries" (Bonoli 2013, p.52) rings particularly true in the case of active labour market policy for young people.

Of course, as Bonoli pointed out, active labour market policy can have widespread appeal and may also be supported by people who never directly benefit from the policies themselves (Bonoli 2013). Furthermore, more recent research into left-party politics has argued that social democratic parties should no longer be understood as direct agents of the working class, but rather as broad 'value coalitions' (Gingrich and Häusermann 2015; Häusermann 2010). This conceptualisation of left-leaning parties has an intuitive appeal. After all, it seems difficult to fathom why left parties, which usually see matters of social justice as their core competency, would ignore a highly visible social problem like youth unemployment. However, even if left-leaning parties are electorally or ideologically motivated to use active labour market policies to reduce youth unemployment, there is another problem with trying to explain variation in the level of spending on active labour market policies for young people with the political orientation of the party in government: labour market measures for young people mostly aim at helping the young transition from school into their first job – the period when the risk of becoming unemployed or inactive is the highest. By extension, this means that active labour market policy for young people generally aims at reducing youth unemployment and increasing labour supply which, following Cronert (Cronert 2017, 2018b), is in the interest of both politically left and right parties. We should hence expect that the ideological orientation of the party in government matters less for active labour market policies for young people than for active labour market policies for older people. In other words, while there can be good reasons for social democratic parties to support measures against youth unemployment – to show that they are aligned with the social-justice values of their constituents – conservative, business-friendly parties have reasons to support the same measures as a means of increasing the number of workers available for the economy.

Surprising variation

Lastly comes the question of the surprising variation in the use of active labour market policy in general, and measures for young people, which has already been highlighted in

⁴Eurostat [une_rt_e]

the introduction. First of all, marked differences exist between the variation in expenditure on measures for both groups. The fact that the countries where total spending on active labour market policy is highest are not necessarily also the countries where spending on measures for young people is highest, strongly suggests that spending on the two policy areas is, at least, partially driven by different factors. Moreover, a brief glance at the data suggests that some of the most prominent theories used to explain variation in expenditure on active labour market policies in general cannot explain variation in spending on active labour market policies for young people.

More specifically, the empirical puzzle presented in the introduction showed that – in line with power resource theory – the Nordic welfare states of Scandinavia traditionally spend most on active labour market policy. However, the same countries spend less than many Conservative states on measures for young people. The Nordic, social democratic countries have been also characterised as investing heavily in training measures (Boix 1998; Esping-Andersen 1990; Tepe and Vanhuysse 2013; Vlandas 2013). However, when looking at young people, Germany, Austria, France or Portugal spend much more on training measures than, for example, Sweden. The applicability of the dualisation literature seems equally questionable. The dualisation criticism holds that insider-oriented unions and left-leaning parties in countries with dualised labour markets oppose active labour market policy (Rueda 2005, 2007). Considering that young people are usually labour market outsiders, political support for, and expenditure on, active labour market policies for young people should be lower in countries with dualised labour markets. However, a quick glance at the data suggests otherwise. Germany and France have often been characterised as examples of dualised labour markets (Eichhorst and Marx 2010; Palier and Kathleen Thelen 2010). However, as figure 1.2 in the introduction shows, they are the two biggest spenders in the European Union on youth measures. Finally, while a number of different factors have been found to influence the use of active labour market policies – for example, deindustrialisation, pressures from competition (Bonoli 2013; Katzenstein 1985), and policy convergence driven by the cross-border exchange of experts (Armingeon 2007; Tosun, Unt, and Wadensjö 2017) – it is difficult to imagine how any of those factors would differently influence measures for distinct age groups. For example, why should we expect that policy convergence occurs only regarding active labour market policies for young people, but not for older people? Similarly, it is hard to imagine that deindustrialisation requires more expenditure on active labour market policies for younger than for older people, or the other way around. Hence, none of these theories appears able to explain why the across-country variation in spending on active labour market policies for young people differs so much from the variation in spending on active labour market policies for older people.

In sum, the *second argument* of this literature review is that there are important reasons to assume that spending on active labour market policies for young people at least partially follows a different logic than theorised by the literature on active labour market policy. Against this backdrop, it seems important to analyse active labour market policy for young people as a separate case. Moreover, the first and second argument directly lead to this chapter's *third argument*: a better understanding of the political and institutional dynamics influencing youth measures may also help address some of the

remaining open questions of the comparative literature on the use of active labour market policies. As mentioned earlier, young people are strongly over-represented among the participants in active labour market policies in several countries (Caliendo and Schmidl 2015, p.5), and spending on this age group accounts for significant shares of total ALMP expenditure in countries like Germany, Austria, France, Portugal or Poland⁵. Therefore, disaggregating spending on active labour market policies by age group and applying more appropriate theories to the use of active labour market policies for young people can help to improve our understanding of the as yet unexplained variation in the use of active labour market policy.

However, if explanations based on power resource theory, labour market dualisation, the strength and interests of trade unions, deindustrialisation and global competition are not suited to explaining variation in the use of youth measures, where should we expect to find answers? As it has been argued above, credit-claiming and constrained partisanship can contribute, as they represent valuable theoretical concepts for understanding why politicians act, but they cannot fully explain why countries differ in the use of active labour market policy for young people. Arguably, a more fruitful approach is to focus on the understudied and underestimated role of employers and employer organisations and collective training systems.

2.2.3 The role of employers and employer organisations

Despite the research's on labour movements and left parties, it has been acknowledged that employers can and often do play an important role in active labour market policies. The first studies looking at the role of business in the field of active labour market policies have criticised the power resource approach, and have argued that employers may indeed support, rather than oppose, such measures (Swenson 1991, 2002, 2004). More recent studies have also pointed towards the important role of employers in implementing active labour market policies (Bredgaard 2018; Bredgaard and Halkjaer 2016; Ingold and Stuart 2015; C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012), and the benefits of involving employers and employers' organisations in policy design (O'Higgins 2001, 2017). Despite the existence of these studies and several suggestions that employer demands influence the degree to which active labour market policies are geared towards human capital investments (Bonoli 2010; Cronert 2018b; Vlandas 2013), this chapter's *fourth argument* is that the current literature is likely to still underestimate the influence of employers on the use of active labour market policy and, in particular, the influence of employers on active labour market policy for young people and the human capital orientation of those measures. To develop this argument, the ways in which employers have been found to influence the use of active labour market policy will be outlined first. Thereafter, the ways in which the literature continues to underestimate the role of business will be presented.

⁵See figure 1.1 in the introduction and table 5.4 in chapter 5.

Lobbying, implementing, and increasing effectiveness

The first way in which employers can influence the use of active labour market policy is through lobbying for or against specific policies. While power resource theory assumed employers to always oppose public expenditure on active labour market policy, this perspective has been criticised by Swenson (Swenson 2002). In his view, Korpi and Esping-Andersen underestimated and over-simplified the role of employers (Swenson 1991, 2002, 2004). Instead of being invariably opposed to all forms of state intervention, Swenson has provided rich evidence that Swedish employers supported the use of active labour market policies in the post-war period as a means to deal with severe labour shortages. More specifically, Swenson found that in the 1960s, Swedish employers' organisations argued for the expansion of policies to increase occupational mobility, and train young people in skills demanded by the industry, and to increase spending on vocational training programmes for adults (Swenson 2002, p.275). More recent accounts provide additional evidence from other periods and countries showing the benefits of active labour market policy for companies (Cronert 2017; C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012), and showing that the expansion of active labour market policy was often the results of cross-class coalitions, instead of class conflicts (Bonoli 2013, p.21).

A second group of more recent studies has shifted the focus away from policymaking and analysed the role of employers in the *implementation* of policies (Bredgaard 2018; Bredgaard and Halkjaer 2016; Cronert 2018a; Ingold and Stuart 2015; C. J. Martin 2004a,b; Nelson 2013a). The core premise of this approach is that the cooperation of individual firms is required in the implementation of jointly produced measures, i.e. employment subsidies and firm-based training (Cronert 2018b).⁶ Such measures require firms to voluntarily employ the participants of active labour market policies for the duration of the programmes introduced. This means that the success and failure of jointly-produced measures depends directly on the willing cooperation of firms.

Thirdly, the evaluation literature found evidence that the involvement of employers in the development and implementation of active labour market policy tends to increase the effectiveness of jointly and unilaterally-produced measures (Bredgaard 2015; Caliendo and Schmidl 2015; Card, Kluve, and Weber 2010; Kluve 2010; O'Higgins 2001, 2017). The reasons for this differ across the type of measures, but follow the same general logic: if the goal of the policy is to integrate people into the labour market, the interests of employers must be considered. Or, as Liechtl et. al. put it, the perspective of firms is essential "as it is ultimately employers who decide who gets a job and who does not" (Liechti et al. 2017, p.1). In general, jointly-produced measures tend to be more effective than unilaterally produced measures (Bredgaard 2015; Card, Kluve, and Weber 2010; Kluve 2010) because they allow employers to learn about participants' skills and personalities, and to teach programme participants the types of skills they require. Involving employers' organisations in the process of designing policies can increase effectiveness because those organisations tend to have superior information on employers' needs than public officials, and they can help promote policies among companies to increase their

⁶In his own analysis, however, Cronert only includes subsidies as examples of jointly-produced measures.

participation (C. J. Martin and Swank 2004, 2012). For jointly-produced measures like subsidies, the level of the financial incentive must be enough to convince an employer to hire a person they would not give a job otherwise. The content of training measures needs to match employers' needs if it is to increase participants' employment chances, and work experience programmes must provide participants with the types of experiences which are valued by employers. In short, in order to be effective, active labour market policy must make the unemployed or inactive more attractive for employers to hire. This goal can best be achieved by involving employers and employers' associations in the development and delivery of such policies.

Do we underestimate the role of employers?

Despite the realisation that employers matter in many ways for the implementation and success of active labour market policy, their role in determining the use of those policies often still does not receive much attention, or is not made as explicit as it perhaps should. As one recent study argued, “[e]mployers are crucial policy actors in welfare-to-work programmes, but their involvement and interest in such programmes is assumed” (Ingold and Stuart 2015, p.444). Drawing on the studies discussed so far, this work contends that there are at least three ways in which the literature underestimates the role of employers.

The first relates to the general relationship between the development of policies and their effective implementation. If we take the argument that “it is ultimately employers who decide who gets a job and who does not” (Liechti et al. 2017, p.1), employers are uniquely important in determining policy success. Against this background, should we not also assume that employers (can) play a crucial role in the *development* of measures? Of course, simply because employers are important does not mean that they are necessarily interested in engaging in the policy-making process. However, even when employers themselves show little interest in active labour market policy, should it not be assumed that policymakers proactively try to involve this group? In any case, if we are to better understand the “causal dynamics” of this policy field (Clasen, Clegg, and Goerne 2016), there is a strong case for further improving our understanding of the role of employers and employers' organisations in the development of active labour market policies.

The second point is a more specific version of the first and relates to the choice of measures along the dimension of more or less human capital investment. If we assume investments in human capital – i.e. training – are useful only if the type of human capital acquired by job seekers is in line with the types of skills demanded by employers, should we not also assume that employers are an important actor in the development of these measures? Moreover, should we not assume that the degree to which employers demand more *skilled* labour (in contrast to say cheaper labour or more experienced workers) has an influence on whether a government uses training measures, or for example, subsidies to integrate people into the labour market? There are several studies supporting the second assumption, but the relationship between employer demands and policy choice has not been conclusively established. For example, Cronert hypothesised that the human

capital orientation of active labour market policy is related to the demands of industry and employers (Cronert 2018b). Similarly, Bonoli finds that with respect to human capital investment, the choice of labour market policies in European countries changed over time in line with the overall economic context, but largely independent of the political colours of the governing parties (Bonoli 2012b). During the post-war years, industrial development led to strong economic growth in many European countries, which resulted in widespread skills shortages. As a consequence, governments used active labour market policies to up-skill the labour force and overcome labour shortages. During periods of high unemployment in the 1970s and 80s, the focus of active labour market policy shifted towards measures reducing open unemployment through occupation measures in the absence of private sector jobs. Finally, in the 1990s and 2000s, the principal cause for unemployment became an oversupply of low-skilled workers who had little economic incentive to move from benefits into low-paid employment. In this context, the goal of active labour market policy became to “activate” the unemployed through subsidies, job-search assistance and tighter benefit conditionality (incentive reinforcement). Though not explicitly mentioned, Bonoli’s account implies a strong role of employers in influencing policy choice: when the economy – i.e. the sum of employers – demands more skilled labour, governments of different political orientations and with different welfare traditions gravitate towards training measures. In contrast, when demand is low, less human-capital oriented measures become the default.

Why then has the relationship between employers’ skill needs and the amount of training provided through active labour market policy not attracted more attention from the comparative literature? One possible explanation is that employers’ preferences are assumed to not vary significantly across countries. For example, Bonoli’s work observed similar trends over time across very different countries (Bonoli 2012b). Against this background, focussing on employers would not be helpful to understand cross-country variation in the human-capital orientation of active labour market policy. However, at least in the case of young people, there is ample evidence for significant cross-country variation in employer preferences for education and training. The sociological literature on school-to-work transitions has long pointed out that employers in different countries put different emphasis on educational achievements versus work experience when hiring (Allmendinger 1989; Gangl 2003; Marsden and Ryan 1995). Based on this literature, it should be expected that policymakers in countries where employers favour education are biased towards training measures, while in countries where work experience is more important, subsidies or other forms of work experience measures should be preferred. In sum, there are several theoretical and empirical reasons to assume employers play a more important role in influencing the use of specific types of active labour market policies than the literature has so far accorded them.

The third point is specific to the case of young people and relates to the value of this group for other, more powerful actors. In the last section, it has been argued that young people are less directly attractive to social democratic parties and trade unions because of their status as outsiders and their low participation in electoral politics. In contrast, if employers indeed view active labour market policy as a means to meet their skill needs, young people appear to be a particularly attractive target group. Firstly,

unemployment has a negative effect on workers' productivity, which makes it difficult to reintegrate the long-term unemployed into the labour market (Edin and Gustavsson 2008). Young people, in contrast, may have fewer ingrained problems and may be more malleable, meaning that they can more easily be up-skilled to a level which meets employer demands. More importantly, however, by virtue of being young, those people will be available as part of the labour force for a much longer period of time. Consequently, investing in the skills of young people will pay off over a longer time frame, increasing the total return on investment. Therefore, it seems likely that skill-starved employers who lobby policymakers for the expansion of active labour market policies should primarily ask for higher spending on youth measures.

Lastly, comparing the role attributed to employers by the literature on active labour market policies with the much more central role attributed to employers by the literature on collective training systems further suggests that the literature may still underestimate the influence of employers and employers' organisations.

2.3 The literature on collective training systems

This section turns to the comparative literature on collective training systems to provide further support for the *fourth argument* – that the influence of employers and employers' organisations on the use of active labour market policies for young people is significant and remains underestimated – and develop the *fifth argument* – that the existence of collective training systems is likely to strongly influence the use of active labour market policies for young people as well.

The section will first discuss the dissimilar role attributed to firms and employers' organisations in the politics of training reforms and active labour market politics. Firstly, it will showcase the functional and empirical overlap between firm-based apprenticeships in collective training systems and active labour market policies for young people. Thereafter, the role attributed to employers in both literatures will be compared, and it will be argued that voluntary employer cooperation is crucial for ensuring the effectiveness of both collective training systems and active labour market policies. However, only the literature on collective training systems finds that employers can use the (perceived) threat of reducing their level of cooperation to gain political leverage. This suggests that there are additional ways for employers and employers' organisations to influence the use of active labour market policies which have not yet been dealt with by the comparative literature on active labour market policies. Finally, the relationship between collective training systems and active labour market policies for young people will be explored to understand how the former may influence the use of the latter. While the relationship between the two has not yet been explicitly analysed, several studies suggest that the existence of collective training systems may be positively related to spending on active labour market policies for young people, policymakers' ability to develop training measures, and employers' preferences for training measures relative to measures providing work experience.

2.3.1 Functional equivalency and empirical overlap

Collective training systems are a specific type of vocational education and training system defined by four characteristics (Busemeyer and Trampusch 2011). First, firms are strongly involved in the provision and administration of training. Empirically, this means that a large share of firms engages in training apprentices. Second, intermediary associations, usually employer organisations, are strongly involved in the administration of the training systems and in the development and updating of training curricula. In the prototypical case of Germany, this means that training curricula are set within a tripartite committee consisting of representatives of employer organisations, trade unions and the state, with the chambers of industry and commerce organising the final examinations for apprentices. Third, apprentices are granted portable, certified and standardised occupational skills. Returning to the example of Germany, this means skills curricula developed by the tripartite committees are made legally binding throughout the country by ministerial decree. In other words, each apprentice in a given profession is taught the same set of core skills. Lastly, training is provided in schools and in companies. Theoretical instructions are taught in a school-based setting, while practical aspects are taught directly at the workplace. Apprentices are not regarded as students, but as employees who are paid a wage by their employer. In sum, collective training systems combine high levels of *public commitment* (the state makes training standards legally binding and provides the school-based element of training) and *employer involvement* (companies provide and finance training, employer organisations set curricula and certify qualifications).

Collective training systems have attracted widespread scholarly attention because of their ability to achieve a smooth transition for young people from school into the labour market (Bell and Blanchflower 2011; Blanchflower and Robert Freeman 2000; Dietrich 2012; Eichhorst, Rodríguez-Planas, et al. 2015; Gangl 2003; G. Martin 2009) – i.e. a transition not interrupted by spells of unemployment – while, at the same time providing firms with the human capital necessary to pursue high-quality export-led growth strategies (Busemeyer and Trampusch 2011; Eichhorst, Rodríguez-Planas, et al. 2015; Finegold and Soskice 1988; Hall and Soskice 2001). It is the reduction of youth unemployment and the simultaneous achievement of social and economic goals which renders ‘dual’ or ‘collective’ training systems largely similar to active labour market policy – a point that has been noted by several scholars. In addition to Vlandas’ assertion that countries with collective training systems spend less on active labour market policy because much training is provided by firms (Vlandas 2013), sociologists have ascribed firm-based vocational training a ‘safety net’ function with regard to the integration of academically weaker young people into the labour market (Shavit and Müller 2000). Bonoli has been even more explicit in showing the similarities between active labour market policy and firm-based vocational education and training by calling the German dual apprenticeship system “probably one of the best tools ever developed for securing a smooth transition from education to the labour market for young people” and assessing that it “fulfils all the criteria of modern active social policy” (Bonoli 2013, p.62).

In addition to the high degree of functional equivalence between collective training

systems and active labour market policy for young people, there is strong empirical overlap between the two. Many measures defined as active labour market policies by Eurostat and the OECD are strongly linked to collective training systems, and are treated by the literature as part of the training policy. More specifically, over the last few decades, dual training systems have experienced significant stress from the secular trends of de-industrialisation and and skill-biased technological change (Busemeyer 2012; Busemeyer and Trampusch 2013; Katheleen Thelen 2007, 2012, 2014; Katheleen Thelen and Busemeyer 2008). Training used to be most prominent in the industrial sector, but as economic activity has shifted to the service economy, the number of firms willing to hire apprentices has decreased. At the same time, technological change has meant that the requirements placed on those young people who want to do an apprenticeship have increased significantly, as has the cost of training for firms. One of the consequences of the decreasing supply of apprenticeship positions and increasing demands on applicants skills is that especially low-skilled young people face problems finding apprenticeship positions (Jacob and Solga 2015). In response, countries with well-developed collective training systems like Germany and Austria have introduced a range of measures, including active labour market policies targeted at young people, to incentivise firms to offer more training positions, to help young people in the transition from school into training, or to provide alternatives to traditional firm-based apprenticeships (Bonoli and Wilson 2019; Busemeyer 2012; Busemeyer and Trampusch 2013; Durazzi and Geyer 2019, 2020, 2021; Lassnigg 2016; Katheleen Thelen 2014). Prominent measures include the German preparatory training courses⁷ which form part of Germany’s so-called transition system, and the Austrian training guarantee.⁸ The German measure consists of a one year training programme intended to prepare low-skilled young people for regular apprenticeships. Under the Austrian training guarantee, young people who have the necessary skills to begin training but who cannot find a position in a company, are offered an apprenticeship in a state-financed training workshop. The guarantee thereby ensures a sufficient supply of training positions, in particular during periods of economic crisis (Durazzi and Geyer 2020). In addition, many countries use active labour market policy to financially support apprentices during their training period. For example, Germany offers a means-tested grant to apprentices from disadvantaged backgrounds.⁹ However, with the notable exception of (Lassnigg 2016), the training literature rarely identifies active labour market policies supporting or replacing firm-based training as active labour market policy. Instead, those measures are described as “alternatives to firm-based vocational training” (Busemeyer and Trampusch 2013, p.304), “distinctly second class training” (Katheleen Thelen 2014, p.145), part of a wider “transition system” (Busemeyer 2012, p.691), or one of several “inclusiveness measures” to incentivise firms to provide training positions to disadvantaged young people (Bonoli and Wilson 2019).

In sum, this short overview shows the strong overlap between collective training sys-

⁷*Berufsvorbereitende Bildungsmaßnahmen – BvB*

⁸The measure was first introduced as a temporary policy under the name *Jugendausbildungssicherungsgesetz – (JASG)* in 1998. Since 2008, the policy became a regular part of the training system and is now called *Außerbetriebliche Berufsausbildung – ÜBA*.

⁹*Berufsausbildungsbeihilfe – BaB*

tems and active labour market policies for young people, both functionally and empirically. Both policy areas can be used for the same goals – integrating young people into employment and providing skilled workers for firms – and the literatures on the two policy areas often analyse the same policies, even though this is rarely acknowledged by the training literature. Another similarity between the two policy areas is the important role of employers for policy effectiveness.

2.3.2 Employers and effectiveness

As mentioned above, collective training systems are highly effective in integrating young people into employment and in producing the skills demanded by employers. However, the effectiveness, and more broadly speaking, the viability of collective training systems rests on the strong, active and voluntary involvement of employers and corporatist employers' organisations. In this way, collective training systems are very similar to active labour market policies.

The effectiveness of collective training systems

The success of collective training systems is supported by four factors: the close alignment of training with labour market needs, the high signalling value of qualifications, the accumulation of work experience during the apprenticeship, and the fact that most apprentices continue working in the firm which trained them (Allmendinger 1989; Gangl 2003; Marsden and Ryan 1995).

The close alignment of training with labour market needs is ensured through the integration of employer organisations in the development and updating of training curricula and the examination of qualifications. As a consequence, new skill requirements, for example the ability to use a new piece of software for industrial mechanics, are integrated into the training, and apprentices always learn to work with the most up-to-date technologies (Marsden and Ryan 1995). Furthermore, because companies finance and administer training, access to training follows a market logic: companies will only train when they see it as economically beneficial for them. Training, however, is at its most beneficial when firms retain the apprentice at the end of the training period and can capitalise on the apprentice's productivity over a long period (Schlögl and Mayerl 2016; Schneeberger and Kastenhuber 1997; Wenzelmann, Jansen, et al. 2015). This creates incentives for companies to teach skills they require for the long term. Furthermore, companies which are doing well economically tend to hire more apprentices than employers who are trying to cut back on costs. Thereby, apprenticeship seekers are automatically channelled towards growing industries and away from declining sectors. Taken together, both mechanisms ensure apprentices learn skills demanded by the labour market.

High signalling values allow employers to accurately assess the productivity of job applicants and the fit of their skills to companies' needs based on applicant certifications (Spence 1973; Stiglitz 1975). Qualifications with high signalling values thus reduce the risk of mis-hiring, allowing employers to hire more quickly, and young people to find jobs more easily. The high signalling values are achieved through the high specificity and

standardisation of work qualifications in collective training systems (Allmendinger 1989; Marsden 1990; Marsden and Ryan 1995). The continual updating of training curricula allows the involved actors to clearly define what training in a given profession entails, and the fact that they are legally binding provides for a high degree of standardisation. Moreover, employers' strong involvement in setting training standards and administering examinations allows them to be sure that people who have graduated from training have indeed acquired the skills set out in the training plans.

Thirdly, even though the duration of the apprenticeship is considered as a period of training time, it is important to note that apprentices also gather substantial work experience during this period. In particular, apprentices become familiar with the day-to-day routine of private sector companies, they learn to work with their team and, depending on the type of apprenticeship, deal with customers. In other words, they learn relevant 'soft skills' which are valued by employers. Also, graduating from an apprenticeship means that the apprentice managed to be employed by a private sector employer for a period of usually three years. All of this is likely to add to the positive signalling value of having done an apprenticeship in a collective training system beyond the technical skills which arguably could also be taught in a school-based setting.

Finally, many young people simply continue working in the firm which trained them once training is completed. For firms, this has the great advantage of retaining workers they already know well, and who have a skill set customised to the company needs. For graduating apprentices on the other hand, it of course means that they do not have to search for other employment opportunities and do not face the risk of unemployment. For example, in Germany in 2013 67% of all apprentices graduating that year stayed within the company in which they had conducted their training (Mohr 2015). As such, finding an apprenticeship position is regarded as a very effective route into stable employment.

Employer commitment and coordination

The brief description above demonstrates the central role of employers in ensuring the widely-hailed success of collective training systems. Most importantly, companies must be willing to train apprentices and to finance this training themselves. The provision of training by firms, however, is subject to significant collective action problems (Acemoglu and Pischke 1998; Finegold and Soskice 1988; Hall and Soskice 2001). As mentioned above, the training of apprentices usually only pays off over a longer time frame. Therefore, companies are unwilling to train employees if they are afraid that the fully trained apprentices will leave their firm once training is completed (Acemoglu and Pischke 1998; Finegold and Soskice 1988). This creates a collective action problem: all firms would be better off if each individual firm would train in order to produce employees with strong skill sets, but when individual companies can resort to the cheaper alternative of poaching employees trained by other companies, they can effectively free-ride on the training efforts of others. Free-riding, in turn, reduces the training efforts of all firms, which leads to an overall sub-optimal level of training. However, strong and coordinated employer organisations can help overcome this problem by pressuring firms to engage in training, by establishing trust that companies' investments in skills will be protected,

and by threatening effective sanctions on free-riders (P. D. Culpepper 2001; Hall and Soskice 2001; C. J. Martin 2010). As a consequence, employer coordination is generally regarded as a precondition for the existence of collective training systems (Busemeyer and Trampusch 2011; Hall and Soskice 2001). Coordinated and corporatist employer groups are also required to ensure training curricula indeed reflect employers' current skills needs. Only when a substantial number of employers is involved in the development of training curricula and the certification of qualifications, can the alignment of training content with labour market needs be ensured. In other words, the involvement of large and encompassing employers' organisations is required to ensure training curricula indeed reflect the skills needs of most employers and do not become outdated (Eichhorst, Rodríguez-Planas, et al. 2015).

Similarities between collective training systems and active labour market policies

Comparing the role of employers and employers' organisations in collective training systems with the earlier described effect of employer involvement on the effectiveness of active labour market policies, the similarities are obvious and have, in fact, been largely acknowledged by the literature. Both are more successful in integrating young people into employment and in producing skilled labour demanded by firms if employers and (corporatist) employers' organisations are actively involved in their development and implementation. The similarities are strongest between apprenticeships and jointly-produced active labour market policies, which both require voluntary participation in the implementation process (Busemeyer and Trampusch 2011; Cronert 2018a; Eichhorst, Rodríguez-Planas, et al. 2015; Ingold and Stuart 2015). Similarly, both literatures acknowledge the conduciveness of corporatist employers' organisations to firms' willingness to offer apprenticeship positions (Hall and Soskice 2001) and participate in jointly-produced active labour market policies (C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012). Furthermore, there is agreement between both literatures that employer involvement in the development of training content and the certification of qualifications increases the labour market value of both apprenticeships (Eichhorst, Rodríguez-Planas, et al. 2015) and training measures (O'Higgins 2001, 2017). In sum, there is agreement that employer cooperation is necessary for firm-based measures (apprenticeships, jointly-produced active labour market policies), and that it increases the effectiveness of all types of training. What then does the employers' role in enabling the effective functioning of collective training systems and active labour market policies mean for their influence on politics? These questions will be discussed next.

2.3.3 Employers' political influence

Collective training systems have historically been supported by cross-class coalitions (Mares 2003; Kathleen Thelen 2004). The reliance on employers and employers' organisations for the functioning of collective training systems provides them with significant leverage vis-à-vis other actors over the development of training systems. Most importantly, firms' (perceived) ability to 'exit' training systems and stop offering firm-based

training positions provides them with a ‘pivotal role’ in the politics of training reform (Busemeyer 2012).

For example, Busemeyer found German employers’ organisations successfully used the threat of employer exit to prevent the introduction of an unwanted training levy (Busemeyer 2012). Busemeyer also found that the retreat of some companies from training increases the leverage of those companies which continue to train. In his words: “the more firms drop out of the system, the more government actors will be willing to succumb to the demands of employers’ associations to keep the remaining firms in” (Busemeyer 2012, p.697). Employers and employers’ organisations also have been found to use their power to influence the governance of training systems and the skills taught within them. For instance, different reform trajectories of the German, Austrian and Swiss training systems have been attributed to variations in the skill needs of the politically dominant employers in the respective countries (P. D. Culpepper 2007; Di Maio, Gräf, and Wilson 2020; Emmenegger and Seitzl 2018; Trampusch 2010; Unterweger 2020). Moreover, some research shows that employers do not need to take a proactive role to exert influence. For example, Di Maio, Graf and Wilson (Di Maio, Gräf, and Wilson 2020) studied the expansion of short-track apprenticeships in Switzerland and found what they call “polite employer domination”: the reform was initiated by the government without much involvement on the part of employers and employers’ organisations at first. However, aware of the need for employers to voluntarily engage and offer training positions within the expanded short-track, policymakers anticipated employers’ preferences and developed the reform accordingly. Similarly, Unterweger found that Swiss policymakers’ fear of exit by multinational companies influenced training policy even without those companies actively lobbying politicians (Unterweger 2020). Instead, these politicians pre-emptively abstained from using training regulations which could have been considered burdensome by multinational companies and could have prompted those companies to relocate. Finally, Bonoli and Emmenegger find that firms and employer groups can influence the use of policies intended to allow more young people to access collective training systems (Bonoli and Emmenegger 2020).

To summarise, employers and employers’ organisations have been found to derive significant political leverage from their essential role in collective training systems, which allows them to stop policies they oppose. Moreover, politicians’ fear that firms may reduce their training activity can prompt them to pre-emptively design policies in a business-friendly way.

Having argued that employers and employers’ organisations play a similar role in enabling effective active labour market policies and collective training systems, how does their political influence in the two policy areas compare? Juxtaposing the literature above with the earlier described role attributed to employers by the ALMP literature, it becomes clear that business is considered much more dominant by the training literature. Both literatures agree that employers’ and employers’ organisations can influence policy through lobbying. However, while the ALMP literature regards employers and employers’ organisations at best as one among many actors, the training literature sees business as the central actor. Furthermore, the training literature finds employers directly and effectively influencing the types of skills being taught in collective training systems. In

contrast, the literature on active labour market policies so far has paid little attention to the relationship between employers' preferences and the use of training measures. Finally, the recent studies by Di Maio, Graf and Wilson and Unterweger show that the structural power of business can influence training policy. In contrast, the author of this book is not aware of any studies so far researching the potential influence of structural business power on the use of active labour market policies. This further suggests that the literature on active labour market policies continues to underestimate the role of employers and employers' organisations.

2.3.4 Possible effects of collective training systems on youth ALMPs

Finally, the author this book is not aware of any study that focusses specifically on the effect of collective training systems on the use of active labour market policies. In fact, none of the studies cited in this chapter uses the existence of collective training systems or the prevalence of apprenticeship training as an explanatory variable in their analyses of the determinants of use of active labour market policy. However, there are several reasons to assume that such effects do exist. Vlandas has suggested that there may be an inverse relationship between dual vocational training systems and training measures (Vlandas 2013, p.14). In contrast, the earlier-mentioned trend of governments using active labour market policies to counteract decreasing employer commitment to firm-based training (Bonoli and Wilson 2019; Durazzi and Geyer 2019, 2020, 2021; Lassnigg 2016) suggests a positive relationship between collective training systems and youth ALMP expenditure. Furthermore, several active labour market policies in countries like Germany seem to be reliant on the institutional setting of the country's training system. More specifically, the training content of some measures is based on the content of the training curricula developed within the collective training systems (Busemeyer 2009a; Durazzi and Geyer 2019). This suggests that the institutions and networks of collective training systems make it easier for policymakers to understand employers' skills needs and, thereby, help them to develop training measures. Finally, collective training systems may influence employers' preferences for specific types of active labour market policies. Employers in countries with firm-based vocational training systems are assumed to value qualifications more than work experience because the former have high signalling value (Breen 2005; Gangl 2003). As such, the existence of collective training systems may also influence the preferences of employers for training measures relative to active labour market policies providing work experience.

The literature thus provides strong indications that collective training systems may directly and indirectly influence the use of youth ALMPs, but the relationship between the two has neither been thoroughly theorised nor tested. Therefore, analysing the possible direct and indirect effects of collective training systems on the use of active labour market policies for young people represents fruitful ground for research.

2.4 Limitations of an employer-centred approach

So far, this chapter has argued that employers, employers' organisations and collective training systems are likely to have an as-yet underestimated effect on variation in the use of (youth) ALMPs across countries. However, there are also limitations to an employer-centred approach. Specifically, analysing active labour market policies from this perspective cannot tell us much about variation in the use of start-up incentives, measures for sheltered and supported employment and rehabilitation, and labour market services. Regarding the first two factors, it is very difficult to predict how employers would position themselves towards such policies. Start-up incentives should certainly be welcomed by entrepreneurs and the financial industry: entrepreneurs can directly benefit from financial support or training on how to set up a company, while the financial industry may welcome more and better skilled entrepreneurs they can invest in. More established companies, on the other hand, may be concerned about increased competition through new companies and hence oppose start-up incentives.

Sheltered and supported employment and rehabilitation measures comprise a wide range of labour market interventions, some of which may be in the interest of business, while others may not. Supported employment policies usually provide financial or other assistance to individuals or employers to support the employment of people with reduced work capacities. For example, measures included in this category are financial support for employers to adapt the workplace to the needs of people with a disability. As such, Vlandas suggests that sheltered and supported employment and rehabilitation measures should be treated similarly to employment incentives (Vlandas 2013, p.7), which could be in the interest of companies. However, the same category of measures also includes sheltered employment programmes. In Germany, the latter includes sheltered training workshops for people who may never be able to work on the regular labour market (Eurostat 2010a). In Sweden, it includes spending on "Samhall", a state-owned company set up for the purpose of providing meaningful work opportunities for people with functional impairments (Eurostat 2001). These measures provide little direct benefit to businesses in terms of financial advantages or access to (skilled) labour, and are much closer to the traditional social policy programmes business is expected to oppose (Esping-Andersen 1990). Moreover, state-owned companies like Samhall may also be opposed by business because they perceive them as unfair competition. As such, the measures included within this category are too heterogeneous to formulate clear hypotheses regarding how employers may perceive them, and how employers, employers' associations or collective training systems may influence their use. Finally, the problem with an employer-centred approach to services is not the lack of a clear hypothesis on employers' likely positions – the next chapter will argue employers are likely to support such measures because they tend to increase labour supply and are comparatively inexpensive (Cronert 2017). Instead, the problem is that it is difficult to imagine why the positive attitude of employers may vary across countries, and by extension, how an employer-centred analysis can improve our understanding of *variation* in the use of labour market services.

These are important limitations meaning that an employer-centred approach will be unable to explain all variation in *all* youth ALMPs. However, this is arguably true for

2.5 Conclusion: Space for research and arguments for an employer-centred approach

any theoretical angle including, as this chapter has argued, the focus on trade unions or political parties, which so far has dominated the comparative analysis of the use of active labour market policies. Thus, the ambition of this book is not to fully explain all variation in the use of youth ALMPs across countries. Instead, it is to understand the effects of employers, employers' organisations and collective training systems on the use of active labour market policies for young people and, thereby, to help answer questions for which the literature so far has found no conclusive answers.

2.5 Conclusion: Space for research and arguments for an employer-centred approach

The purpose of this chapter was to establish that analysing variation in the use of active labour market policies for young people is a topic worthy of academic attention, and to deduce from the literature the factors likely to influence the use of those measures. In pursuit of these two aims, the chapter drew from the comparative literatures on active labour market policies and collective training systems to make five arguments.

First, it argued that the literature has not yet reached conclusive results on what the determinants of the use of active labour market policies are and that more theoretical and empirical work is required to answer this question. In particular, the observable cross country variation in the use of active labour market policies cannot yet be fully explained by the literature, and the causal dynamics determining the use of those measures – what different policies mean for the relevant actors and how different actors influence the use of measures remain understudied (Clasen, Clegg, and Goerne 2016). Furthermore, while many studies contend that the human capital orientation of active labour market policies matters when it comes to which measures are adopted, there are still no conclusive results or a commonly accepted theory to explain why some countries spend more on training measures than others (Cronert 2020). Lastly, the literature has so far not studied the determinants of active labour market policies targeted specifically at young people (Cronert 2018b).

The *second argument* is that important elements of the ALMP literature do not seem applicable to the case of active labour market policies for young people. First, the value of additional work experience is high for young people, but very low for older workers, which changes the nature of direct job creation measures for the two age groups. While the literature sees direct job creation measures primarily as 'occupation measures' – publicly financed programmes which offer an alternative to market employment, but which have little positive effect in integrating workers into the private labour market (*cf.*) (Bonoli 2013) – the same measures can increase young peoples' chances of finding employment by providing them with the opportunity to gain work experience. Second, the numerically small number and below-average electoral turnout of unemployed young people makes this demographic an electorally negligible group. Therefore, it appears very implausible that theories, such as the dominant power resource approach, which assume politicians use active labour market policies to gain the votes of the policy's direct beneficiaries, can be applied to the case of measures for young people. Lastly, the

2 Literature review: Puzzle, relevance and analytical focus

use of youth measures across countries differs significantly from the use of active labour market policies in general, and some of the principal theories used to explain variation in spending on active labour market policies in general are not in line with the data on spending on active labour market policies for young people. While the Scandinavian, social democratic welfare states historically have the highest levels of ALMP expenditure, they spend less on youth measures than several conservative, Continental welfare states which often also have strongly dualised labour markets. All this suggests the factors determining the use of active labour market policies for young and older people are influenced by different factors, and should hence be analysed separately.

The *third argument* built on the first two arguments. Considering that variation in the use of active labour market policies cannot yet be fully explained, and that active labour market policies for young and older people seem to be influenced by different factors, the separate analysis of measures for young people may also improve our understanding of variation in the use of active labour market policies in general.

The *fourth argument* contends that the literature likely underestimates the influence of employers and employers' organisations on the use of active labour market policies, in particular on measures for young people. More specifically, while it has been pointed out that employer cooperation is necessary for the implementation of jointly-produced measures (Cronert 2018a; Ingold and Stuart 2015) and employers are the ones "who decide who gets a job or not" (Liechti et al. 2017), the literature shows little interest in employers' influence on the development of policies. In addition, there are several indications that employers' demands influence the human capital orientation of active labour market policies (Bonoli 2013; Cronert 2020), but this relationship has neither been explicitly theorised, nor tested. Furthermore, active labour market policies for young people are likely to be of particular interest to employers because young people may be more malleable, have fewer ingrained problems than, for example, the long-term unemployed, and skills investments in young people can pay off over a longer period. Finally, a comparison between the roles attributed to employers by the comparative literatures on active labour market policies and collective training systems further suggests the ALMP literature underestimates employers. Active labour market policies and collective training systems pursue the same aims – integrating young people into the labour market and increasing the supply of skilled workers – and their successes is dependent on the support of employers and employers' organisations. However, the training literature finds employers can leverage their central role in collective training systems to gain political influence, whereas no such political dynamic is assumed by the ALMP literature.

The *fifth and final argument* is that the existence of collective training systems may also influence the use of active labour market policies for young people. More specifically, countries with collective training systems may use active labour market policies to prepare young people for apprenticeships, provide them with alternative training opportunities and to incentivise firms to train more apprentices. Policymakers may draw on the information contained in the curricula of the collective training systems to develop training measures, and the high signalling value of certifications of collective training systems may influence employers' preferences for training measures relative to active

2.5 Conclusion: Space for research and arguments for an employer-centred approach

labour market policies providing work experience.

The first three arguments show that analysing the determinants of active labour market policies for young people is indeed a worthwhile undertaking, while the fourth and fifth arguments direct our attention towards the role of employers, employers' organisations and collective training systems as understudied and presumably powerful explanatory variables. In line with these arguments and conclusions, the next chapter will present the central theory of this book.

3 Theory

This chapter develops a theory about how employers, employers' organisations and collective training systems can influence the use of active labour market policies for young people and how variation in the form of employer organisation (pluralist or corporatist groups) and countries' training systems (do they have collective training systems or not) results in cross-country variation in the use of youth measures.

Departing from the understanding that it is policymakers who decide which policies should be used, the chapter first discusses why politicians use active labour market policies targeted at young people. In other words, the first section asks what active labour market policies for young people mean for policymakers. Thereby, policymakers are viewed as office-seeking actors that use youth ALMPs to reduce open youth unemployment or increase labour supply in an exercise of affordable credit claiming (Bonoli 2012a; Cronert 2018b). In the next step, the chapter builds on existing literature on the use of active labour market policies (Bonoli and Liechti 2018; Cronert 2018a; Liechti et al. 2017; C. J. Martin and Swank 2012), the political economic literature on business power (Fairfield 2015; Lindblom 1977; Paster 2015) as well as studies on employer groups (P. D. Culpepper 2001; O'Higgins 2001; Streeck and Kenworthy 2005), skills mismatches (CEDEFOP 2018) and collective training systems (Durazzi and Geyer 2019) to discuss how employers, employer organisations and collective training systems matter for policymaker's use of active labour market policy for young people.

The second section adopts the viewpoint of employers and develops a model of how they view ALMPs. From the employer perspective, ALMPs are above all a tool to help them in their hiring processes. In line with the economic literature on signalling and screening, hiring is thereby understood as an investment decision under uncertainty, in which costs, productivity and employers' level of certainty over the job applicant's productivity determine whether companies hire an applicant or not (Breen 2005; Spence 1973; Stiglitz 1975). Individual employers' preferences regarding youth ALMPs are assumed to be based upon the public cost and private costs of the measure, and the benefit the measure provides to the employer with regards to hiring. Employer organisations, in turn, are assumed to represent the interests of their members in the political sphere (logic of membership) (Schmitter and Streeck 1999; Streeck and Kenworthy 2005) and to lobby politicians on their behalf.

Thereafter, the chapter discusses how the presence of corporatist employers' organisations and collective training systems change employers' preferences for and against specific measures, and how these organisational settings enable policymakers to use specific measures more easily. The chapter draws on literature on the effect of corporatist employer groups on the use of ALMPs (C. J. Martin 2004a; C. J. Martin and Swank 2004, 2012), the sociological literature on school-to-work transitions (Allmendinger 1989;

Breen 2005; Gangl 2003; Müller and Gangl 2003; Shavit and Müller 2000), and comparative political economic studies on collective training systems (Busemeyer 2009c; Busemeyer and Trampusch 2011, 2013) to develop a total of four mechanism which link corporatist employer groups-, and five mechanism which link collective training systems to different levels of public expenditure on different types of active labour market policies for young people.

The conclusion will summarise the theory, provide a graphical presentation the different mechanisms through which corporatist employer groups and collective training systems influence the use of active labour market policies for young people and formulate hypotheses on the relationship between the two institutions and spending on different types of active labour market policies for young people.

3.1 The policymaker perspective: The purpose of youth ALMPs, and how employers matter for politicians

To understand why employers matter for politicians, it is necessary to understand which goals policymakers pursue with active labour market policy. As discussed in the last chapter, Bonoli's conceptualisation of active labour market policy as a tool for affordable credit claiming (Bonoli 2012a), and Cronert's understanding of labour market measures to decrease open unemployment and/or to increase the supply of labour (Cronert 2017) stand out as the most appropriated approaches for studying youth measures. Building on their work, this book assumes that politicians are office-seeking. Left-leaning parties increase their chances of electoral success by using ALMPs to reduce open youth unemployment and all parties benefit electorally from using youth ALMPs to contribute to economic growth by improving labour supply quantitatively, by increasing the number of people available for the labour market, or qualitatively, by providing jobseekers with training or work experience.¹ In other words, politicians' first-order preferences with respect to active labour market policy for young people are to reduce open unemployment numbers, to improve labour supply, or both. In line with the 'affordability' component of Bonoli's conceptualisation, policymakers are further assumed to try to achieve this goal in the most cost-efficient way possible. Lastly, as the literature review has shown, there is no consensus on whether political parties differ in their preferences on the choice of policies (Cronert 2017, 2018a; Nelson 2013a; Tepe and Vanhuysse 2013; Vlandas 2013). Against this background, policymakers are not believed to have strong first-order preferences concerning any of the five different types of measures analysed in this book (services, firm-based training, institutional training, subsidies, direct job creation measures): their primary concern is always the efficiency and effectiveness of the policy tool in achieving the macroeconomic and electorally salient goals of reducing youth unemployment and fostering growth. Put formally, the guiding assumptions with regards to the preferences of policymakers are:

¹I would like to thank Axel Cronert who suggested this distinction between qualitative and quantitative labour supply to me.

3.1 The policymaker perspective: The purpose of youth ALMPs, and how employers matter for politicians

Assumption 1 *Regarding ALMPs for young people, politicians have a first-order preference for reducing open youth unemployment and/or for improving labour supply.*

Assumption 2 *Other things being equal, politicians prefer the most cost-efficient ALMPs.*

Assumption 3 *Other than considerations based on assumptions 1 and 2, policymakers have no first-order preference for any specific type of ALMP for young people.*

This does not mean that politicians on the left of the political spectrum cannot have ideological preferences for measures which are relatively strong on investments in human capital. Rather, it is assumed that even the most progressive politicians are more concerned about reductions in unemployment than human capital investments or other secondary goals. As such, even they would chose employment incentives over training measures if they believed that the former would be more effective in reducing youth unemployment than the latter².

From these basic assumptions, four variables can be derived on which politicians are assumed to judge different types of active labour market policy. The first is whether participants in the measures are counted as unemployed and the measure hence directly reduces open unemployment (Cronert 2017). Of course, most active labour market policies are intended to lower unemployment at some point. However, in line with Cronert, it is assume that what matters is the immediate effect of changing the labour market status of those participating in a measure from unemployed to employed or otherwise occupied, because this directly influences the electorally salient unemployment rate (Cronert 2017). The second variable is the effect on suitable labour supply. As stated above, labour supply can be increased quantitatively by increasing the number of people in the labour force, and qualitatively by changing the value of job seekers for employers. In terms of the latter, active labour market policies can increase the

²To be sure, a short note on the topic of effectiveness and the issue of ‘scarring’ is in order. There have been a range of studies arguing that youth unemployment is a particularly sinister problem because unemployment early in the life course reduces individual’s future labour market prospects, earnings, health, and happiness for long periods of time – a process referred to as scarring (Ellwood 1983; Richard Freeman and Blanchflower 2000; Gregg 2001; Gregg and Tominey 2005). Evidence from Swedish evaluation studies indicates that participation in labour market measures can lead to fewer scars, at least with regards to mental health problems than open unemployment (Strandh, Nilsson, et al. 2015; Strandh and Nordlund 2008; Strandh, Nordlund, and Hammarstrom 2012). Thus, occupying young people in active labour market policies may be considered an effective policy, even if the measures has no direct positive influence on participants’ labour market prospects. Nevertheless, it is unlikely that the prevention of scarring as a sole objective (independent of considerations on unemployment and productivity) is widespread among policymakers. First, while the findings by Strandh et. al. are important, other research has questioned the positive relationship between ALMP participation and prevention of scarring (Voßemer and Eunicke 2015; Voßemer, Gebel, et al. 2017). Second, so far, the evaluation literature of ALMPs for young people focusses almost exclusively on employment and earnings as measures of policy effectiveness (Kluve et al. 2016; O’Higgins 2017). Lastly, preventing scarring and improving labour market prospects are not mutually exclusive goals. In fact, the best way to prevent scarring seems to be to (re)integrate young people as quickly as possible into stable employment. Thus, while this work acknowledges that better employment prospects and earnings may not be the only beneficial effects of ALMPs for young people, it seems justified to focus on these two as the most politically salient.

Table 3.1: Youth ALMPs from the perspective of policymakers

	Services	Institutional training	Firm-based training	Subsidies	Direct job creation
Direct unempl. reduction?	no	yes	yes	yes	yes
Influence on available labour	+quant. supply	+skills -quant. supply	+skills/ +work experience	+work experience	+work experience -quant. supply
Public costs?	low	medium/ high	medium	medium	high
Employer cooperation required?	no	skills insights & certification	skills insights & certification/ implementation	implemen- tation	no

productivity of job seekers by teaching them skills relevant to prospective employers. Active labour market policies can also provide work-experience, which can make it easier for employers to assess the productivity and suitability of applicants. Both increases the supply of labour which employers can effectively access, thereby enabling faster economic growth. The third variable is public costs and reflects the ‘affordability’ aspect included in assumption 2. Lastly, the fourth variable is the requirement of employer cooperation. Measures which are implemented within firms require the cooperation of the latter in the implementation process. Furthermore, training measures benefit from insights into the types of skills which are demanded by companies. In addition, the certification of the qualifications by employer organisations increases the likeliness that participation in such training measures will be regarded as a signal of productivity by employers (O’Higgins 2001, 2017). In other words, employer cooperation in the development and certification of training measures can increase the effectiveness of such policies.

Based on these four variables, the perspective of policymakers on different types ALMPs is summarised in table 3.1³: *Services* require no employer cooperation and are

³The distinction between the four relevant variables again shows the problem of including sheltered and supported employment and rehabilitation (SSE&R) measures in the analysis. The core problem is that the measures included in this group are too heterogeneous to develop clear expectation on their effect on labour supply and on the need for cooperation with companies. Some measures within this category take the form of subsidies to support the employment of people with disabilities. As such, they can be seen as a specific form of employment subsidy. However, the category also includes the financing of large public companies like the Swedish *Samhall* (Eurostat 2010b). The latter is a state-owned enterprise set up and publicly subsidised to create work opportunities for people with disabilities. Thus, it is much closer to a DJC-measure. Finally, SSE&R measures can include specialised training measures. For example, in Germany communication training for blind people is included within this category (Eurostat 2010a). Because of this heterogeneity of measures, SSE&R measures are not included in this analysis.

comparatively cheap. They can increase labour supply quantitatively by bringing inactive individuals into the labour force, but they have no direct effect on unemployment, as people participating in job-search programmes usually do not change their labour market status until they find a job.⁴ Participants in training measures, subsidies and direct job creation measures, in contrast, are usually no longer counted as unemployed. Hence, all four types of measures contribute to a direct reduction in unemployment. *Institutional training* also increases the human capital of participants and thereby contributes to the quality of labour supply. However, because the people participating in institutional training programmes cannot be simultaneously available for the labour market, they temporarily reduce the quantity of labour available to firms. Depending on duration and intensity, the costs of institutional training are medium to high. Lastly, training measures require employer cooperation in terms of skill insights and skills certification. *Firm-based training* measures differ from institutional training in their costs and their effect on the quantity of labour. Firm-based training is cheaper because some of the financial burden of training is covered by employers. Furthermore, participants in such measures work for private employers, meaning that the labour supply is not reduced. However, like all jointly-produced measures this policy requires employers to participate in the implementation of the measure. Subsidies require employer cooperation in the implementation, and have medium costs. *Subsidies* reduce the costs of employment, i.e. they make the supplied labour cheaper for employers to use. In the same way as firm-based training, subsidies do not change the quantity of labour. Also, there may be a weak effect on the quality, in so far as participants gain work experience, which then increases their productivity and attractiveness for employers. Lastly, *direct job creation* measures are very costly because the state has to cover all employment costs. On the flip side, this also means that no employer cooperation is required. The effect on the quantity of labour supply is negative. However, in the same way as with subsidies, DJC-measures can have a positive effect on the quality of labour through the provision of work experience.

The overview in 3.1 shows that, based on assumptions 1 and 2, jointly-produced measures (firm-based training, subsidies) are generally preferable to their public-sector equivalents (institutional training, DJC-measures) when policymakers aim at upskilling young people or providing them with work experience. The former are cheaper, and do not reduce the number of workers available to private employers. In addition, jointly-produced measures have generally been found to be more effective than others in integrating unemployed into the labour market (Bredgaard 2015; Kluve 2010; Kluve et al. 2016). Therefore, when employers are willing and able to cooperate in the development and implementation of youth ALMPs, we should expect policymakers to chose firm-based training over institutional training, and subsidies over DJC measures (Cronert 2018a, p.8).

⁴The statistical treatment of participants of labour market programmes depends on the specific measures and the legislation in each country. However, the programme-level data by Eurostat shows a clear difference between services and all other measures. In the dataset used for the quantitative analysis, less than 5% of services change the status of participants to occupied. In contrast, participants in more than half of the programmes in each other category are no longer counted as unemployed.

This discussion already shows that firms matter for policymakers' ability to use some types of active labour market policy like subsidies and firm-based training. The remainder of this chapter will now look at the relationship between politicians, employers, employers' organisations and collective training systems in more detail. Thereby, it is useful to distinguish between employers' influence on the choice between active labour market policies and their influence on spending on different types of measures. This distinction is helpful to reflect different ways in which active labour market policies are being developed. The first, and presumably more common scenario is that politicians take the initiative and decide to use active labour market policies, for example to reduce youth unemployment. In this scenario, policymakers are likely to unilaterally decide on how much money they would like to spend. However, as the next section will show, employers can still play an important role in influencing the choice of measure(s) policymakers will use. The second possible scenario is that employers' themselves act as policy protagonist demanding changes in youth ALMP expenditure or that they directly influence spending levels by expanding the range of measures available to policymakers or (not) participating in the implementation of policies.

3.1.1 Employer influence on choice

So far, it has been argued that policymakers use active labour market policies to reduce unemployment or to increase labour supply, but that they have no first-order preferences regarding the choice of measures. What influence, then, do employers have on policy choice? The argument presented here is that employers matter for policy choice at the individual level (individual employers), as a collective actor (employer organisations), and through their involvement in collective training systems. At the individual level, the *structural power* of business influences the success, and thereby the choice of ALMPs. At the level of collective actors, all employer groups can influence policymakers through their *instrumental power*. In addition, corporatist employer organisations can provide politicians with *skills insights & certifications* to develop better training policies and influence the preferences of individual firms on the micro-level through *cognitive effects*. Finally, the existence of collective training systems matters because they provide policymakers with an alternative mechanism for gaining *skills insights & certifications*.

Individual employers and structural power

Structural power describes the power business derives from the aggregated consequences of the profit-seeking behaviour of individual firms. Companies react to policies by taking individual decisions with respect to investment and hiring. On the aggregate level, these individual decisions translate into (un)employment, growth figures and tax income, which are crucial for the re-election purposes of the politicians in democracies and the well-being of society at large (Block 1977; Lindblom 1977; Poulantzas 1973). As such, proponents of the structural power thesis argue that policymakers who are aware of this relationship will abstain from adopting anti-business policies and will instead seek employer input to design policies to spur investment and increase employment (Paster

2015). The important difference between structural and instrumental business power – which describes the influence of firms through direct lobbying – is that structural power does not result from concerted action, but from the individual cost-benefit calculations of a mass of unconnected employers. To use a classic example, an increase in corporate taxation may lead to capital flight to other countries and lower investment rates at home, not because investors coordinate to punish a government for this policy, but because lower investment is the consequence of a mass of unconnected investors each taking decisions for their own individual benefit. Hence, the structural power of business can influence policy decisions without there being any direct communication between employers and policymakers (Unterweger 2020).

The structural power of business in the field of ALMPs comes from the fact that employers significantly determine the success or failure of labour market measures through their hiring decisions. The active participation of private firms is rather obvious in the case of jointly produced measures like firm-based training and employment subsidies (Cronert 2018a, p.4). In both cases, the programmes are financed by the state, while companies are required to train or (temporarily) hire the (subsidised) participants (Bonoli and Liechti 2018; Cronert 2018a). However, even when employers are not necessary in the implementation of measures, they are still crucial to achieving policymakers' primary goals of reducing unemployment or increasing labour supply to support growth because both goals eventually require that participants of active labour market policies are hired into productive employment. Within a market economy, this requires actions by companies because, as Liechti et al. point out, it is “ultimately employers who decide who gets a job and who does not” (Liechti et al. 2017). Of course, policymakers can use unilaterally-produced measures to reduce open youth unemployment in the short term, independent of employers' actions. For example, they can use direct job creation measures or institutional training programmes to weaken an expected spike in unemployment. The problem with these types of solutions is that because the state has to cover the full costs of employment or training, they are comparatively expensive. Moreover, even if the primary goal is to achieve a short-term reduction in unemployment, it seems unreasonable to assume that policymakers are disinterested in the long-term effectiveness of an ALMP measure. In other words, even if policymakers are looking for a short-term fix, they are still likely to choose measures which will best improve participants' labour market prospects in the long run, which again, depends on employers' hiring decisions.

In sum, to achieve the aims politicians pursue with active labour market policies, they rely on the hiring and employment behaviour of firms; actions which are beyond policymakers' direct control. This gives companies structural power in the field of active labour market policy.

Perceived and realised structural power

What, then, are the causal mechanisms through which structural business power influences policy choice? Following Fairfield, there are two stages at which employers' structural power can influence the use of active labour market policies: the policy formulation stage and the implementation or evaluation stage (Fairfield 2015). When policymakers

understand the workings of ALMPs in the way outlined here, they will develop policies which are most in line with the preferences of employers because they believe that this is necessary for the measures to be effective. Fairfield describes this mechanism as a case of ‘strong *perceived* structural power’ (Fairfield 2015, p.417). In essence, policymakers anticipate employers’ structural power and act accordingly. In contrast, structural power at the implementation or evaluation stage operates when (a lack of) employer reaction renders a policy ineffective. For example, a job subsidy may fail to reduce unemployment because employers are unwilling to hire subsidised workers, or a training programme may fail to boost economic growth because employers cannot make use of the skills taught in the programme. Aware of the failure of the policy, policymakers will then terminate or change it. In line with Fairfield’s work, this scenario can be called *realised* structural power.⁵

The author of this book is not aware of other studies applying the context of structural power to the study of active labour market policies and employers’ structural power in this field may indeed be less visible than in policy areas like corporate taxation or regulation, where the concept applied more often, for two reasons. The first reason relates to the relative visibility of positive and negative changes in the economy. Most of the literature on structural power has focussed on the punishing effects of anti-business policy. For example, the pioneering work of Charles Lindblom argued that governments needed to uphold ‘business confidence’ to prevent deterioration in the economy (Lindblom 1977, p.172-179) and Tasha Fairfield investigated how the threat of mobile capital leaving the country influence has influenced tax reforms in Chile (Fairfield 2015). In both cases, business power rests on the argument that the reaction of firms to policies would cause a visible deterioration in the economy. In the field of active labour market policies, this is different in so far as a change in employer behaviour is required to *improve* the status quo. An ineffective policy, in other words, simply maintains the status quo, which is arguably less politically damaging than a drop in growth or a further increase in unemployment. The second reason relates to the politics of unemployment. A radical interpretation of Bonoli’s credit claiming argument would be that policymakers do not even need to change unemployment rates to benefit politically, but only need to be *viewed* as addressing the issue. Unemployment is a complex economic phenomenon that can rarely be linked to one specific cause or policy. Therefore, voters may simply credit policymakers for addressing unemployment – regardless of the effectiveness of the measures used in providing job seekers with actual jobs.⁶ However, that ineffective policies suffice for politicians to win elections is likely to be the exception. In the medium term, the mere signalling of solutions will not be enough to convince voters who are

⁵Drawing from her own work on corporate taxation, Fairfield calls the second scenario ‘realised disinvestment threat’ – a term which is slightly misleading in the case of labour market policies. Rather than disinvestment, it is the failure of firms to positively react to ALMPs which renders the policy ineffective.

⁶For example, it has been argued that labour market measures introduced by British conservatives in the 1980s were in fact “symbolic” measures (Richardson and Henning 1984), and a recent systematic review of youth ALMPs found that only slightly more than one third of the programmes analysed led to a significant improvement in the participants’ labour market outcomes (Kluve et al. 2016).

concerned about persistent unemployment.

In addition to the two particularities of structural power in the field of active labour market policy, when analysing structural business power it is generally important to note that policymakers' perceptions matter. As stated by Fairfield, "structural power is always at least partially a matter of perception and interpretation" (Fairfield 2015, p.418). This means that for employers *perceived* structural power to influence policymaking, policymakers must view firms' actions as consequential. Only when policymakers believe that employers' reactions to an active labour market policy will influence the success of that policy will they have an incentive to design the policy in accordance with employers' interests. Policymakers' perceptions are less important at the policy implementation stage where employer cooperation maybe necessary for success. For example, jointly-produced ALMPs like subsidies can only be implemented with firms' active cooperation. If employers do not cooperated, their *realised* structural power will directly undermine the policy's success. However, the effect of employers' actions on the failure of, for example, a training measure may not be immediately clear. Here again, policy failure must be attributed to the behaviour of employers in order for the structural power of business on policy decisions to materialise. Thus, it would be overly demanding to expect each individual policy to perfectly mirror the preferences of employers. However, when business has clear preferences for one type of policy over another, we should certainly expect the choice of policies to gravitate in their preferred direction. Consequently, assumption 4 reads as follows:

Assumption 4 *Policymakers chose the types of ALMPs for young people which they perceive to be most likely to increase hiring or which provide the skills they perceive to be most demanded by employers.*

Instrumental power and policy choice

The second way through which employers – or employer groups to be more precise – can influence policymakers' choices regarding active labour market policies is through their *instrumental power*. In contrast to structural power, instrumental business power describes the direct influence employer groups have on governments through various forms of lobbying. This book assumes that instrumental power is primarily used by employer groups on behalf of their members (see also next section on the employer perspective). Individual companies, in contrast, are not expected to directly lobby policymakers regarding active labour market policies for young people.

Employers' organisations can lobby policymakers directly, or try to influence public opinion in a way which is conducive to the organisation's political goals (Fairfield 2015). Importantly, structural and instrumental power can, and indeed is likely to be mutually supportive (Fairfield 2015). Given the importance of perception in influencing policymakers decision-making processes, instrumental power can increase structural power by informing decision makers about how businesses are likely to react to their actions. For example, employer groups can inform policymakers that their members are unlikely to participate in a planned subsidy scheme, or that an envisioned training programme will

not provide the kind of qualifications sought by firms. By raising awareness of the negative results of specific programmes, employer groups may prevent policies from being launched in the first place. In addition, structural power can support instrumental power. When policymakers perceive the success of an ALMP to rely on employers' reaction to it, they may seek to pro-actively engage this group in the policy process. Furthermore, when employers' organisations can convince policymakers that a policy failed because it did not help companies to hire more or better qualified individuals, it is likely to make policymakers more open to employer organisation input the next time around. Thus, because policymakers are assumed to be aware of the important role of employers for the success of active labour market policies, policymakers are also assumed to have an open ear for employers lobbying for or against the choice of a specific measure.

Assumption 5 *Policymakers are receptive to employers and employers' organisations using their instrumental power to influence the choice of ALMPs for young people.*

Cooperation and the differences between pluralist and corporatist groups

Another way in which employer groups can influence policy choice is in *cooperating* with policymakers in the development and implementation of active labour market policies, but problematically for policymakers, employer organisations are not always willing or able to do so.

As argued above, active labour market policies need to increase productive employment in order to be successful and this can best be done by removing the biggest impediments to hiring from the perspective of employers. However, policymakers may not necessarily have good information on what those impediments are, or at least have inferior information on employers' needs and preferences than employer organisations (P. D. Culpepper 2001). In the words of Culpepper, employer organisations have access to more detailed, "private" information about companies needs policymakers are not privy to. For this reason, involving employers in the development and implementation of active labour market policies allows policymakers to tailor measures more closely to the needs of business (P. D. Culpepper 2001) and, thereby, increase the effectiveness of those measures (O'Higgins 2001, 2017). One problem for politicians in the field of labour market policy, however, is that politicians are usually more concerned about unemployment than business, and employer groups may hence not see working with policymakers on the development of active labour market policies as a priority. For politicians, having full or close-to-full employment is the most desirable situation (Furåker 1976; Hibbs 1977). For companies, in contrast, a certain level of unemployment may be desirable because, according to textbook economics, this creates downward pressure on wages. Thus, given the importance of developing active labour market policies in a way which addresses employers' needs, and the difficulties policymakers face in gaining reliable information on the needs of firms, it is assumed that policymakers will actively seek the cooperation of employers in the development of policies.⁷

⁷In fact, the institutionalised involvement of employers in labour market policy and public employment services in many countries can be interpreted at least partially as an understanding by policymakers

3.1 The policymaker perspective: The purpose of youth ALMPs, and how employers matter for politicians

Assumption 6 *Policymakers will seek the cooperation of employers and employers' organisations to be able to develop measures which address companies' hiring needs.*

In addition to information, policymakers require employer cooperation in the implementation of jointly-produced measures. Here again, it should be assumed that policymakers seek the cooperation of employer groups in advertising new measures to companies and, thereby, try to increase their participation in the implementation process (C. J. Martin and Swank 2004, 2012).

Assumption 7 *Policymakers will seek the cooperation of employers and employers' organisations to increase the participation of individual firms in the implementation of jointly-produced measures.*

The second problem for policymakers relates to the ability of employer organisations to provide the cooperation required. In particular, the ability to cooperate with policymakers in the development and certification of training measures and the implementation of jointly-produced ALMPs. These forms of cooperation are not available to all forms of employer groups. Following the work of Martin and Swank and Cronert (Cronert 2018a; C. J. Martin 2010; C. J. Martin and Swank 2004, 2012), this book distinguishes between pluralist and corporatist employers' organisations. The two forms of organisation differ in their 'scope, exclusivity, and degree of centralization' (C. J. Martin 2010, p.7). On the one end of the spectrum, *pluralist* employers' associations represent only a limited share of firms, do not represent their members exclusively, and are not part of a centralised umbrella organisation. This means that pluralist organisations often compete with each others for members and may have difficulties formulating a common position on behalf of business. On the other end of the spectrum, there are *corporatist* or coordinated organisations, which represent most or all of the employers within a country. The organisations and their members are connected through dense networks, which allow for an effective and trusted exchange of information between members and their organisations. Companies can inform the organisations about their needs and preferences, and the organisations can inform their members about new policies. Furthermore, corporatist associations are either organised hierarchically within a centralised umbrella organisation, or there are different organisations which follow a clear division of labour (C. J. Martin 2010). In either case, corporatist groups do not compete with each other for members. The wider and more exclusive membership of corporatist groups means that they are better positioned to present the interests of business as a whole. Moreover, larger memberships translate into more resources, for example, for hiring policy officers. For all these reasons, corporatist groups are more connected with their members than pluralist groups and have a higher capacity to engage with policymakers. This enables corporatist groups but not pluralist employer organisations to provide policymakers with skills insights and certification mechanisms and to increase employer cooperation in the implementation of jointly-produced measures.

that working with business in this field leads to better policies. To use the words of Lindblom, politicians may have realised that when it comes to fighting (youth) unemployment "businessmen cannot be left knocking at the doors of the political system, they must be invited in" (Lindblom 1977).

Skills insights and certification mechanisms

Tailoring training programmes to companies' skill needs and certifying the qualifications in such a way that they have high signalling value is challenging for policymakers. As the literature on skills mismatches shows (CEDEFOP 2018; European Commission 2015), people often learn skills they cannot or only partially use in their profession which undermines productivity and economic growth. Corporatist employers' organisations likely can help politicians gain better insights into the types of qualifications sought after by their members. As pointed out by Culpeper, employer groups are able to access detailed information about skills needs employers are unwilling or technically unable to share with policymakers (P. D. Culpepper 2001, p.279-280). Due to their large membership, and organisational capacities, corporatist employer groups in particular are well suited to help policymakers understand what types of qualifications are demanded by the companies making up a large share of the economy. Also, involving these organisations in the certification of skills will increase the likelihood that most employers trust in these certified skills as signals of high productivity. For example, Martin and Swank argued that macrocorporatist institutions in Denmark allowed "social partners to have enormous input in the development of active labour market policies" which ensured those measures were tailored to "real employment needs" (C. J. Martin and Swank 2012, p.181). Similarly, the evaluation literature found that involving employers in the development of ALMPs increases the effectiveness of these measures (O'Higgins 2001, p.149). Support can also be found in the literature on collective training systems (Busemeyer 2009a; Busemeyer and Trampusch 2011), and the sociological literature on school-to-work transitions (Gangl 2003), which have both shown that involving employers in the development and certification of training measures increases not only the fit between training content and employer needs, but also the acceptance of certifications as a signal of high productivity. Pluralist employer groups, in contrast, are unlikely to be able to provide the same form of helpful cooperation to policymakers, chiefly because they represent fewer companies and they have fewer resources to gather and consolidate data on skill shortages. Put formally:

Assumption 8 *Corporatist employers' organisations are better than pluralist organisations in providing policymakers with insights into employers' skills needs and in certifying qualifications so that they have high signalling value.*

Policy implementation and cognitive effects

The other area in which policymakers require the cooperation of employers is in the implementation of jointly-produced measures. These measures require firms to temporarily hire a person and, in the case of firm-based training, provide training to the participants of the measure. Due to the costs this implies for firms, the participation of employers cannot be assumed (Ingold and Stuart 2015). However, studies have found that corporatist employers' organisations can increase the participation of firms in the implementation of active labour market policies by informing their members about the benefits of the policy and by convincing them that participating is in their own best

3.1 The policymaker perspective: The purpose of youth ALMPs, and how employers matter for politicians

interest (C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012; Nelson 2013b). In doing so, corporatist employers' organisations rely on established norms of trust and dense networks between the organisation and its members. Furthermore, corporatist groups can direct employers' attention to issues of common concern, such as ensuring the long-term supply of skilled workers, and they can help employers overcome collective action problems associated with firm-based training (C. J. Martin 2010; C. J. Martin and Swank 2012). In sum, this means that corporatist employers' organisations can have *cognitive effects* on their members: they influence employers' preferences to make them more willing to participate in the joint production of active labour market policies (Cronert 2018a; C. J. Martin and Swank 2012).

Assumption 9 *Corporatist employers' organisations can raise participation levels of individual firms in the implementation of jointly-produced active labour market policies, but pluralist groups do not.*

Collective training systems and skills insights

Finally, the existence of collective training systems is important for policy choice because it allows policymakers to bypass employers' organisations and gain direct insights into which skills are demanded and accepted by employers. The unique benefit of collective training systems is that their training curricula provide policymakers with a clear idea of which types of skills employers demand and value and, thereby, can bridge the information gap described earlier. Moreover, the fact that curricula are usually standardised across the whole country means that training measures can also be standardised.

Training measures based upon information gleaned from apprenticeship curricula can take several forms. First, governments can use these insights to develop preparatory measures for young people who are deemed to be not yet ready to start a regular apprenticeship. Since the curricula are public, policymakers can customise educational and training programmes to support young people in those areas where they have the largest deficits and where they may encounter the biggest problems during an apprenticeship. Second, measures can be used to effectively support apprentices during their training. Young people who struggle with the practical or school-based elements of training can be supported through additional tutoring. Here again, the standardised and transparent nature of training curricula makes it easier to develop targeted measures at lower costs. Lastly, policymakers can simply copy the entire training content of regular apprenticeships and develop programmes for young people who cannot find a training position in a private sector firm (Durazzi and Geyer 2019). Such measures can be useful to provide a training opportunity for young people with lower skills or with other disadvantages which make them unattractive to employers. Furthermore, during periods of economic downturn, when firms stop hiring and the supply of regular apprenticeship positions falls below demand, the government can use such state financed training measures to compensate for the reduced training effort of the private sector (Durazzi and Geyer 2020). In sum then, the existence of collective training systems makes it significantly easier for governments to develop effective training measures.

Assumption 10 *The existence of collective training systems provides policymakers with insights into employers' skills needs and trusted certification mechanisms which allows them to develop more effective training measures.*

The last point also means that in countries with collective training systems, training measures can be used as a functionally equivalent, but arguably politically preferable instrument to direct job creation measures for young people. Measures which replace regular training can have a substantial impact on unemployment numbers. Apprenticeships usually last for three years, meaning that training mirroring an apprenticeship will remove a person from the unemployment statistics for the same period. Furthermore, while long-term training measures are expensive, they have the potential of significantly upskilling participants. In this sense, long-term training combines the benefits of DJC programmes (substantial reduction in unemployment and no need for employer cooperation in implementation) with those of well-designed training measures (high likelihood that training fits employer needs and high signalling power).

Assumption 11 *The existence of collective training systems allows policymakers to develop long-term institutional training measures which work as a functional equivalent to DJC-measures.*

3.1.2 Employer influence on spending

So far, this section has discussed how employers matter for the choice of active labour market policies for young people, and thereby the relative amount of spending on different types of measures. In other words, it has discussed how employers can influence the selection of measures when policymakers have already decided to spend money on some type of ALMP. Now we turn to the question of how employers can influence the total, rather than relative, level of spending. Three ways in which employers can increase or decrease the amount of money spend on active labour market policies for young people are identified: lobbying to increase or decrease spending, participating in the implementation of jointly-produced measures, and increasing the range of effective policy options.

Lobbying for or against spending

The first and most obvious link between employers and spending on active labour market policies for young people is active lobbying by employers for or against such policies. In other words, employers use their instrumental power to influence the level of spending. From the perspective of policymakers then, the important question is whether or not they should give in to lobbying by business, i.e. whether we should expect employers' lobbying for or against active labour market policies to be able to successfully influence policymakers' decisions. This question is not easily answered. Spending decisions are always subject to a variety of influences, and it would be unreasonable to assume that politicians directly translate employers' demands into policy. However, at least in the case of employers demanding *higher* spending for youth ALMPs, there is good reason to assume politicians will comply: Firstly, as outlined at the beginning of this chapter,

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parties on both sides of the political spectrum are expected to gain electorally from economic growth (Cronert 2017; Furåker 1976). Hence, should employers lobby to increase spending on active labour market policies to increase the supply of (skilled) workers, policymakers should be supportive of those demands no matter their political ideology. Furthermore, left parties are assumed to support ALMP spending to reduce unemployment (Hibbs 1977). Hence, support by the business community for ALMPs to reduce youth unemployment would only strengthen left learning parties' already-established position. Parties on the political right, on the other hand, are expected to be more aligned with the concerns of business and 'up-scale groups' (Hibbs 1977; Rueda 2005). As such, they should be receptive to the policy demands of the business community in general. In short, whenever employers' lobby to spend more on active labour market policies for young people, policymakers are expected to follow suit.

Assumption 12 *Politicians of left and right parties will increase spending on youth ALMPs when this is demanded by employers.*

Enabling implementation

The second reason why employers' and corporatist employers' organisations matter for spending relates the topic of policy implementation (Cronert 2018a; Ingold and Stuart 2015). The fact that employer participation is required in the implementation of jointly-produced measures also means that public funds can only be distributed if a sufficient number of employers are willing to accept the money as payment for participating in the programme. In other words, a lack of employer cooperation can prevent policy implementation, and thereby inhibit the outflow of dedicated funds. Thus, employers can have a *direct effect* – that is an effect which does not depend on the actions of policymakers – on the level of actual policy expenditure by increasing or decreasing participation.

Assumption 13 *A higher participation rate of employers in the implementation of jointly-produced measures allows policymakers to spend more on this type of measure.*

Expanding the 'toolkit of governance'

The third way in which employers can increase spending directly relates to the argument that corporatist employers' associations allow policymakers to use jointly-produced measures more efficiently, and that corporatist employer groups and collective training systems enable them to develop more effective training policies. In doing so, employers increase the range of measures governments have at their disposal to fight youth unemployment or increase labour supply or, in the words of Streeck and Kenworthy, they enrich "the repertoire of the state" and expand the "toolkit of governance" (Streeck and Kenworthy 2005, p.455). Bearing in mind that these additional tools are among the most effective in the field of ALMPs (Card, Kluve, and Weber 2010; Kluve 2010; Kluve et al. 2016; J. P. Martin 2000; O'Higgins 2010), it seems likely that policymakers will use them. This view is supported by the works of Martin and Swank and Nelson, which

find that corporatist organisations increase employers' willingness to participate in active labour market policies and, thereby, contribute to higher spending (C. J. Martin and Swank 2012; Nelson 2013b).

Of course, the ability to use additional measures does not necessarily have to lead to more spending. For example, Cronert found that the existence of corporatist employers' organisations did *not* change the level of spending on active labour market policies, but did influence the choice between unilaterally and jointly-produced measures (Cronert 2018a). In other words, policymakers in countries with corporatist groups did not use the availability of additional policy options to spend more, but instead shifted spending from one type of policy to another. Moreover, one could also make the opposing argument that employer involvement and skills insights increase the cost-effectiveness of ALMPs, and hence *decrease* total expenditure. After all, employer cooperation means that private actors take over a task which otherwise would have to be paid for by the state, and better designed training measures should result in improved outcomes for the same or lower levels of expenditure. Therefore, it could also be expected that countries with strong corporatist employers' associations and/or collective training systems have *lower* levels of ALMP expenditure because policymakers can achieve the same level of policy impact at lower costs. This is a possible and not entirely implausible scenario. However, in order to have a clear and falsifiable theory, this book assumes that policy choice and policy expenditure are positively correlated. Accordingly, assumption 14 is as follows:

Assumption 14 *Politicians use the increased choice of policy (training, jointly-produced measures) available through corporatist employers' associations and collective training systems to spend more on these types of measures, and on active labour market policies in total.*

3.2 The employer perspective: What do ALMPs mean to them?

After discussing the perspective of policymakers, this section looks at what active labour market policies for young people mean for employers. In doing so, two issues which need to be discussed upfront are the relationship between the interests of *individual* employers and employers' *organisations*, as well as the distinction between *preferences* and *policy positions*.

Employers and employers' organisations

This book distinguishes between employers and employers' organisations, even though the latter are generally assumed to represent the interests of the former. This distinction is nevertheless crucial in order to acknowledge the difference between structural and instrumental power. While structural power works through the actions (or the expectation of actions) of individual firms, instrumental power tends to be used at the level of organised interest groups. In other words, employers are not expected to lobby

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policymakers themselves, but through their political representatives, i.e. employers' organisations. Furthermore, the theory developed here assumes the interests of employers and employers' organisations to overlap, i.e. organised interest groups are assumed to act primarily according to a 'logic of membership' (Schmitter and Streeck 1999; Streeck and Kenworthy 2005). Organisations aggregate the preferences of their constituents and articulate them at the macro level. For example, when the majority of firms within an employers' association has a preference for subsidies over training measures, the association is expected to lobby for this choice. In contrast, employer organisations are *not* assumed to act out of their own organisational interests or based on a 'logic of influence' such as compromising on one issue to gain goodwill in negotiations on another issue (Schmitter and Streeck 1999; Streeck and Kenworthy 2005).

Assumption 15 *Employers' organisations form their policy positions based on the perceived preferences of their members.*

This view of employer organisations as simply representing their members' preferences on any single policy is admittedly simplistic. However, theorising employer organisations' organisational interests would arguably overburden the theory and shift the focus away from active labour market policies for young people. Therefore, the assumption of employer organisations being driven purely by a logic of membership is a deliberate choice to develop a parsimonious and falsifiable theory.

Underlying and revealed preferences

The second issue is that the analysis of preferences in the political sphere runs into the problem of distinguishing between underlying preferences or interests and revealed preferences (Scharpf 1997). The final choices of actors which can be observed by researchers only allow us to draw conclusions on revealed preferences which, however, could be the result of strategic considerations rather than genuine interests. Furthermore, directly equating observed actions with preferences will lead to tautological conclusions. As Scharpf succinctly puts it "[o]bserved actions are explained by preferences, which in turn are inferred from observed action" (Scharpf 1997, p.67). This topic has drawn a lot of attention, in particular with the respect to employer preferences for social policy, as exemplified by Walter Korpi's criticism of the varieties of capitalism literature. VoC scholars have argued that employers in coordinated market economies support some welfare policies like unemployment insurance to incentivise workers to invest in specific, rather than general skills (Estévez-Abe, Iversen, and Soskice 2001; Hall and Soskice 2001; Iversen and Soskice 2001). However, there is an alternative and arguably more reasonable explanation for why business went along with these types of policy. Namely, employers accepted the introduction of unemployment insurance for the strategic goal of preventing more extreme demands on the part of labour (Paster 2013). Korpi strongly rejects equating positions with preferences. In his words, "[I] therefore identify major problems in imputing first-order policy preferences to employers on the basis of their choices in the final stages of the policy-making process or on ex post statements" (Korpi 2006, p.171).

The problem of underlying preferences versus revealed preferences is addressed both conceptually and methodologically. Conceptually, this work builds on Walter Korpi's distinction between *opponents*, *consenters* and *protagonists* (Korpi 2006) to analyse whether employers support a policy out of strategic considerations or because they have a genuine interest in the policy itself. Policy *protagonists* are defined as actors "initiating policies extending social citizenship rights and becoming agenda setters in welfare state expansion". In contrast, *consenters* are defined as actors that may eventually agree to a policy but who only become involved in the policy making process at a late stage. Both are contrasted with the third category of actors, *antagonists* who persist in opposition to the expansion of social policies (Korpi 2006, p.182). Based on this classification, employers will only be considered as having a genuine preference for an active labour market policy if they initiate a measure or show continuous, long-term support for it. Methodologically, expert interviews will be used in the case studies to reconstruct the preferences of employers' associations, and policymakers' perceptions of those interests, the political area (see also chapter 4). Thereby, the statements of employers' associations are triangulated with the impressions of other actors involved in the policymaking process. In combination with Korpi's classification of actors, this method helps us to disentangle genuine preferences from strategically chosen positions.

3.2.1 Employer preferences for youth ALMPs

How then do active labour market policies for young people matter for employers? In particular, when should we expect companies to politically support a policy, and when should expect them to participate in implementation of a measure? This work approaches the question from the perspective of a firm looking to hire employees, and argues that there are three variables which influence employer preferences: effect of measures on the *available labour supply* (quantity and quality of the labour supply and the costs of labour), the *individual costs* for firms participating in measures, and the *public costs* of the measure.

From the employer perspective, active labour market policies can have two basic effects. First, as argued above, active labour market policies can increase the quantity of the labour supply by allowing more people to enter the labour force (Bonoli 2013; Cronert 2017). In particular, many labour market services aim at bringing formerly inactive people back into the labour force. Services targeted at young people often try to prevent the young from becoming inactive in the first place by providing career guidance, mentoring and general support during the transition from school to training or employment. From the perspective of firms, increases in the labour supply are generally assumed to be a good thing: Higher supply offers employers a larger pool from which to pick the most suitable candidates and it may put downward pressure on wages. As mentioned above, however, that active labour market policies can also reduce the labour supply. Institutional training and direct job creation programmes occupy participants outside the regular labour market. The resulting reduction in supply has the reverse effect – it reduces the pool of potential candidates and puts upward pressure on wages. Other things being equal, employers should therefore prefer active labour market policies

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which increase the supply of labour over measures which decrease it.

Second, ALMPs can make jobseekers more attractive for employers. To illustrate this point, and to understand which factors matter most for which employer, it is useful to consider how hiring decisions are made. In economic theory, hiring is understood as an “investment decision under uncertainty” (Spence 1973). A firm will hire an additional worker if it expects that the additional income generated by that person (marginal product) will outweigh the costs of employing them (marginal costs). Hiring costs are clearly visible because wages are set in employment contracts. The marginal product, in contrast, is a function of the employee’s productivity, which cannot be observed upfront by the firm. Thus, hiring decisions have uncertain outcomes. The uncertainty can be reduced by both parties involved. Applicants can convince firms of their productive capacities by ‘signalling’ their capabilities to employers through educational diplomas or work experience (Spence 1973). Conversely, firms can try to ‘screen’ applicants in order to gather information about their productivity and suitability (Stiglitz 1975). However, screening, which can involve for example carrying out interviews or processing candidates at assessment centres, is costly and adds to overall hiring costs. More uncertainty requires more screening, which increases costs and, thereby, reduces the likelihood of a positive hiring decision. Mathematically, a firm’s hiring function can be expressed in the following way:

$$U_0 < U_h(C + \alpha(w, t) * P(t) + \epsilon) \quad (3.1)$$

U_0 depicts a firm’s utility of not hiring, i.e. the status quo. U_h depicts the firm’s utility of hiring a given worker. U_h is a function of C, α, t, P and ϵ . C represents the cost of hiring and employing a given worker, P the productivity of that person, and α is the level of certainty the employer has about the worker’s productivity. α in turn is positively related to work experience (w) and, potentially, training (t). P itself increases with training (t). ϵ is a summary term capturing additional factors.⁸ A firm will hire a new worker if the expected benefit of doing so outweighs the cost and thereby improves the situation of the firm. Mathematically speaking, a positive hiring decision will be made if $U_0 < U_h$. Breaking down the relevant factors in this way, it becomes clear that all three variables, C (cost), α (certainty) and P (productivity) can be influenced by active labour market policies.⁹ Subsidies have the most direct and straightforward effect,

⁸The strength of employment protection legislation (EPL) has been argued to influence hiring decisions (Breen 2005). In addition, firms’ expectations concerning the future state of the economy matter too. However, these factors do not affect employer preferences between different types of ALMPs analysed here. Rigid employment protection legislation increases the costs of mis-hiring while lower-than-expected demand for a firm’s product means that a firm cannot fully profit from the productive capacities of their employees and, hence, runs a deficit. Thereby, EPL and economic uncertainty decrease the overall willingness of firms to hire, but not the wage or hiring costs, worker productivity, or firms’ knowledge over the productivity of workers.

⁹For a similar argument see (Kluve et al. 2016). Approaching the topic from the perspective of work-seeking individuals, the authors develop a “theory of change” and argue that different types of programmes can help overcome different individual-level constraints which prevent participation in the labour market. By overcoming these constraints, active labour market policies improve participants’ employment and earnings prospects.

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which is to decrease the cost C . Regarding the next variable, the level of certainty, α , rises when job applicants are better able to signal their capabilities for a given job. Depending on which signals are most valued by employers, certainty levels can be increased through the provision of work experience (w) and, if education is regarded as an effective signal, training measures (t). Work experience, in turn, can be increased either through subsidies for temporary employment and direct job creation programmes. Firm-based training also provides participants with work experience. However, it does so to a lesser extent because the focus is on learning new skills, rather than on participating in the day-to-day operation of a company. Productivity P is function of a person's human capital, and can be increased through training measures.

In addition to their positive effects, all measures involve costs. Jointly-produced measures involve direct and *individual costs* for the participating employers. The full extent of costs naturally depends on the specification of the measure. However, it can reasonably be assumed that the costs are highest for business in the case of firm-based training, as they require companies to hire qualified instructors and invest in training equipment. Most importantly, those who are being trained are not, or at least not fully, contributing to the output of the firm. This stands in contrast to subsidised workers, who will also require some supervision and initial instruction in their new employment, but who work to produce profitable output for their employer from day one. Furthermore, the previously discussed *public costs* of each programme are of relevance. Even though ALMPs can have several positive effects for employers, business should still be expected to be generally opposed to public expenditure (Esping-Andersen 1990). Therefore, other things being equal, employers are expected to prefer the measure with the lowest public costs. An overview of the different types of measures from the perspective of individual employers is provided in table 3.2.

How then do employers decide on which measures to support and which measures to participate in? This book assumes that companies act rationally and only support and participate in measures when they perceive the benefits as outweighing the costs.

Assumption 16 *Employers will only provide political support for measures when they perceive that the beneficial effects on the available labour supply outweigh the individual and public cost of the measure.*

When it comes to participating in the implementation of a jointly produced measure, for example a subsidy, however, it should be assumed that only the individual costs and benefits matter, while the public costs of the policy are not relevant to businesses. This argument is based on the following consideration: once a policy has been launched, individual companies will not be able to change the fate of the policy through their individual decision to participate. Instead, from the perspective of a company, the public costs of the measure will be considered as 'sunk costs' – an irrecoverable investment already made by the state. The question then becomes whether the benefits of participation exceed the individual costs. Hence, the assumption regarding employers' decision to participate in measures is as follows:

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Table 3.2: Youth ALMPs from the perspective of individual employers

	Services	Institutional training	Firm-based training	Subsidies	Direct job creation
Influence on available labour	+quant. supply	+skills -quant. supply	+skills/ +work experience	-cost +work experience	-quant. supply +work experience
Individual costs?	none	none	high	medium	none
Public costs?	low	medium/ high	medium	medium	high

Assumption 17 *Employers will participate in the implementation of a jointly-produced measure if they perceive the beneficial effect on the labour supply to outweigh the individual costs of the measure.*

Given the costs and benefits of different measures from the perspective of firms, which ALMPs should we expect employers to be most in favour of? In general, we should expect employers to support or consent to expenditure on labour market services. Increases in the labour supply are beneficial to all companies, and the costs of these programmes are comparatively low. Hence, it is not expected that employers or employers' groups influence cross-country variation in youth ALMP expenditure on services. However, employer preferences concerning the other four measures are likely to be dependent on the institutional context. Specifically, this work argues that the two most important factors influencing employers preferences regarding the choice between institutional training, firm-based training, subsidies and DJC-measures are the existence of collective training systems and the form of employer organisation (pluralist or corporatist).

Collective training systems, signalling, and work experience

The degree to which employers rely on the formal work qualifications of job applicants in making hiring decisions is strongly linked to the signalling value of educational degrees (Allmendinger 1989; Gangl 2003; Müller and Gangl 2003; Müller and Shavit 1998). Where signalling is high, employers can easily assess the productive capacities of job applicants and make hiring decisions based on this information. When educational degrees cannot be trusted by employers, they tend to rely more on work experience as a signal of productivity and suitability for a job.¹⁰ The important question is thus whether the

¹⁰A similar argument was made by (Breen 2005) with respect to signalling and the strength of employment protection legislation (EPL). According to him, high levels of EPL make employers more reluctant to hire young people, because obstacles to firing employees increase the costs of mis-hiring. Educational degrees with high signalling values reduce the risk of mis-hiring and, thereby, can weaken the negative effects of high EPL on hiring.

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skills taught in a country's education system are accepted by employers as sign of productive capacity. This tends to be the case where educational qualifications are specific and highly standardised. Standardisation makes qualifications more transparent and thereby increases their signalling value (Allmendinger 1989). In addition, the involvement of employers in education and training has a positive impact on the signalling value qualifications (Müller and Shavit 1998). Naturally, where employers are involved in setting curricula and overseeing examinations, they are more aware of what to expect from graduates. By extension, where employers can rely on educational qualifications to learn about applicants' productive capacities, other measures to reduce uncertainty become less important (Gangl 2003). In other words, when employers are able to gain sufficient information about the suitability and productivity of an applicant by looking at his or her diploma, they will require less work experience.

The signalling value of educational degrees provided in collective training systems, in which training largely takes place in the workplace, is very high because employers are deeply involved in the development of training curricula, the administration of training, and the certification of qualifications (Busemeyer 2009a; Gangl 2003; Müller and Shavit 1998). Moreover, this type of training provides trainees with substantial work experience. For example, German apprentices usually spend four days a week in their company and only one day in school. Thus, even though much of the time spent in the workplace is used to learn new skills and techniques, at the end of the regular three years of training, the employer will have had ample time to assess the apprentice's productivity and fit with the firm. Furthermore, apprentices receive not only certified qualifications at the end of their training, but also a reference from their employer, which allows other companies to assess an individual's suitability for employment in their organisation. Consequently, providing young people who have already graduated from a collective training system with *additional* work experience is unlikely to make them any more attractive for an employer looking to hire. There may still be some room for work experience programmes for young people, who have not yet started an apprenticeship, to learn about different professions, decide which trade they want to learn, and to introduce themselves to potential employers. For example, an internship in a car repair workshop may help a somebody who just graduated from school with finding an apprenticeship as car mechanic, because employers will judge this experience as a evidence for the person's motivation and interest in the occupation. However, such internships are likely to be voluntary, short and unpaid. As such, it seems unlikely that employers feel the need for active labour market policies in this field. In sum, it can therefore be assumed that employers in countries with collective training systems have a strong preference for training measures over measures providing work experience.

Assumption 18 *Employers in countries with collective training systems prefer training measures over measures providing work experience.*

Corporatist employers' groups and cognitive effects

The form of employers' organisations, whether they are pluralist or corporatist, also matters for employers' preferences because of the earlier described 'cognitive effects' of

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corporatist employers' organisations. As it has been discussed, individual firms may be sceptical about participating in jointly-produced measures: these measures require them to (temporarily) hire a person, which involves costs, and hence a certain risk (Cronert 2018a; C. J. Martin 2004a). Corporatist employers' associations can change the perceptions of individual firms by effectively communicating the benefits of participation to them (C. J. Martin and Swank 2012). Consequently, as formulated in assumption 9, the existence of this type of employers' groups can increase the support of individual companies for jointly-produced measures¹¹.

3.2.2 Employer support for spending

As mentioned above, there are three ways in which employers can be linked to higher spending on ALMPs: active lobbying, support in the implementation process, and enabling additional policy options by 'increasing the toolkit of governance'. The latter two have already been discussed in section 3.1.2 and will not be repeated here. Instead, the aim of this section is understand when and why employers actively support higher spending.

Thereby, the question does not so much concern why employers have generally positive attitudes towards the concept of ALMPs. After all, Bonoli has already concluded that "active social policy can be equally attractive for representatives of capital and labour" (Bonoli 2013, p.21). Instead, the key question is, under which conditions do employers become *protagonists* and engage in the type of political activism which will lead to an actual increase in public expenditure on this type of policy? This work identifies three factors which influence employer demand for youth ALMPs: the *political economic effects* of corporatist employers' organisations, the desire to *disburden* employers in collective training systems, and employers' trust levels in ALMPs as a *tool to fight skills shortages*.

The political economic effect of corporatist employers' organisations

The argument that corporatist employers' groups and non-market coordination have an independent impact on both employer preferences and welfare state spending has convincingly been made by Cathie Jo Martin and Duane Swank (C. J. Martin and Swank 2012, p.151). In addition to the role of associations in providing skills insights, and in informing their members about the benefits of active labour market policies, Martin and Swank argue that macro corporatism has *political economic effects*, which increase employer demand for more productive workers and thereby, for active labour market policies. According to this argument, corporatist employers' associations usually coexist with strong labour unions, with whom they engaged in collective wage bargaining. Collective agreements raise the wages at the lower end of the skills distribution, which

¹¹The seminal work by Cathie Jo Martin discusses a range of additional company-level factors which could influence employers' participation in ALMPs such as company size, the wage and skill composition of the workforce, the presence of unionised members in the firm, the share of exports and public sector sales, and whether companies have large human resources department (C. J. Martin 2004a). Unfortunately, considering the characteristics of individual firms or industries goes beyond the scope of this book. Therefore, national levels variables are taken into consideration.

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leads to a general compression of the wage structure, rendering employing lower skilled workers unprofitable. Consequently, wage compression incentivises firms to up-skill less productive workers in order to remain profitable. Therefore, corporatist employer groups should be more supportive of spending on active labour market policies raising worker productivity, like training, and reducing costs, like subsidies.¹²

Assumption 19 *Corporatist employers' organisations increase employer demand for spending on active labour market policies which increase productivity (training) and/or decrease employment costs (subsidies).*

Disburdening employers in collective training systems

Employers' participation in collective training systems is also likely to make them more supportive of training measures for young people, because these measures allow firms to shift part of the training costs onto the state (Busemeyer 2009c). Training apprentices in regulated apprenticeship systems requires costly investments by firms, but these investments tend to pay off in the medium term (Wenzelmann, Jansen, et al. 2015). These investments may also involve expenditure on aspects of training which firms may rather avoid, and where they may welcome a stronger role of the state. For example, countries like Germany and Austria are using pre-apprenticeship training programmes to help lower-skilled young people starting an apprenticeship, support for young people with problems in their family environment, or additional tutoring for apprentices struggling with the school-based component of training (Bonoli and Wilson 2019; Busemeyer and Trampusch 2013; Durazzi and Geyer 2021). From the perspective of a firm, such additional training measures help them hand over tasks they would rather avoid onto the state, and as such are unlikely to be considered a costly social policy they should oppose in order to limit public expenditure and the risk of rising taxes. Instead, such schemes represent a concrete offer by the state to disburden employers engaged in firm-based training. Therefore, it should be assumed that employers and employer groups in countries with collective training systems are supportive of increasing spending on (some) training measures.

Assumption 20 *Employers in countries with collective training systems are likely to support training measures which allow them to shift (some) of the costs of training apprentices onto the state.*

¹²Similarly, Streeck and Kenworthy argue that countries with concerted wage bargaining systems may be more open to active labour market policies, because they are less concerned about wage push inflation (Streeck and Kenworthy 2005). ALMPs improve the function of the labour market, reduce unemployment and, thereby, increase the risk of inflationary wage settlements. However, coordination can be used to effectively contain excessive wage demands. Therefore, countries with coordinated wage setting institutions can 'afford' the lower level of unemployment achieved through ALMPs. However, the explanation of Streeck and Kenworthy is not directly linked to employers' interests and actions. Therefore, the focus is here on the arguments by Martin and Swank.

Active labour market policies to fight skills shortages

Finally, employer groups may lobby policymakers for more spending on active labour market policies for young people to fight shortages of skilled labour. Against the background of skill-biased technological change and the advent of knowledge economies, skills are increasingly seen as a crucial component for economic prosperity across advanced economies (Busemeyer 2015), and active labour market policies are often cited as an important policy for up-skilling workers (Bonoli 2012b; Garritzmman et al. 2017; C. J. Martin and Swank 2012). However, there may be limits to the amount of up-skilling which can be achieved through such measures (Bonoli 2013; C. J. Martin 2004a). This problem is amplified by the fact that active labour market policies tend to be targeted at people on the lower end of the skill distribution scale who may be even further away from the skills demanded by firms in the high-tech knowledge economy. For example, labour market training measures are unlikely to be sufficient to help a young person with only secondary level education to reach the level of numerical and programming skills sought by tech firms in Silicon Valley. It should generally be assumed that employers are aware of the limits of ALMPs and that they develop their preferences accordingly. Put differently, an insufficient supply of skilled labour is not sufficient for employers to lobby the government to increase spending on (youth) ALMPs, the policies must be regarded by the relevant actors as *appropriate tools* to tackle the problem at hand. Micro-level analysis of employer preferences shows that this is not always the case. For example, a survey conducted among individual firms in Britain found that 53% of respondents did not participate in the implementation of a subsidy programme because they regarded the skills of the people participating in the programme as insufficient (C. J. Martin 2004a, p.141). When a firm declines to access the labour supplied by a labour market programme, it seems very unlikely that the same firm would lobby policymakers for more spending on that active labour market policy.

Under which conditions then should we expect firms to regard (youth) ALMPs as an appropriate tool to provide the type of skilled labour they require? In general, all employers and employers' groups may expect to benefit from these measures. However, the theoretical arguments provided so far suggest that corporatist employers' groups and collective training systems increase the likelihood that employers see ALMPs as a means to fight skill shortages because both can provide policymakers with skills insights and certification mechanisms enabling them to develop training measures more in line with companies' needs. Furthermore, considering that there is only so much up-skilling which can be achieved through ALMPs (Bonoli 2013; C. J. Martin 2004a), it seems likely that training measures for young people are more useful in countries with collective training systems, because the goal there is often not to get young people job ready, but apprenticeship ready. In other words, the goal of training measures is not to train the young unemployed to start a regular job, but to train them to start a long period of training. This means that training measures only have to cover a rather small skills gap. For these reasons, the last assumption is as follows:

Assumption 21 *Employers in countries with corporatist employers' associations and in countries with collective training systems are more likely to see active labour market*

policies for young people as an appropriate tool to fight skills shortages.

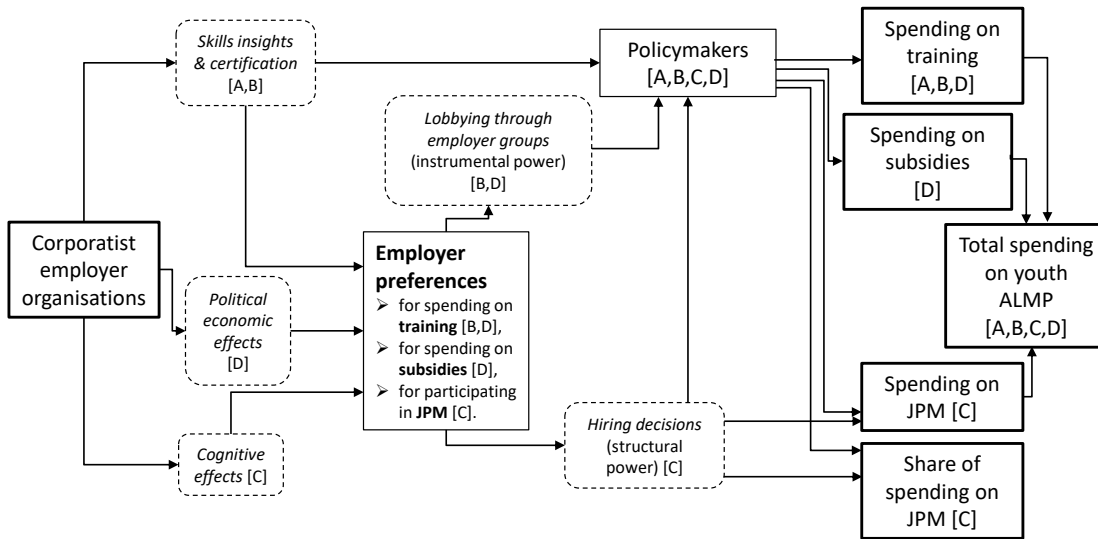
3.3 Conclusion

This chapter developed an employer-centred theory outlining how employers, employer organisations and collective training systems influence the use of active labour market policies for young people and how differences in the organisational form of employers' groups (pluralist or corporatist) and the existence of collective training systems lead to cross-country variation in the use of those measures. In its most simple form, the theory developed in this chapter can be summarised as follows: policymakers are the primary actor in the field of active labour market policies for young people. They decide which measures to use. However, employers and employers' organisations play an important role in influencing policymakers' decisions, mainly through exercising their *instrumental power*, *structural power*, and their *ability and willingness to cooperate* with policymakers in the development and implementation of measures. In addition, employers directly influence the use of measures through their decision to participate in the implementation of jointly-produced policies. The form of employer organisation – whether employers' organisations are pluralist or corporatist – and the existence of collective training systems, in turn, influences employers' preferences and their ability and willingness to cooperate with policymakers. In addition, collective training systems directly influence policymakers by providing insights into employers' skill needs and trusted certification procedures. Differences in employers' organisations and training systems, therefore, lead to cross-country variation in the use of active labour market policies for young people.

More specifically, the theoretical arguments outlined in this chapter suggest a total of four mechanisms which link corporatist employers' groups-, and five mechanisms which link collective training systems, to the use of active labour market policies for young people. Figures 3.1 and 3.2 illustrate these links, providing a more detailed graphical presentation of the theoretical arguments sketched out in figure 1.5 presented in the introduction. The different mechanisms are labelled with the letters [A] to [D] (corporatist groups) and [V] to [Z] (collective training systems).

First [A], the *skills insights & certification* offered by corporatist groups enables policymakers to develop more effective training measures. Policymakers exploit this opportunity by spending more on training measures for young people. Furthermore, since policymakers are expected to use those training measures on top of other measures, higher spending on training measures will also result in higher expenditure on active labour market policies for young people in total. This mechanism is depicted in figure 3.1 by the arrow from corporatist employer groups, to skills insights & certification, policymakers, spending on training measures and spending on youth ALMP. Second [B], the skills insights & certification mechanisms provided by corporatist groups increase employers' trust in the efficacy of training measures and their preference for using those measures. Consequently, when shortages of skilled workers occur, employer groups, representing the interests of their members, will use their structural power and lobby policymakers to increase spending on training measures to address these shortages. This, again, should

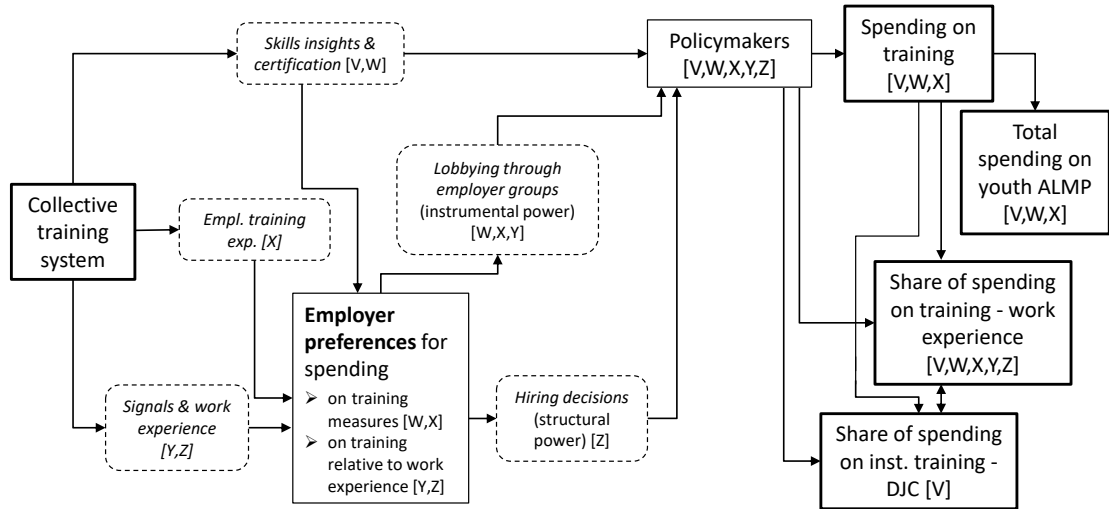
Figure 3.1: The effect of corporatist employers' groups on the use of youth ALMPs



result in higher spending on training measures and higher total youth ALMP expenditure. Third [C], the *cognitive effects* of corporatist groups increase employers' preferences for participating in the implementation of jointly-produced measures. The (expected) decision of individual employers to hire participants in jointly-produced measures can then influence public expenditure on such measures in two ways. First, policymakers' expectation that firms will participate in the implementation of a subsidy or firm-based training programme may make them more likely to develop such a measure. In other words, the perceived structural power can influence policymakers' decisions. This is indicated by the arrow from 'hiring decisions' to policymakers. Second, firms' actual decision to hire participants of jointly-produced programmes, i.e. the realised structural power of business, influences the amount of money that can actually be spent. This is indicated by the arrows from 'hiring decisions' directly to 'Spending on JPM' and the 'Share of spending on JPM'. In sum, the existence of corporatist employer groups is expected to result in more spending on JPM and more total youth ALMP expenditure. Furthermore, additional spending on JPM also increase both total spending on JPM and the share of spending on JPM relative to unilaterally-produced measures.¹³ Finally, higher spending on jointly-produced measures will also increase total youth ALMP spending. Lastly [D], the *political economic effects* of corporatist groups increase employers' preference for training measures and subsidies to increase the productivity or decrease the employment costs of lower-skilled individuals. Employer groups react to the interests of their constituents and use their *instrumental power* to lobby policymakers

¹³The reason for this mathematical. All ALMPs are either unilaterally-produced or jointly-produced. Hence, higher spending on jointly-produced measures while spending on unilaterally-produced measures remains constant will also increase JPM expenditure in relative terms.

Figure 3.2: The effect of collective training systems on the use of youth ALMPs



to increase spending on those measures. Policymakers react by increasing spending on training measures, subsidies and, by extension, on total youth ALMP expenditure.

In sum, compared to countries with pluralist employer groups, countries with corporatist employer organisations should hence be expected to show higher levels of spending on training measures and subsidies for young people, more spending on jointly-produced measures for young people and more spending on jointly-produced measures relative to spending on unilaterally-produced measures for young people. Finally, total expenditure on active labour market policies for young people should be higher.

Similar to corporatist employer groups, the *skills insights & certification* mechanisms provided by collective training systems lead to policymakers exploiting the opportunity to spend more on training measures [V]. In addition to that, superior skills insights from the training system can also be used to develop long-term institutional training measures, which are used as a functional equivalent to direct job creation measures. Through this mechanism, collective training systems contribute to higher spending on training measures, total youth ALMP expenditure as well as to more public expenditure on institutional training measures relative to direct job creation measures. Furthermore, direct job creation measures count as work experience measures. Thus, the lower spending on this type of active labour market policy and higher spending on training measures contributes to a higher share of spending on training measures relative to work experience measures. Second [W], the skills insights & certification mechanism again increases employers' trust in the efficacy of training measures. This trust, coupled with relatively small gaps between the skills young people have and the skills which are demanded by employers, means that employer groups are more likely to lobby policymakers for more spending on such measures when facing shortages of skilled labour. This mechanism

contributes to higher spending on training measures and total youth ALMP expenditure as well as a higher share of spending on training measures relative to work experience measures. The third mechanism [Y] relates to the fact that in countries with collective training systems, employers spend substantial amounts of money and resources on the training of apprentices. Training measures can be used to reduce this burden. Therefore, companies may task the employer groups representing them to lobby policymakers for more spending on training measures which shift some of the costs of training onto the state. This mechanism again results in higher public expenditure on training measures and youth ALMPs in total as well as more spending on training relative to work experience measures than in countries without collective training systems. Lastly [X,Z], because of the strong *signalling value* of qualifications and the *work experience* apprentices gain during training, employers in countries with collective training systems have strong preferences for active labour market policies improving qualifications (training) over measures providing work experience (subsidies, direct job creation measures). Those preferences then influence policymakers' decisions due to lobbying by employer groups on behalf of their members (instrumental power) [X] and employers' expected or observed hiring decisions (structural power) [Z].

In sum, compared to countries without collective training systems, countries where such systems exist should be expected to show higher expenditure on training measures for young people and more spending on active labour market policies in total. Furthermore, countries with collective training systems should spend more on training measures relative to measures providing work experience, as well as on institutional training measures relative to direct job-creation programmes.

4 Research Design and methodology

The central arguments of the employer-centred theory are that employers, employers' organisations and collective training systems influence the use of active labour market policies for young people, and that variations in the types of employer organisations, and the existence of collective training systems can explain across-country variation in spending on these measures. This theory will be tested using a sample of 27 European Union countries and the United Kingdom. This represents the largest selection of countries for which comparable data on active labour market policy expenditure, which can be disaggregated by age group, was available when the research for this book was carried out.¹

The analysis will use quantitative and qualitative methods to analyse the different elements of theory, and to achieve maximum internal and external validity. More specifically, the theory implies macro-level correlations between the existence of employer organisations and training systems, and expenditure on active labour market policies for young people, and it describes the causal mechanisms responsible for this variation. Macro-level correlations can best be analysed through quantitative methods. Furthermore, quantitative analysis offers a high degree of external validity (Schimmelfennig 2015). Causal mechanisms, in contrast, should be analysed with qualitative methods like process-tracing, and should include interviews in order to gain an understanding of the perceptions and motivations of relevant actors (Fairfield 2015; Unterweger 2020). Qualitative analysis also provides a high degree of internal validity (Schimmelfennig 2015). Therefore, a mixed-method research design combining the strengths of qualitative analysis (internal validity) with the strengths of quantitative analysis (external validity) will be used. This approach is based on the recommendations of Lieberman for mixed-methods research (Lieberman 2005), and those of Schimmelfennig 'efficient' process tracing (Schimmelfennig 2015).

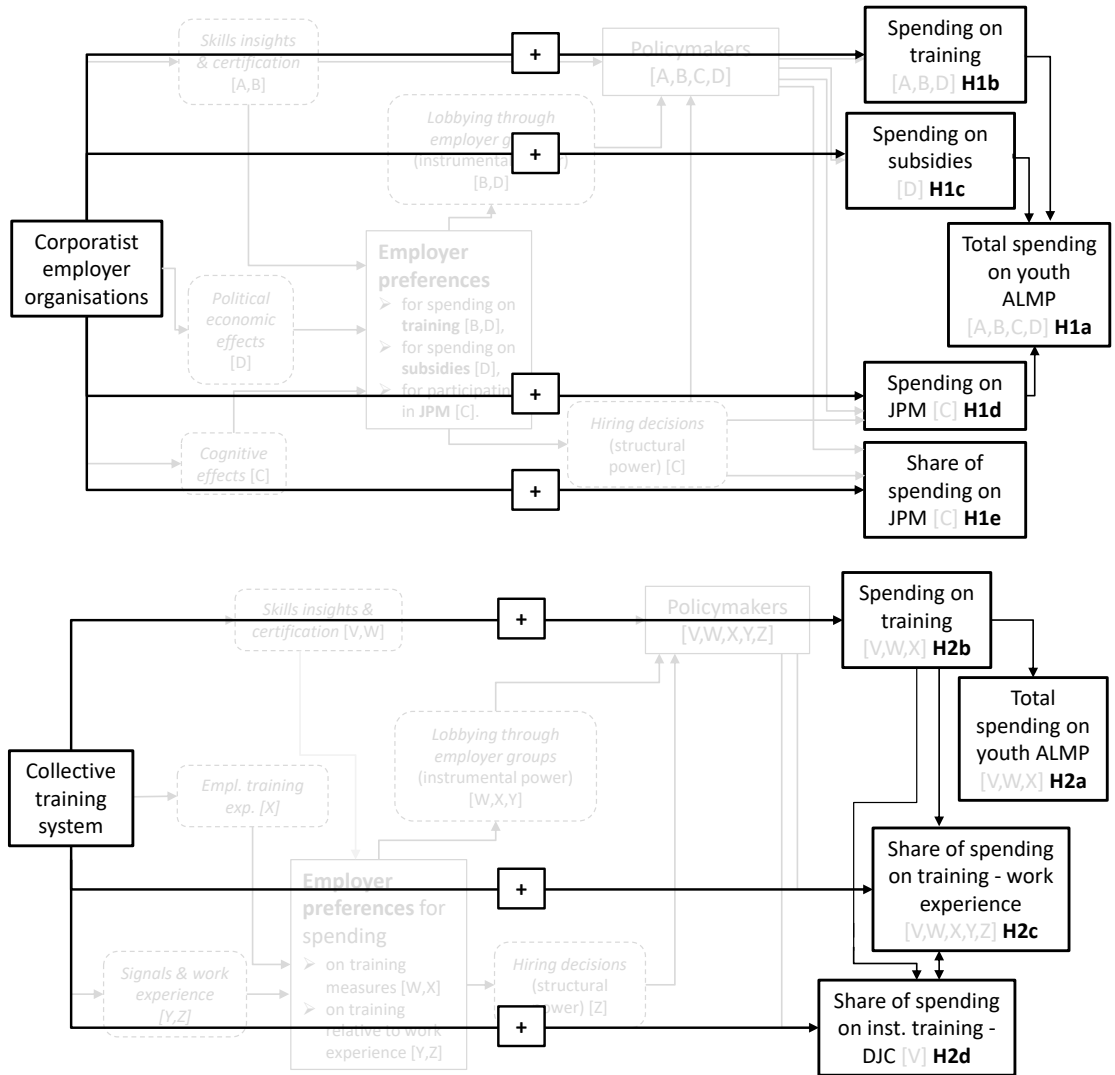
This chapter will first outline the hypotheses to be tested in the quantitative analysis, as well as the methods and data used. The second section describes how the qualitative analysis will be carried out. It operationalises the causal mechanisms and describes the selection of the case studies. In addition, it outlines the data and empirical strategy to be used.

4.1 Quantitative analysis

The macro-level correlations implied by the theory and spelled out in the conclusion of the last chapter are shown in figure 4.1: the existence of corporatist employer groups is

¹More recent data has since then been published by Eurostat.

Figure 4.1: Macro-level correlations



associated with higher expenditure on training measures, subsidies and jointly-produced measures for young people. In addition, the existence of corporatist employer groups is expected to lead to more spending on the share of jointly-produced measures relative to unilaterally produced measures for young people. These relationships are represented by the bold arrows marked with a ‘+’ from corporatist employer organisations to the different types of expenditure. In addition, higher spending on training, subsidies, and jointly-produced measures will contribute to more total spending on active labour market policies for young people. This is represented by the arrows from these three types of expenditure to the box titled “Spending on youth ALMP”. The existence and size of collective training systems, that is the share of young people and employers’ participating in the training system, is expected to be positively correlated with spending on training measures for young people, and by extension, on total spending on active labour market policies for young people. Collective training systems are also expected to lead to more spending on training measures relative to measures providing work experience, and more spending on institutional training measures relative to direct-job creation measures. The different mechanisms connecting corporatist employer groups and collective training systems to the use of active labour market policies for young people are shaded in figure 4.1, indicating that these mechanisms cannot be penetrated by the quantitative analysis. Those macro-correlations can be formally summarised by the following nine hypotheses:

1. The existence of corporatist employer groups is
 - a) positively related to spending on active labour market policies for young people.
 - b) positively related to spending on training measures for young people.
 - c) positively related to spending on subsidies for young people.
 - d) positively related to spending on jointly-produced youth ALMPs.
 - e) positively related to the share of spending on jointly-produced youth ALMPs.
2. The size of collective training systems is
 - a) positively related to spending on youth ALMPs.
 - b) positively related to spending on training measures for young people.
 - c) positively related to the share of spending on training measures relative to work-experience measures for young people.
 - d) positively related to the share of spending on institutional training measures relative to DJC measures for young people.

The quantitative analysis in the next chapter will test these hypotheses using Eurostat data on the use of active labour market policies in the period 1998-2014 for the 28 EU member states. Thereby, the analysis uses descriptive statistics, bivariate regressions and time-series cross-section analysis (TSCS), which has become the standard method for analysing the determinants of variation in the use of active labour market policies (Armingeon 2007; Cronert 2017, 2018a, 2019; Huo, Nelson, and Stephens 2008; Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013).

4.2 Qualitative analysis

The qualitative analysis focuses on the mechanisms underlying the macro-level correlations which are shown in figure 4.2. Here, the arrows between spending on different types of measures, for example between spending on training and spending on active labour market policies for young people, are shaded because the focus of the analysis is on the development of individual measures and not on the effect on aggregate spending levels.

Process tracing is well suited to systematically test theorised mechanisms involving the consecutive and connect actions of different actors. The downside of process tracing is that it is very resource intensive (Schimmelfennig 2015). To focus the analysis, this work relies on the recommendations by Schimmelfennig for “efficient” process tracing (Schimmelfennig 2015). Accordingly, the causal mechanisms to be tested are *defined ex ante*, the analysis focusses on the *crucial parts* of the causal mechanism and the process tracing analysis is used *complementary* to the quantitative analysis. Following the first recommendation, the causal mechanisms have already been outlined in the last chapter. In the following, these mechanisms will be operationalised for the process-tracing analysis. Following the second recommendation, the qualitative analysis focusses on the interactions between employers, employer organisations, collective training systems and policymakers which are considered the most important parts of the mechanisms. The third recommendation is followed through the mixed-method research design, i.e. the combination of quantitative and qualitative analysis described in this chapter.

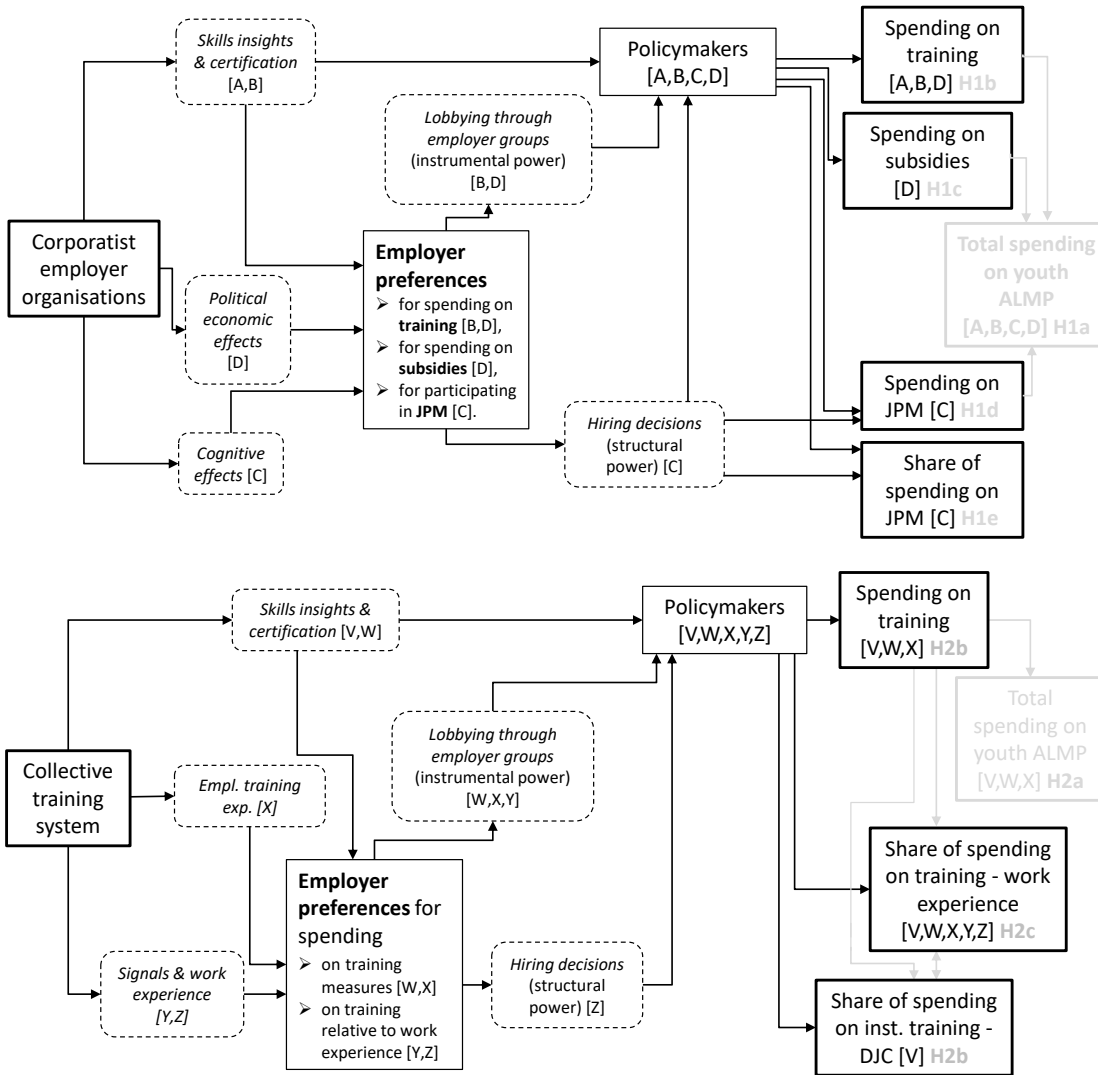
4.2.1 Causal mechanisms

The mechanisms presented in figure 4.2 outline how the central independent variables – the forms of employer groups and training systems – can be linked to the central dependent variable – the use of active labour market policies for young people. This diagramme presents a useful overview of the central elements of the theory presented in this book, but the causal connections are not displayed in the form of causal mechanisms commonly used in process tracing. Causal mechanisms as used in process tracing are characterised by

“a theorized link between a cause (or a set of causes) and an outcome, where each part of the mechanism is clearly described in an ordered sequence, and, in particular, in terms of entities engaging in activities that transfer causal forces” (Beach and Pedersen 2016, p.5)

Causal mechanisms consist of three elements: entities, activities, and observable manifestations. Entities are either actors, or the causes, or consequences of actions. Activities are the actions by which actors connect the different steps within the causal process from the initial cause (X) to the eventual outcome (Y), and observable manifestations describe the kind of evidence which should exist if the activities indeed occurred as described. With respect to active labour market policies, the initial cause tends to be

Figure 4.2: Causal connections



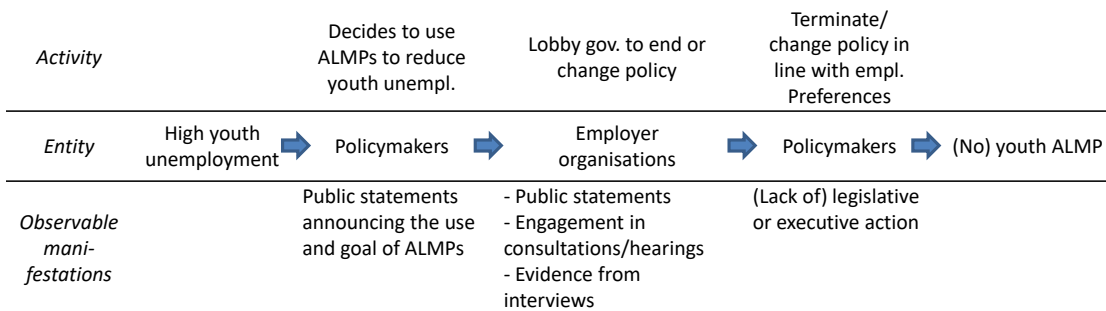
high youth unemployment, which prompts policymakers to take action. However, employers' organisations may also move first and demand higher spending on active labour market policies if they are confronted with shortages of skilled labour, high wages, or high training costs. The eventual outcome (Y) is the launch or implementation of new active labour market policies for young people, or changes in spending on, or the reform or termination of existing measures. Based on the nine mechanisms shown in figure 4.2 [A,B,C,D,V,W,X,Y,Z], a total of eight causal mechanisms through which employers, employer organisations and collective training systems influence the use of active labour market policies for young people can be operationalised. This number does not overlap directly with the nine mechanisms shown in figure 4.2 because some mechanisms [B,D,W,X,Y] imply very similar interactions between employer organisations and policymakers and can hence be operationalised in one causal mechanism. In contrast, as it will be shown below mechanism [C] implies several different forms of interactions between firms, employer organisations and policymakers that cannot be operationalised in one mechanism alone.

Instrumental business power [B,D,W,X,Y]

The first two mechanisms relate to employer organisations lobbying the government in order to influence the use of active labour market policies as described by mechanisms [B,D,W,X] and [Y] in figure 4.2. In other words, they describe employer organisations using their instrumental power to act as policy *opponents* or *protagonists*.

An example for first employer groups acting as policy opponents is mechanism [Y]: employer organisations try to influence the choice between training measures or measures providing work experience by opposing measures planned or implemented by the government. This mechanism is operationalised as shown in figure 4.3. The initial cause (X) is a level of youth unemployment prompting policymakers to take action in form of a new active labour market policy for young people or increased spending on existing measures. A likely observable manifestation of this is that policymakers in the government announce their goal and intended action publicly. In the next step, employer organisations respond to policymakers' plans by declaring their opposition to the measure, or to specific parts of it. This can happen via various channels. For example, employers can start a public campaign attacking the government's plans or proposing alternative policies. Also, usually employers' organisations are invited to participate in formal policy consultations and public hearings. Usually, notes or transcripts of such consultations are published, which serve as clear observable manifestations. Lastly, business representatives may also lobby policymakers in private, particularly when their position is unpopular. Consequently, the observable manifestations of lobbying may vary depending on the way in which employers try to make their interests heard, and they can be more or less difficult to detect. PR-campaigns and contributions in open consultations procedures leave clear and publicly available evidence, while it may be necessary for researchers to conduct interviews with policymakers and employer representatives to detect hidden lobbying. The last necessary step to show that the actions of employers organisations can indeed causally be linked to the policy outcome (Y) is to demonstrate

Figure 4.3: Instrumental power and employers as policy opponents [Y]



that policymakers respond to the lobbying efforts by changing or terminating the policy, in line with the position taken by employer groups. The decision to change or terminate a policy can be taken at the planning stage, when a policy is still being developed, or retroactively, after a policy has already been implemented. The observable manifestation of this last step is (the lack of) an executive, legislative or budgetary decision on active labour market policy for young people.

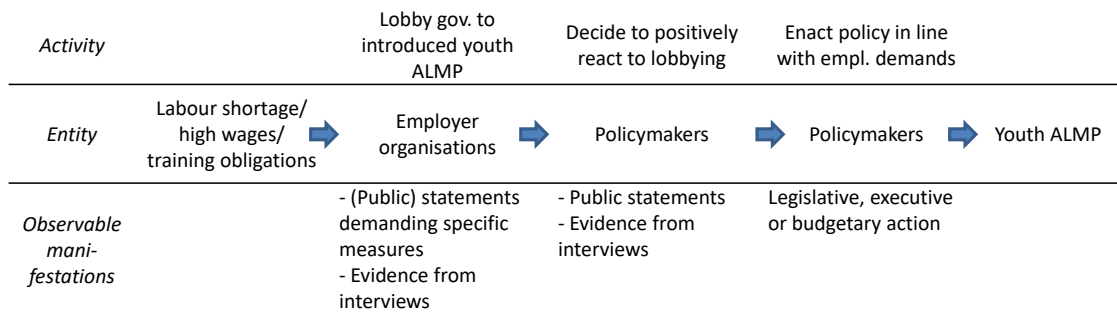
When employer groups act as policy protagonists to lobby for more spending on active labour market policies for young people, the initial cause is different (figure 4.4). Namely, employer organisations may lobby for more spending to fight shortages of skilled labour [B,W], to increase productivity or decrease employment costs in a high-wage context [D], or to reduce unwanted training costs [X]. In each case, employer groups call upon politicians in government to use specific active labour market policies for young people. Again, this process is very likely to leave public traces (statements, publications), and personal memories among representatives of employer groups and policymakers, which can be detected through interviews. In the next step, policymakers decide to take action because of, and in line with employers’ demands. If policymakers are open about this step, for example because they assume they will benefit politically from acting upon employers’ demands, they are likely to publicly announce their decision to take action. If not, interviews with policymakers should reveal traces of policymakers’ motivations for taking action. In the last step, the government has to introduce an ALMP targeted at young people in line with employers’ demands for the causal mechanism to be completed.

Structural business power [C,Z]

When employers influence the use of active labour market policies for young people through structural power, the relevant actors are individual companies, not employer organisations. As described in the previous chapter, structural business power can influence policy decisions ex ante (*perceived structural power*), when policymakers try to anticipate employers’ actions and design measures accordingly, or ex post, when a mea-

4 Research Design and methodology

Figure 4.4: Instrumental power and employers as policy protagonists [B,D,W,X,Y]



sure fails because individual employers do not react to it (*realised structural power*). The structural power of business is expected to influence the level and share of spending on jointly-produced measures [C] as well as the amount of spending on training relative to work experience measures [Z].

Perceived structural power can influence spending on jointly-produced measures and the choice between training measures and measures providing work experience. This mechanism is operationalised in figure 4.5. The initial cause is again high youth unemployment. This situation motivates policymakers to take action by introducing some type of active labour market policy for young people. In the next step, policymakers anticipate the importance of companies hiring (former) participants of active labour market policies in order for the measure to achieve its intended goal of lowering youth unemployment. Based on this insight, policymakers may directly reach out to employer organisations, conduct surveys, or draw on the evaluation of past policies to understand which types of active labour market policies for young people are likely to be most effective. Such actions are likely to leave traces in the form of public statements or invitations to employer groups for policy consultations. Most importantly, interviews with policymakers should reveal their perceptions and considerations regarding the role of companies in policy success. However, there is no need for employer organisations to actively engage with policymakers for business to influence decisions regarding ALMPs: the perceived power of companies to determine the fate of an active labour market policy is sufficient. In the last step, policymakers take action based upon their own perceptions of which measures are most suited to increase hiring by private companies. For example, this can mean choosing a work experience measure because policymakers believe that employers value work experience more than training, or instead prioritising training. The final observable manifestation is the choice of a policy in line with employers' perceived preferences.

In contrast, realised structural power describes a causal mechanism in which the actions, or the lack thereof, of individual employers force the downsizing, reform or termination of a policy. The realised structural power of business can influence spending

Figure 4.5: Perceived structural power [C,Z]

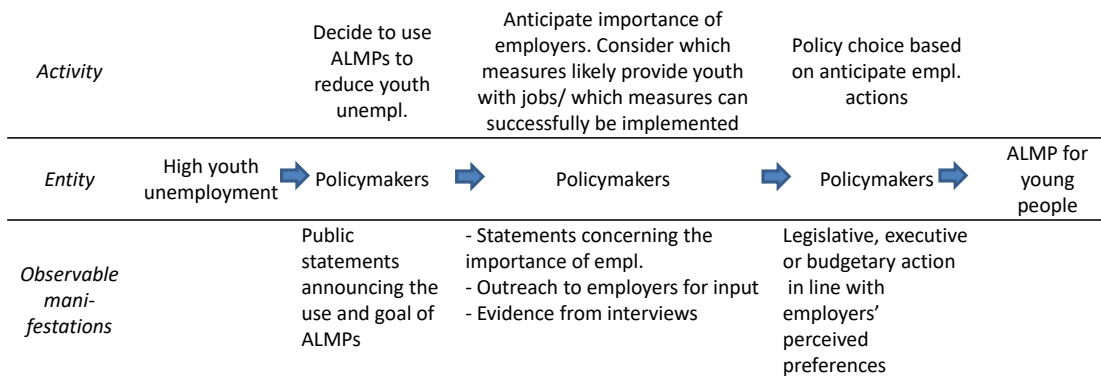
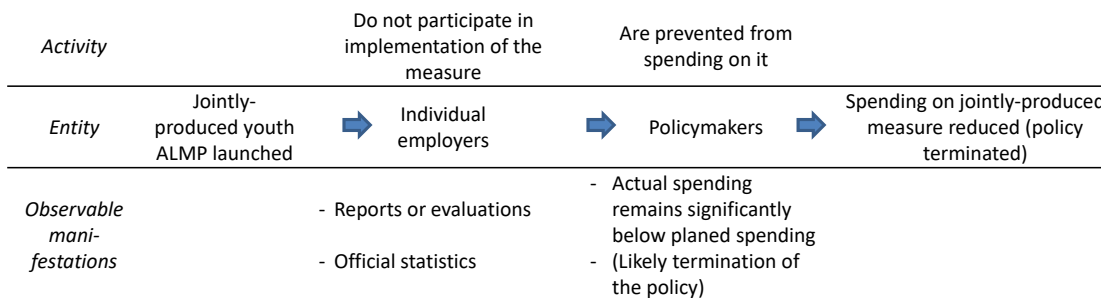


Figure 4.6: Realised structural power at the implementation stage [C]

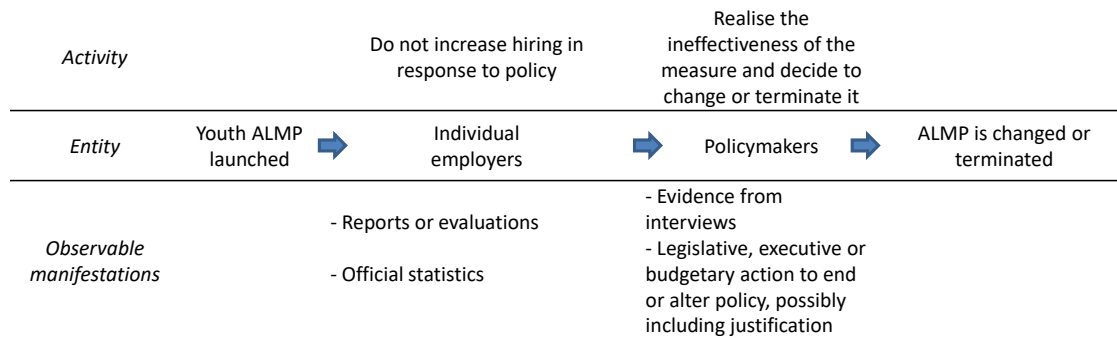


on youth ALMPs in two different ways: at the implementation (figure 4.6) and at the evaluation stage (figure 4.7).

Both mechanisms start with the launch of a new active labour market policy.² In the first step, companies fail to react to the measure in the way intended by policymakers. For jointly-produced measures, this means companies do not participate in policy implementation, or do so in much smaller numbers than anticipated. This can be detected, for example, by observing the number of individual companies participating in a given programme. The immediate result of a lack of employer cooperation is a limit on the outflow of funds, because policymakers' ability to spend is constrained by employers' unwillingness to take subsidies or hire participants of firm-based training programmes. The result is less spending on this measure than initially budgeted and, the probable

²Strictly speaking, the same mechanism can also apply to measures which have been implemented for a longer period of time. However, it seems rather unlikely that employers would suddenly change their engagement with an existing measure.

Figure 4.7: Realised structural power at the evaluation stage [Z]



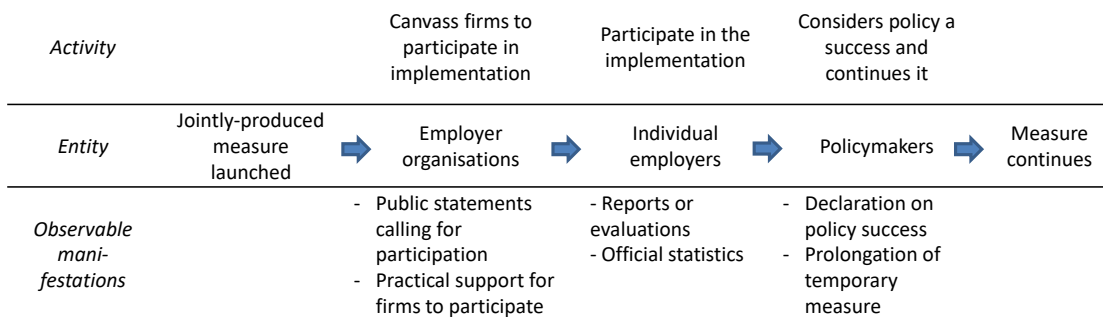
eventual termination of the measure by policymakers.

For unilaterally produced measures (or jointly-produced measures which did not fail at the implementation stage) aiming at making job seekers more attractive to employers by developing their skills or providing work experience, the question is whether companies increase hiring in response to the policy. This is not always directly visible. However, most countries constantly evaluate their active labour market policies to see whether they improve participants' labour market prospects. Hence, the most likely observable results can be found in official statistics or evaluations indicating that participants' labour market prospects did not improve relative to a control group. In the next step, policymakers realise the ineffectiveness of the measure and decide to change or terminate it. This decision is likely accompanied by an explanation, i.e. a statement about a measure not achieving its intended goals. If such statements are not made, interviews with policymakers should show what motivated their decision.

Cognitive effects [C]

The mechanism outlined in 4.8 operationalises how the *cognitive effects* of corporatist employer organisations can increase the participation of individual employers in the implementation of jointly-produced active labour market policies, and thereby, allow for higher levels of expenditure on such measures. As in figure 4.6, this causal mechanism starts with the launch of a jointly-produced measure. In reaction to that, employer organisations canvass companies to participate in the implementation process. Depending on the measures in question, this means they may try to convince employers to hire subsidised workers, or participate in firm-based training. Usually, employer organisations do so by informing their members about the measure and its benefits, or by providing practical assistance for participation (e.g. by providing templates for application forms, or FAQs on the policy). These activities are usually public and are therefore easily observable. In response to the actions of their organisation, individual employers participate in the implementation process. In the same way as in figure 4.7, the participation

Figure 4.8: The cognitive effects of employers' organisations [C]



rate can be assessed through reports, evaluations and official statistics. Higher employer buy-in allows policymakers to spend more – or at least as much as they planned – on a given policy. Furthermore, several countries introduce active labour market policies initially on a temporary basis, and only prolong them after the first results can be assessed. In this case, employer participation is followed by a third step in which policymakers consider whether the policy is successful and whether to continue it.

Skills insights & certification [A,V]

Figure 4.9 operationalises how corporatist employer groups expand policymakers' 'toolkit of governance' by providing *skills insights & certification mechanisms* [A]. The mechanism begins with high youth unemployment as a cause of government action. In the next step, employer organisations provide policymakers with insights into the skill demands of their members. In addition, employer organisations may also offer to certify the skills taught in training measures. This process is likely to take place through established consultation procedures, resulting in the existence of written submissions which can be analysed. If no written material is submitted, interviews can be used to see if there was a transfer of information from employers to policymakers. In the last step, the government uses the insights gained, and/or the certification offered to develop and implement a training measure.

Finally, a slightly different version of this causal mechanism can exist in countries with collective training systems where employer-set training curricula are publicly available [V]. As shown in figure 4.10, where collective training systems exist, policymakers do not have to rely on information provided by employer organisations. Instead, they can use the existing training curricula as a shortcut to learn about employers' skills needs. Furthermore, they may try to use the established skills certification mechanisms of the apprenticeship system to certify the qualifications gained through training measures. This process manifests itself empirically in the development of a training measure which directly references the training curricula of the collective training system, or is very

Figure 4.9: Skills insights & certification from corporatist employer groups [A]

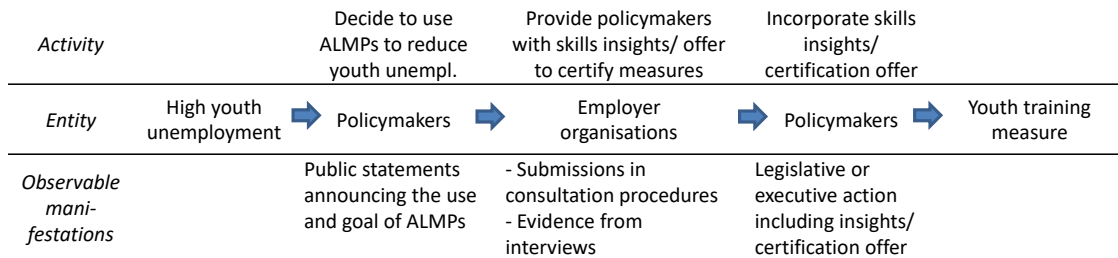
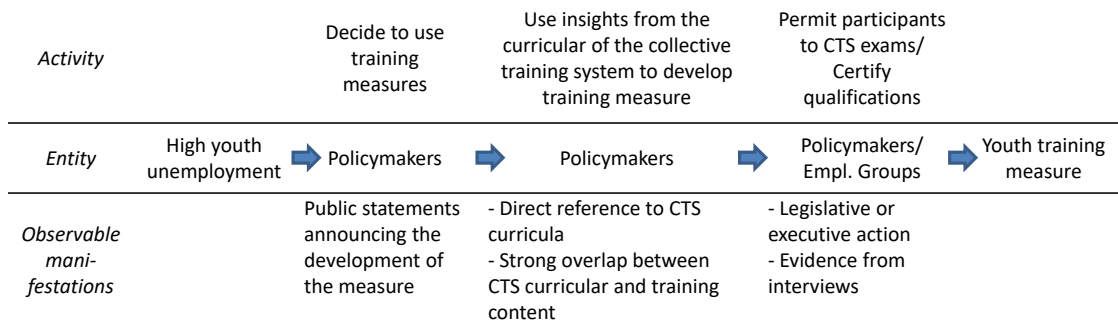


Figure 4.10: Skills insights & certification through collective training systems [V]



similar to it. Furthermore, the admission of participants to examinations organised within the collective training system should be visible.

4.2.2 Case selection

The selection of cases for the qualitative analysis depends on whether the hypothesised macro-correlations are confirmed by the quantitative analysis or not (Lieberman 2005). Previewing the results of the next chapter, the findings of the quantitative analysis strongly and robustly support hypotheses 2a, 2b, and 2d, and to a lesser extent, hypotheses 1a, 1b, and 2c. In contrast, the findings do not support hypotheses 1c, 1d, and 1e (see table 5.17). If the relationships are confirmed as in the first set of hypotheses, the qualitative analysis should be used to test if the observed correlation between the independent and the dependent variable was caused by the theorised mechanism. This follows Lieberman, who states that: “in a hypothetical study of the determinants of government policy, in which the LNA [large-N analysis] confirmed a hypothesised re-

relationship between institutional form and policy outcome, the SNA [small-N analysis] would likely investigate the specific actions of groups and/or individuals within a given country” (Lieberman 2005, p.440). To do so, “well-predicted” cases, in which the values of both the dependent and the independent variable are in line with the theory, should be used (Lieberman 2005; Schimmelfennig 2015). For example, to test the mechanisms underlying the supported hypothesis 2a (positive relationship between the size of collective training systems and spending on youth ALMPs), cases with large collective training systems and high youth ALMP expenditure, or no collective training systems and low youth ALMP expenditure should be selected. In contrast, when the initial theory is *not* confirmed by the quantitative analysis, as is the case for hypotheses 1c, 1d and 1e, the qualitative analysis should be used to further develop the theory. To this end, both cases which are well-predicted (“on the line”), and cases which are not well predicted (“off the line”) should be selected (Lieberman 2005). For example, for hypothesis 1d (positive relationship between the existence of corporatist employer groups and spending on jointly-produced measures), countries behaving as predicted by the theory (corporatist employer groups and high expenditure, pluralist groups and low expenditure), as well as countries displaying unexpected patterns (corporatist groups and low expenditure, pluralist groups and high expenditure) should be selected. Finally, cases should also be selected “based on the widest degree of variation on the *independent* [...] variables which are central to the model” (Lieberman 2005, p.444).

However, one challenge arising from the number of dependent and independent variables is to find cases which are in line with Lieberman’s recommendations for all hypothesised relationships, while keeping the number of cases at a manageable level. Optimally, the best suited cases for each predicted relationship between a dependent and an independent variable would be selected. However, with a total of nine hypotheses, and at least two cases per relationship, this would imply a total of 18 cases. Thus, a compromise solution was sought. Considering both Liebermann’s recommendations and the described limitations, Germany, Sweden and the United Kingdom were selected. This selection represents a useful compromise which leverages a maximum of analytical power within the practical constraints of limited time and resources.

The case selection is based on the data presented in table 4.1 shows the average values of the core and dependent variables for each country during the analysed period (1998-2014). *Employer density* (ED) measures the share of employers which are members of an employer organisation. This variable is used to measure the existence of corporatist employer groups. The share of *firms in IVET* measures the share of private companies with ten or more employees participating in initial vocational education and training (IVET). *Total exp.*, *training exp.*, *subsidy exp.* and *JPM exp.* measure the amount of spending on active labour market policies for young people in total and respectively on training measures, subsidies and jointly-produced measures for young people. All spending is presented as a percent of GDP per capita per unemployed young person. *JPM share* measures the share of spending on jointly-produced measures out of all spending. *Tr-WE* shows the share of spending on training measures minus the share of spending on measures providing work experience, and *iTr-DJC* the share of spending on institutional training measures minus the share of spending on direct-job creation

Table 4.1: Case studies: average values on central dependent and independent variables (1998-2014)

Country	ED	Firms in	Total	Training	Subsidy	JPM		Tr-WE	iTr-DJC
		IVET	exp.	exp.	exp.	exp.	share	share	share
Germany	61%	62.0%	43.0%	22.8%	1.9%	8.6%	18.6%	43.9%	33.6%
Sweden	83%	7.0%	12.8%	4.1%	4.5%	5.0%	37.5%	-9.7%	23.6%
UK	36%	18.0%	8.2%	0.5%	0.2%	0.2%	2.8%	-6.0%	-3%
Unweighted									
average of all EU countries	59.0%	19.6%	14.2%	5.7%	2.0%	4.9%	40%	6%	10%

programmes (see also next chapter and table A.6 in the appendix).

Case I: Germany

Germany is well-predicted regarding the effects of collective training systems.³ The country scores very high on the primary indicator measuring the size of collective training systems, and as predicted by hypotheses 2a and 2b, and supported by the quantitative analysis, Germany spends extensively on training measures and active labour market policies for young people in general. Furthermore, Germany spends significantly more than other countries on training measures relative to measures providing work experience (hypothesis 2c), as well as on institutional training measures relative to direct job creation measures (hypothesis 2d). Thus, the case of Germany is well-suited to analysing the effects of a strong collective training system on the use of active labour market policies for young people. Namely, the German case will be used to test whether collective training systems indeed provide *skills insights & certification mechanisms* which enable policy makers to develop better training measures [V] and make employers more likely to demand spending on training measures to counter shortages of skilled labour [W]; whether firm-based training leads companies to demand spending on training measures to *shift training costs onto the state* [X]; and whether the presence of collective training systems increases employers' preference for qualifications over work experience which then influences the choice of youth ALMPs through the instrumental [Y] and structural power of business [Z]. Finally, the German case will also be used to analyse the relationship between corporatist employer groups and public expenditure on jointly produced measures (hypotheses 1d and 1e). The country scores higher than EU countries on average on employer density, spends more than average on jointly-produced measures in total terms, but less than average in relative terms. Hence, this case will be used to explore whether corporatist employer groups indeed have *cognitive effects* that facilitated the implementation of and spending on jointly-produced ALMPs for young people [C].

³Scatterplots for all hypothesised relationships are provided in the next chapter.

Case II: United Kingdom

The United Kingdom is characterised by pluralist employers' associations, and has traditionally struggled to establish a functioning collective training system, which is reflected in the country's below average scores on employer density and the share of firms in IVET in table 4.1. In line with the theorised relationships, the country spends comparatively little on active labour market policies for young people in general (Hypotheses 1a and 2a), on subsidies (1c), and on training measures in particular (Hypotheses 1b and 2b). The United Kingdom also spends very little on jointly-produced measures in total (hypothesis 1d) and relative terms (hypothesis 1e). Furthermore, the United Kingdom spends about the same amount on training and on work experience measures, which is below the average of European Union countries of 8.8% and in line with hypothesis 2c. Finally, the country allocates roughly equal amounts of spending to institutional training measures and direct job creation measures (Hypothesis 2d), which is significantly below the unweighted country-sample average. The United Kingdom therefore serves as a well-predicted case for a country without corporatist employer groups and a collective training system. The case will be used to test whether the country's pluralist employer groups indeed provide no *skills insights & certification mechanisms* that increase spending on training measures [A,B]; no *cognitive effects* that facilitate spending on jointly-produced measures [C]; and no *political economic effects* increasing employer demand for and expenditure on training and subsidy measures for young people [D]. Furthermore, the analysis of the UK case will be used to test whether in the absence of a collective training system, policy makers lack skills insights & certification mechanisms to develop training measures [V]; companies do not demand more training ALMPs when facing shortages of skilled labour [W]; companies do not lobby for training ALMPs to shift training costs onto the state [X]; firms prefer work experience over qualifications in young job applicants which influences the use of youth ALMPs through the instrumental power of employer groups [Y] and the structural power of individual firms [Z].

Case III: Sweden

Sweden has highly coordinated employer groups, but no collective training system. In line with hypotheses 1a, 1b and 1c, the country spends more in total than the unweighted across-country average on training measures, employment incentives, and active labour market policies for young people. As such, Sweden is a well-suited case to investigating whether there is indeed a causal link between corporatist employer groups and spending on training measures, employment incentives and total youth ALMP expenditure. Specifically, the Swedish case will be used to test whether Sweden's corporatist employer groups provided *skills insights & certification mechanisms* which allowed policy makers to develop better training programmes [A] and led Swedish employers to demand more spending on training measures when experiencing shortages of skilled labour [B]. In addition, it will be investigated whether those corporatist groups had *political economic effects* which led companies to demand higher spending on subsidies and training measures to lower young people's employment costs or increase their productivity [D].

Table 4.2: Case selection for the qualitative analysis

Causal mechanism	Corporatist employer organisations				Collective training systems				
	[A]	[B]	[C]	[D]	[V]	[W]	[X]	[Y]	[Z]
Germany	-	-	high	-	high	high	high	high	high
United Kingdom	low	low	low	low	low	low	low	low	low
Sweden	high	high	high	high	-	-	-	low	low

Furthermore, in line with hypothesis 2c Sweden relies much more than most countries on work experience measures relative to training measures. This is in line with the positive relationship between collective training systems and the relative reliance on training measures predicted by hypothesis 2c. Hence, Sweden can be used to test whether the absence of a collective training system is related to stronger preferences among employers' for work experience measures, and whether those preferences influence the use of active labour market policies for young people through the instrumental [Y] or structural power of business [Z]. In addition, Swedish public expenditure on jointly-produced ALMPs in total and relative terms is close to the average of European countries. Therefore, the Swedish case will be used to investigate whether the country's corporatist employer groups had *cognitive effects* [C] facilitating spending on this type of measure in total (hypothesis 1d) and relative terms (hypothesis 1e)[C].

Table 4.2 summarises which of the three case studies will be used to test whether the nine different causal mechanisms worked as expected. The terms 'high' and 'low' refer to each countries' value on the relevant independent variable. For example, whether corporatist employer groups have indeed cognitive effects [C] will be analysed in two countries with high values (Germany, Sweden) and one with low values (United Kingdom) of employer corporatism.

4.2.3 Empirical strategy

Turning to the empirical strategy for the qualitative analysis, it is important to note that some countries introduce and terminate a large number of active labour market policies each year, which makes it difficult to cover the introduction, implementation and possible reforms and terminations of all measures in the period from 1998 to 2014, even for the limited number of three country cases. To focus the analysis of the case studies and to maintain the link between the qualitative and the quantitative analysis, the largest policies in terms of spending are selected. Active labour market policies vary significantly in size, so focussing on large policies ensures that the casual mechanisms observed in the cases did indeed influence the macro-level variation analysed in the quantitative analysis.

In addition, to reflect the dual nature of active labour market policies as measures

to reduce unemployment and/or increase the supply of (skilled) labour, the analysis follows the example of (Bonoli 2010) in that each case study covers periods of high youth unemployment and periods of low youth unemployment and labour shortages. During periods of high youth unemployment, policymakers should be the driving force behind launching new- or expanding existing measures. When unemployment is low and skilled labour is in short supply, however, employers may lobby for higher spending on active labour market policies for young people. Focussing only on economic downturns would hence risk missing an important form of employer influence on the use of active labour market policies for young people.

4.2.4 Expert interviews

The causal mechanisms outlined earlier in this chapter described the types of empirical material – public statements, written contributions to consultation processes, etc. – used in the qualitative analysis. In addition to written primary and secondary data, expert interviews are used to triangulate results, and most importantly, to gain an understanding of the perceptions and motivations of policymakers and representatives of employer organisations. To this end, labour market policy experts from both sides of the political spectrum were interviewed. Where possible, focus was placed on politicians directly involved in the development of policies, for example members of parliament who acted as rapporteurs on legislation introducing new active labour market policies, or political appointees in the relevant ministries. In addition, public officials in the relevant ministries and the public employment service were interviewed. These interviews served to gain a more in-depth understanding of the policymaking and implementation process in each country. The interviews with employer organisations were also conducted with their policy experts. Finally, representatives of trade unions were interviewed to gain a more complete picture of negotiations over active labour market policies for young people, thereby enabling the detection of hitherto unknown mechanisms influencing the use of active labour market policies for young people, in particular regarding the hypotheses not supported by the quantitative analysis: the positive effect of corporatist employer groups on spending on subsidies (1c), and the total and relative spending on jointly-produced measures (1d,1e).

With regards to the structural power of business, particular attention was paid to understanding the perspectives of politicians on the ideological left. Parties on the ideological right are generally assumed to represent the interests of business (Esping-Andersen 1990; Korpi 1983). Therefore, right-of-centre politicians should be assumed to largely act in the interest of business, even in the absence of structural business power. In contrast, evidence that politically left-leaning policymakers see business as a crucial partner in the field of active labour market policies can be seen as strong evidence for employers' structural power.

One limitation regarding the interviews is that the interviewees, in particular officials and politicians who have worked on a large number of active labour market policies over the years, do not always remember each individual policy. Rigorous process-tracing demands that each case is treated individually, and that there is no interference between

cases (Beach and Pedersen 2013). However, regarding the important question of the perceived importance of employers, i.e. the structural power of business, this rule was relaxed slightly. Assuming that perceptions are relatively stable over time, interviewees who could not remember individual policies were asked about the development and implementation of active labour market policies in general. Their general perceptions were then used as evidence for, or against, the working of a given causal mechanism.

The interviews were conducted mostly face-to-face, and based on a semi-structured outline of questions. All interviewees were provided with a written consent form up-front. While most interviewees chose to speak on behalf of their organisation, but remain anonymous, some agreed to be cited with their full name. Examples of the questionnaire, the consent form and a full list of interviewees are provided in the appendix 3. The final number of successfully completed interviews varies across countries, with 12 interviews for Sweden, 14 for Germany, and only 7 for the United Kingdom.⁴ To some degree, the different numbers reflect differences in the national context. For example, the United Kingdom only has one trade union which engages in national level policy making, whereas Sweden has three, and Germany has more. On the other hand, the lower number of interview partners in the United Kingdom also reflects the lower engagement of employer organisations in the field of active labour market policies for young people. In Germany and Sweden, each of the national level employers' organisations had at least one expert working on active labour market policies, or active labour market policies for young people. In the United Kingdom, there were generally fewer positive replies to interview requests. Indeed, lack of response even occurred with some organisations that had publicly supported specific policies. These same organisations also had no published press releases, position papers or other materials elaborating on their positions. Therefore – as the case study on the United Kingdom will argue in more detail – the lack of interviews with representatives of employer groups in this country should at least partially be seen as a consequence of their limited capacity to, or interest in engaging with active labour market policies for young people.

⁴Interviews with several officials representing one organisation in the same interview were counted as only one interview. Similarly, follow-up conversations via phone or email to clarify individual aspects or to ask additional questions are not counted as additional interviews.

5 Quantitative analysis

This chapter constitutes the first part of the empirical analysis and fulfils two purposes. First, it describes the variables and data used throughout this book to measure the use of active labour market policies for young people, the existence of corporatist employer groups, and the size of collective training systems. Second, it quantitatively tests the hypothesis derived from the theory outlined in chapter 3. Namely, that

1. the existence of corporatist employer groups is
 - a) positively related to spending on active labour market policies for young people.
 - b) positively related to spending on training measures for young people.
 - c) positively related to spending on subsidies for young people.
 - d) positively related to spending on jointly-produced youth ALMPs.
 - e) positively related to the share of spending on jointly-produced youth ALMPs.
2. the size of collective training systems is
 - a) positively related to spending on youth ALMPs.
 - b) positively related to spending on training measures for young people.
 - c) positively related to the share of spending on training measures relative to work-experience measures for young people.
 - d) positively related to the share of spending on institutional training measures relative to DJC measures for young people.

The chapter is structured as follows. The first section defines and operationalises the principal dependent, independent, and control variables. Furthermore, this section discusses the data used, and how missing data is handled. Thereafter, the hypotheses relating to the effect of corporatist employer groups and collective training systems are tested. For both, descriptive statistics, simple ordinary least squares (OLS) regressions and time-series cross-section (TSCS) analysis are used. As previewed in the previous chapter, the results of the analysis support hypotheses 1a, 1b, 2a, 2b, 2c and 2d, but do not support hypotheses 1c, 1d and 1e. The results of the analysis are summarised and discussed in the conclusion. Additional results, technical descriptions of all variables and information on the data sources used are included in the appendix.

5.1 Variables and data

This section provides an overview of the operationalisation of the principal dependent variables (DVs) – the variables used to measure the use of active labour market policies for young people – and the principal independent variables (IVs) – the degree of corporatism among employer groups and the size of collective training systems.

5.1.1 DVs: The use of active labour market policies for young people

Most of the literature on the political determinants of active labour market policies uses public spending as a percent of gross domestic product (GDP) as a dependent variable (Bonoli 2013; Cronert 2018b; Vlandas 2013). Data on this variable is reported for a large number of industrialised countries by the OECD and Eurostat. Unfortunately, neither organisation reports spending data disaggregated by age groups. To overcome this shortcoming, this book uses data on the age of participants in active labour market policies to disaggregate expenditure on each individual measure by age group. More specifically, the data on the age of participants is used to estimate the amount of expenditure benefiting young people up to the age of 24 and people aged 25 and older. This definition of young people (15-24 years) corresponds to the standard definition of ‘youth’ used in the labour market context, for example in the definition of youth unemployment used by Eurostat, the OECD and the ILO. The disaggregation of expenditure data by age groups follows the recommendation of (Clasen, Clegg, and Goerne 2016), and the example of (Cronert 2017) and makes use of the programme-level data provided by Eurostat.

Disaggregation of expenditure by age group

Eurostat reports programme-level data on the level of expenditure and the stock, i.e. the number of persons participating in an intervention at a given moment (DG Employment, Social Affairs and Inclusion 2018), and age of participants on an annual basis. To disaggregate spending, total annual expenditure on each programme is divided according to the relative share of young and older participants in each measure and year. The individual spending shares are then summed up across all measures for each country-year to give a measure of active labour market policy expenditure on people below the age of 25, and people aged 25 years and above. In formal mathematical terms, the data on public spending on active labour market policies is disaggregated as follows: E_{aicj} denotes expenditure and P_{aicj} the number of participants in one specific measure. The subscript $a=y,o,t$ denotes the age groups under 25 (y), 25 or older (o) and total participants (t). The subscript $i = 1, 2, \dots, n$ represents the id-number of the measure, the subscript $c = AT, BE, \dots, UK$ the country, and $j = 98, 99, \dots, 14$ indicates the respective year, ranging from 1998 to 2014. To calculate the amount of expenditure allocated to young people within each measure at any given time, total spending on each measure is multiplied by its relative share of young participants, i.e. number of participants under 25 divided by the total number of participants. For example, equation

5.1 shows how the amount of expenditure for young people within measure 1 in the UK in the year 2000 (E_{y1UK00}) is calculated: total expenditure on this measure in the same year (E_{t1UK00}) is multiplied by the number of young people participating in the measure (P_{y1UK00}) divided by the number of total participants in the same measure in the same year (P_{t1UK00}).

$$E_{y1UK00} = E_{t1UK00} * \frac{P_{y1UK00}}{P_{t1UK00}} \quad (5.1)$$

Total annual expenditure on youth measures per country and year is then derived by summing up the share of annual expenditure allocated to young people across all measures for each individual country. Equation 5.2 shows the calculation for total spending on active labour market policies for young people in the United Kingdom in the year 2000: total spending on active labour market policies for young people in the UK in 2000 is calculated as the sum of spending on young people for each individual measure (1 to n).

$$E_{yUK00} = \sum_{i=1}^n E_{yiUK00} \quad (5.2)$$

The earliest year for which data is available for a number of countries is 1998, and the latest data used in this book is for the year 2014. For most countries, however, complete expenditure data is only available from 2004 onwards. All years for which only partial expenditure data is available – that is only expenditure data for some but not all measures – are excluded from the analysis. Furthermore, participant data is incomplete (i.e., only data on young or total participants is available) or missing for a number of measure-years for which expenditure data is available. Ignoring measures for which participant data is missing would lead to an underestimation of total spending on active labour market policies for young people. Therefore, missing participant data for individual years is imputed from participant data for the same measure for other years, or, if no participant data is available at all, from the general unemployment data. The different approaches for dealing with missing data are illustrated in the following. For measure-years with complete participant data, spending is allocated as described in equation 5.1 above. Table 5.1 shows the same example displayed in a tabular format: to calculate the amount of expenditure allocated to young people in the United Kingdom in the year 2000 (E_{y1UK00}) in measure 1, total expenditure on this measure in the same year (E_{t1UK00}) is multiplied by the number of participants below the age of 25 (P_{y1UK00}), and divided by the total number of participants in the same measure and year (P_{t1UK00}).

Table 5.1: Disaggregating ALMP expenditure based on participant data

Country	ID	E_{t00}	P_{y00}	P_{t00}	E_{y00}
UK	1	500	30	100	$\frac{500 * 30}{100}$

5 Quantitative analysis

In case participant data for a measure is available for some years but missing for others, youth expenditure is calculated based on the average share of young participants in the same measure across all years for which data is available. This approach is based on the assumption that the relative share of young and older participants within each measure is stable over time. Table 5.2 shows an example for this second scenario: expenditure data is available for the year 2000 (E_{t2UK00}), but participant data for the same year (P_{y2UK00}) is missing. However, participant data is available for the years 2001 and 2002. Therefore, E_{y2UK00} is calculated based on the average share of young participants ($(P_{y2UK01} + P_{y2UK02})/2$) divided by the average share of total participants ($(P_{t2UK01} + P_{t2UK02})/2$) for all years for which data is available.¹

Table 5.2: Disaggregating ALMP expenditure with some participant data missing

Country	ID	E_{t00}	P_{y00}	P_{y01}	P_{y02}	P_{t00}	P_{t01}	P_{t02}	E_{y00}
UK	2	500	.	20	25	.	110	120	$500 * \frac{20 + 25}{110 + 120}$
									$\frac{2}{2}$

Finally, for measures for which no data on young and total participants is available for *any years*, the share of expenditure benefiting young people is calculated based on the share of young people among all the *unemployed* in a respective country and year. An example for this third scenario is shown in table 5.3: E_{t3UK00} shows that 500€ were spent on measure 3 in the year 2000, but no participant data for this measure is available for the same year, nor for any other year. In this case, the total number of unemployed persons under the age of 25 (U_{yUK00}), and the total number of unemployed persons across all age groups (U_{tUK00}) for the respective year is used instead. Instead of multiplying the 500€ of total expenditure with the share of young people among the participants of the measure, total expenditure is multiplied by the share of young people ($U_{yUK00} = 6000$) among all unemployed ($U_{tUK00} = 24000$).²

Table 5.3: Disaggregating ALMP expenditure based on unemployment data

Country	ID	E_{t00}	P_{y00}	P_{y01}	P_{t00}	P_{t01}	U_{y00}	U_{t00}	E_{y00}
UK	3	500	.	.	.	.	6000	24000	$\frac{500 * 6000}{24000}$

The final dataset on spending on active labour market policies for young people consists of 9,074 measure-years. Out of those, participant data is missing for a total of

¹Participant data was manually adjusted for individual measures in the United Kingdom for which only young people were eligible and one measure in Ireland for which there appears to be a mistake in the official data. See appendix 9.4 for details.

²A more extensive technical description of how expenditure data was disaggregated by age groups is available in appendix 9.4.

3,425 measure years, i.e., for 37,7% of all measure-years. For 916 measure years (10.1% of the final set), missing values are imputed based on participant data for the same measure in other years. For an additional 1,579 measure-years (28.2%), expenditure data is disaggregated based on the respective youth and adult unemployment populations. In terms of expenditure, 70% of total spending can be accounted for using the original participant data. An additional 6% and 24% are attained through steps 2 (participant data for other years) and 3 (unemployment data) respectively.³

The described approach is based on important assumptions. Most importantly, it is based on the assumption that expenditure *within* each measure does not differ between young and older participants. This assumption may not always hold true for all measures. For example, it is conceivable that within one and the same training measure, young people require more attention from instructors than older participants, and hence are the recipients of more resources. Simply dividing total expenditure by participant numbers in this case could lead to underestimating the amount of resources used to help young people. However, while possible, this resource investment underestimation is unlikely because many measures targeted at the young are indeed used predominately by young people. This can be due to eligibility criteria – for example, participation in the British New Deal for Young People was limited to people below the age of 25 – or because the measures focus on youth-specific problems like gaining initial work experience. This means that within-measure variation should be limited.

The second important assumption relates to the disaggregation of expenditure based on unemployment data. Distributing expenditure on a specific measure evenly across all unemployed persons assumes all the unemployed, irrespective of age, will benefit equally from the measure. This is unlikely to be true for all measures since, as argued above, many active labour market policies are explicitly (via eligibility criteria) or implicitly (via the needs they address) directed towards specific age groups. Nevertheless, the disaggregation of expenditure via unemployment data, can also be justified: over half of the measure-years for which unemployment data is used (1,337 out of 2,509) include labour market services for which the assumption that expenditure is evenly distributed across unemployed of all age groups seems plausible. An important function of labour market services in most countries is to invite all individuals applying for unemployment benefits for a first counselling session to inform them about job opportunities and to provide practical help with their job search. As such, it is reasonable to assume that all unemployed individuals will at least somewhat benefit from this service.

Moreover, it must be remembered that participant or unemployment data is only used to identify the level of reported expenditure *between* different age groups. In other words, missing participant data only means that there is no information on *which share* of total public expenditure on active labour market policy benefits young people. Completely excluding measures for which participant data is missing from the analysis would mean that we expect *none* of the expenditure for the given measure-year to benefit young

³Tables A.3, A.5 and A.4 in the appendix provide a detailed overview of the number of measure-years, the number and share of adjustments by country and by type of measure, as well as the average level of total expenditure in percent of GDP based on calculations using only the original participant data, after the first adjustments, and the final dataset after adjustments one and two.

people. Certainly, this is not realistic. Hence, estimates based on participant data for other years or unemployment data should be expected to present a more accurate picture of public expenditure on active labour market policies for young people than only using those measure-years for which complete data on participants is available, and ignoring spending on those measures for which participant data is missing.

Indicators for absolute and relative spending

To ensure comparability across different levels of wealth, youth unemployment and population sizes between countries, absolute spending on active labour market policies for young people is measured in expenditure per unemployed person under the age of 25 in percent of GDP per capita.⁴ This measure, public expenditure on active labour market policies for young people per unemployed young person in percent of GDP per capita, is used for all hypotheses referring to absolute expenditure levels: to measure total spending on active labour market policies for young people (Hypotheses 1a and 2a) spending on all relevant Eurostat categories (1.1., 1.2.1., 1.2.3. and 2-7) is included. Spending on training measures (Hypotheses 1b and 2b) is estimated using expenditure on category 2, and spending on subsidies (Hypothesis 1c) is measured by spending on category 4. Absolute expenditure on jointly-produced measures (Hypothesis 1d) is calculated as the overall expenditure on measures which are implemented within firms: employment incentives (category 4), firm-based training, alternate training and special support for apprenticeships (categories 2.2-2.4).

The relative share of expenditure on jointly-produced measures (Hypothesis 1e) is calculated as the share of spending on jointly-produced measures out of total youth ALMP expenditure. The relative share of spending on training measures versus work experience measures (Hypothesis 2c) is calculated by subtracting total spending on work experience measures from total spending on training measures, and dividing the result by total youth ALMP expenditure. Work experience measures are thereby defined as employment incentives, and direct job creation measures (Eurostat categories 4 and 6) and training measures as all forms of training measures (Eurostat category 2). To test hypothesis 2d, spending on direct job creation measures (category 6) is subtracted from spending on institutional training (category 2.1), and the result is divided by total youth ALMP expenditure.⁵

⁴Most studies on active labour market policies use expenditure in percent of GDP and include the unemployment rate as a control variable in regression analysis (e.g. (Cronert 2018a; Vlandas 2013)). However, using the youth unemployment rate is problematic because it is very sensitive to the number of young people in education, i.e. outside the labour market (Dietrich 2012). To circumvent this problem, spending per unemployed young person is used instead.

⁵An alternative way of measuring relative expenditure on different types of measures would be the spending ratio, i.e. dividing expenditure on institutional training by expenditure on direct job creation measures. However, several countries do not use direct job creation measures at all. Calculating the spending ratio would therefore require dividing by zero which is of course mathematically not possible.

Overview on the dependent variables

Table 5.4 provides an overview of total spending on active labour market policies for different age groups across the 28 countries included in the analysis. Columns two to four from the left show the average level of public expenditure on active labour market policies per unemployed person in percent of per capita GDP on young people (15-24), older people (25 and older) and across all age groups. The last two columns show total spending on measures for younger and older people as a share of total spending on active labour market policies.

The data presented in table 5.4 underscores two of the central empirical puzzles outlined in the introduction: there is strong variation across countries in the level of public expenditure on active labour market policies for young people, and this variation follows a different pattern than variation in expenditure on measures for older people, or total ALMP expenditure. While Denmark, the Netherlands and Sweden spend the most on active labour market policies in total, Germany, France, Austria and Portugal spend the most on measures for young people. The relative level of spending on young and older unemployed people also varies. Some countries, notably Denmark, the Netherlands and Sweden spend much less on active labour market policies for young people than on policies for older people. These countries spend on average about three (Denmark) and four (Sweden, the Netherlands) times as much on active labour market policies for older people than for the young. Furthermore, measures for young people account for only a small share of active labour market policy expenditure in these countries, standing at between 9% and 12% of total spending. This, however, is the exception and not the norm. On average, European countries spend only slightly less on active labour market policies for each unemployed young person (12.4%) than for each older person (16.1%). Furthermore, expenditure on measures for young people on average accounts for 22% of countries' total spending on active labour market policies. In France, Austria, Portugal, Italy, Malta and the United Kingdom, spending on youth measures even accounts for more than 30% of total spending. These numbers show that active labour market policies for young people are a substantively important policy area, and, as argued in the literature review in chapter 2, indicates that learning more about what drives variation in the use of youth measures may help us better understand what drives variation spending on active labour market policies in general.

5 Quantitative analysis

Table 5.4: Average expenditure on different age groups per unemployed person in percent of GDP per capita by country (1998-2014)*

Country	Epx. per unemployed in % of per capita GDP			Share of total ALMP exp.	
	15-24	25 and older	Total	Share 15-24	Share 25 and older
Austria	32.4%	20.4%	23.2%	33%	67%
Belgium	14.4%	20.2%	18.8%	18%	82%
Bulgaria	5.5%	7.5%	7.1%	14%	86%
Cyprus	2.3%	6.2%	5.2%	12%	88%
Czech Republic	5.6%	5.3%	5.4%	21%	79%
Germany	43.0%	19.3%	22.6%	26%	74%
Denmark	24.1%	72.7%	59.1%	11%	89%
Estonia	2.3%	3.3%	3.1%	17%	83%
Greece	2.6%	3.6%	3.4%	15%	85%
Spain	8.2%	9.4%	9.1%	19%	81%
Finland	11.8%	23.5%	19.6%	20%	80%
France	33.3%	21.8%	24.4%	32%	68%
Croatia	3.9%	2.9%	3.1%	28%	72%
Hungary	14.0%	12.4%	12.7%	22%	78%
Ireland	15.1%	18.6%	17.4%	24%	76%
Italy	15.3%	10.7%	11.8%	31%	69%
Lithuania	5.8%	5.1%	5.2%	20%	80%
Luxembourg	14.8%	23.0%	21.2%	17%	83%
Latvia	2.9%	3.4%	3.3%	18%	82%
Malta	6.9%	5.7%	6.1%	38%	62%
Netherlands	16.4%	69.2%	52.6%	9%	91%
Poland	9.6%	10.5%	10.3%	23%	77%
Portugal	24.9%	9.0%	12.2%	41%	59%
Romania	2.0%	2.2%	2.1%	27%	73%
Sweden	12.8%	44.2%	34.1%	12%	88%
Slovenia	5.9%	8.3%	7.8%	15%	85%
Slovakia	3.9%	3.9%	3.9%	21%	79%
United Kingdom	8.2%	8.4%	8.3%	39%	61%
Unweighted average	14.2%	19.0%	17.3%	22%	78%

*Data availability by country: 1998-2014 (AT, DE, DK, EL, ES, FI, FR, IE, LU, NL, SE), 1999-2014 (PT), 2002-2014 (CZ), 2003-2014 (EE, HU, LT, LV, RO), 2004-2014 (BG, SK), 2005-2014 (PL, SL), 2006-2014 (CY), 2012-2014(HR), 2004-2010 (UK), 2000-2001; 2004-2014 (BE)

Source: own calculations based on Eurostat data

Table 5.5: Average values of dependent variables by country (1998-2014)*

Country	Epx. per young unemployed in % of per capita GDP				Share of total youth ALMP exp.						
	Training	Subsidies	JPM	JPM	Training	Subsidies	DJC	TR-WE	iTr	iTr-DJC	
Austria	25.1%	1.0%	9.9%	30%	77%	3%	5%	69%	50%	45%	
Belgium	6.5%	2.3%	3.0%	21%	45%	16%	6%	23%	41%	35%	
Bulgaria	0.9%	0.4%	0.8%	14%	16%	7%	54%	-45%	9%	-45%	
Cyprus	0.6%	0.8%	1.0%	41%	30%	32%	0%	-2%	20%	20%	
Czech Republic	0.4%	1.7%	1.8%	33%	8%	30%	11%	-33%	5%	-5%	
Germany	22.8%	1.9%	8.6%	19%	54%	4%	6%	44%	40%	34%	
Denmark	7.5%	5.4%	5.4%	20%	30%	20%	0%	10%	30%	30%	
Estonia	0.9%	0.2%	0.4%	14%	39%	8%	0%	31%	33%	33%	
Greece	0.7%	0.8%	1.2%	45%	28%	29%	0%	-1%	13%	12%	
Spain	3.4%	2.8%	4.8%	56%	44%	29%	10%	6%	17%	7%	
Finland	5.7%	1.2%	3.6%	31%	49%	10%	6%	33%	28%	22%	
France	16.4%	3.3%	13.7%	41%	50%	10%	23%	18%	19%	-4%	
Croatia	1.9%	0.7%	2.4%	61%	48%	19%	10%	19%	6%	-4%	
Hungary	1.9%	4.9%	4.9%	36%	15%	36%	36%	-57%	15%	-21%	
Ireland	11.9%	0.3%	7.3%	49%	79%	2%	3%	74%	32%	29%	
Italy	10.6%	3.1%	13.3%	86%	69%	21%	0%	47%	3%	3%	
Lithuania	2.4%	1.5%	4.0%	69%	40%	30%	9%	0%	0%	-9%	
Luxembourg	9.5%	2.7%	11.7%	77%	54%	26%	3%	25%	3%	0%	
Latvia	1.3%	1.0%	1.1%	33%	46%	33%	12%	2%	45%	34%	
Malta	0.8%	2.2%	2.5%	33%	12%	29%	2%	-19%	7%	6%	
Netherlands	5.2%	0.7%	4.4%	23%	28%	5%	1%	22%	11%	10%	
Poland	2.7%	4.3%	6.4%	66%	28%	43%	2%	-17%	6%	3%	
Portugal	15.1%	5.1%	14.0%	57%	63%	19%	1%	43%	25%	24%	
Romania	0.2%	1.0%	1.0%	49%	10%	49%	24%	-63%	10%	-13%	
Sweden	4.1%	4.5%	5.0%	38%	26%	35%	0%	-10%	24%	24%	
Slovenia	1.8%	1.1%	2.0%	32%	30%	17%	16%	-3%	15%	-1%	
Slovakia	0.1%	1.6%	1.6%	39%	2%	39%	6%	-43%	2%	-4%	
United Kingdom	0.5%	0.2%	0.2%	3%	7%	3%	10%	-6%	7%	-3%	
Unweighted average	5.7%	2.0%	4.9%	40%	37%	22%	9%	6%	18%	10%	

*Data availability by country: 1998-2014 (AT, DE, DK, EL, ES, FI, FR, IE, LU, NL, SE), 1999-2014 (PT), 2002-2014 (CZ), 2003-2014 (EE, HU, LT, LV, RO), 2004-2014 (BG, SK), 2005-2014 (PL, SL), 2006-2014 (CY), 2012-2014(HR), 2004-2010 (UK), 2000-2001; 2004-2014 (BE)

Source: own calculations based on Eurostat data.

Table 5.5 shows country averages for all other theoretically relevant forms of absolute and relative spending on active labour market policies for young people: absolute expenditure on training measures (H1b, H2b), subsidies (H1c) and jointly-produced measures (H1d), as well as spending as a share of total expenditure on jointly-produced measures (H1e), training measures minus work experience measures (Tr-WE) (H2c), and institutional training measures minus direct job creation measures (iTr-DJC) (H2d). In addition, table 5.5 shows the relative shares of spending on training, subsidies, direct job creation measures and institutional training for young people, the individual components based on which Tr-WE and iTr-DJC are calculated.

The data shows that, on average, per unemployed young person countries spend 5.7% of their per capita GDP on training measures. The biggest spenders are Austria and Germany, followed by France, Portugal, Ireland and Italy, which spend on average between 9% and 25%. On the other end of the spectrum, Slovakia, Romania and the Czech Republic spend less than 1% each. When it comes to Europe-wide spending on subsidies for young people, these are lower than training measures. On average, European countries spend 2.0% of per capita GDP per unemployed young person on this type of measure. The biggest spender is Denmark (5.4%), followed by Portugal, Hungary, Sweden and Poland. Germany and Austria, the biggest spenders on training measures, are situated midfield when it comes to subsidies, while the United Kingdom spends the least of all 28 countries on subsidies for young people (0.2%). Spending on jointly-produced measures for young people is higher than on subsidies, but lower than on training measures. The highest levels of average spending on this type of measure were recorded for Portugal (14.0%), France (13.7%), and Italy (13.3%). Germany spends on average more than most other European countries (8.6%) and Sweden about as much as the unweighted average across all 27 countries (5.0%). For the United Kingdom, spending on jointly-produced measures equals spending on subsidies (0.2%).

Turning to spending on specific types of measures as a share of total youth ALMP expenditure, we can see that European countries allocated on average 40% of their total spending to jointly-produced measures. However, there is significant variation between countries. On the lower end of the spectrum, the United Kingdom hardly used jointly-produced measures at all (2.8%). On the other end of the spectrum, Italy directed on average 86% of its entire active labour market policy expenditure for young people on jointly-produced measures. With respect to relative spending on training, and work experience measures (Tr-WE), the data shows that the countries included in the analysis spend more on training measures than on measures providing work experience (subsidies and direct job creation measures). On average, countries spend 9 percentage points more on training than on measures providing work experience. However, significant variation is also found here. Countries like Austria, Ireland and Germany spend more than half of their youth ALMP budget on training measures, but very little on subsidies or direct job creations programmes. In contrast, Sweden, as well as several Central and Eastern European states spend more on employment incentives and DJC measures than training. Consequently, the average values of Tr-WE ranges from +74% for Ireland to -63% for Romania. Similarly, spending on institutional training measures for young people is on average higher than spending on direct job creation measures, but there is significant

variation between countries. On the one end of the spectrum, Austria, Belgium and Germany spend one third or more of their total youth ALMP budget on institutional training programmes, but less than 10% on direct job creation measures. On the other extreme, spending on direct job creation measures accounts for a large share of total spending on active labour market policies for young people in Bulgaria and Hungary, while spending on institutional training measures accounts for very little. Consequently, the average values of iTr-DJC range from +45% (Austria) to -45% (Bulgaria).

5.1.2 First IV: Corporatist employer groups

After discussing the dependent variables, the chapter now turns to the first independent variable: the existence of corporatist employer groups. While this book mostly distinguishes between pluralist and corporatist employer groups, the nature of employer groups is not a dichotomous variable. Instead, employer groups can be more or less corporatist. To reflect this spectrum, this book uses two indicators: employer density, and Jahn's corporatism index (Jahn 2016).

Employer density reflects the share of companies which are members in an employer organisation. Higher employer density is interpreted as a sign of more corporatist employer groups, lower employer density as a sign of less corporatist, i.e. more pluralist groups. Employer density is an appropriate measure because, as described in the previous chapters, corporatist employer groups are expected to influence the use of active labour market policies for young people by influencing their members' preferences (*cognitive effects, political economic effects, skills insights & certification*), and by communicating their members' needs to policymakers (*skills insights & certification*). Therefore, a larger membership will allow employer groups to influence the preferences, or communicate the demands of more companies and, thereby, should be expected to have a stronger effect. Furthermore, a larger membership is likely to result in more widely applicable collective agreements, which are the basis for the *political economic effects* of corporatist employer groups. Employer density is therefore arguably the most valid indicator for measuring the effect of corporatist employers' organisations.⁶ The specific indicator used in this book is the share of wage and salary earners employed in firms organised in employers' organisations from the dataset collected by Jelle Visser (Visser 2015). Unfortunately, there is no complete data for all countries and years. However, for the years 1998-2014, data is available for at least one (Greece) or more years for all countries included in the

⁶In fact, Martin and Swank who developed the theory on the cognitive and political economic effect of corporatist employer groups acknowledged the usefulness of employer density as indicator for measuring the effect of corporatist employer groups on the use of active labour market policies. However, a lack of available data prevented them from using this indicator in their own analysis (C. J. Martin and Swank 2004, p.599). Instead, Martin and Swank used data on employer centralisation by Golden et. al., Layard, Nickel and Jackman and Hicks and Kenworthy (C. J. Martin and Swank 2004). Unfortunately, none of the datasets used in their study extends into the period under investigation by this book nor do those datasets cover all EU countries. Later work by the same authors uses an indicator developed by Golden et. al. (Golden, Lange, and Wallerstein 2009) which measures coordination among employers primarily with respect to wage negotiations. However, this indicator again is only available for 13 of the 28 EU countries and does not extend beyond the year 2005.

sample. Considering that the level of employer density can be assumed to change slowly (Jahn 2016), interpolation and extrapolation were used to replace missing values. The variable has a theoretical range from 0 to 100, and values are available for 341 observations. The smallest value for the observed data is 14 (Lithuania, 2010), the largest value is 100 (Austria, 1998-2014) (see also table A.10 in the appendix).

Another indicator which has been used to measure the effects of employers on the use of active labour market policies (Cronert 2018a), and for which data is available, is the corporatism index developed by (Jahn 2016). The index is based on eight variables measuring the structure, function and scope of corporatist arrangements (see table A.9 in the appendix). There are two issues involved in using Jahn's index, however. First, the index measures corporatism in general, not the organisational form of employer groups. Second, the index is mainly based on data on trade unions and only contains very limited information on employer groups. Hence, countries with pluralist employer groups may nevertheless reach a high value on Jahn's index if they have strong and centralised trade unions. As such, Jahn's index is arguably less valid a measure for the existence of corporatist employer groups than employer density. Nevertheless, while the index is not perfect, there are several arguments in favour of its use: it has been used before to study the effect of corporatist employer groups on the use of active labour market policies; it is highly correlated to earlier measures of corporatism and employer coordination; it contains up-to-date data; and it is available for all countries in the sample with the exception of Croatia (Jahn 2016, p.61). Therefore, Jahn's index is included in the analysis as a second indicator measuring the organisational form of employer groups. Following the practice of Jahn and Cronert, corporatism is understood as a slowly changing institutional arrangement (Cronert 2018a; Jahn 2016). Therefore, the five-year moving average of the index is used. Furthermore, the variable is standardised to facilitate its interpretation. The final indicator has a minimum value of -2.06 (United Kingdom, 2004) and a maximum value of +1.87 (Austria, 1998), and data is available for 338 observations. To account for the fact that Jahn's index primarily focusses on trade unions, an index on trade union strength in labour market matters is included as a control variable (see below). Hence, in the regression analyses possible effects of trade unions on the use of active labour market policies should generally be captured by the trade union index, while Jahn's index should reflect the effect of corporatism from the employer perspective.⁷

Lastly, one problem with using both Visser's data on employer density and Jahn's corporatism index for this study is that they do not necessarily reflect the strength of chambers of commerce or other intermediary organisations if they are not involved in wage negotiations. For example, the German chambers are explicitly excluded from wage negotiations, meaning that the strength of those organisations are not captured by

⁷An alternative option would be to recalculate Jahn's index and exclude all variables dealing only with trade unions, namely all variables measuring the organisational strength of trade unions and the rights of work councils. This has been done as a robustness test for all regression analyses. However, the bivariate correlation between the original indicator and the adjusted version is very high (0.94) and the results of the regression analyses very similar. Thus, for reasons of space only the results produced by Jahn's original index are presented here.

the measure of employer density nor by Jahn's index. This is problematic in so far as two of the three causal mechanisms through which employers' associations are theorised to influence the use of active labour market policies – *cognitive effects* and *skills insights & certification* – are not linked to the power to negotiate wages. In fact, as the German case study will show, the German chambers have used both mechanisms to influence the use of active labour market policies for young people. Unfortunately, we are not aware of other alternative statistical measures which could remedy this problem. Nevertheless, the exclusion of, in particular, the chambers in measuring the existence of corporatist employer groups is an important limitation which will be discussed in more detail in the final chapter of this book.

5.1.3 Second IV: Collective training systems

The second independent variable represents the size of collective training systems. This variable will be measured by three different indicators: OECD data on the share of upper-secondary education students in combined study programmes, an index on the degree of employer involvement in training systems developed by Marius Busemeyer and Raphaela Schlicht-Schmälzle (BSS), and most importantly, the share of companies participating in the provision of initial vocational education and training (IVET), on which data has been collected by Eurostat.

Similar to the effect of corporatist employer groups, the effects of collective training systems mostly work through the involvement of employers and young people in the training system: a higher number of companies participating in the training system and actively contributing to the updating of training curricula should make those curricula more representative of employers' skills needs, and thereby increase the *skills insights & certification* function of training systems. Similarly, the more companies engage in training, the more they are likely to demand higher spending on active labour market policies for young people to reduce training costs. Lastly, the number of companies and people participating in firm-based training should increase the preference of employers and employer groups for training over work-experience measures. Companies that train apprentices are likely to have the best understanding of the skills young people learn in firm-based training. Hence, these firms are likely to highly value qualifications. In addition, apprentices gain significant work experience during their training. Providing them with additional work experience after their training will only marginally increase their attractiveness from the perspective of companies looking to hire. Therefore, from the perspective of companies the more young people participate in firm-based training, the less need there is for work experience programmes for this target group. Hence, the more companies and young people are involved in firm-based training, the stronger should the preference of companies (and employer groups as their political representatives) for training over work experience be. Given the centrality of individual companies' involvement in firm-based training in the three mechanisms linking collective training systems and the use of active labour market policies for young people, the variable measuring the size of collective training systems should measure how many firms provide training and how strongly they are involved in development of curricula and the administration of

training.

The share of upper secondary education students in vocational training programmes combining school-based education and training in the workplace is the most widely used indicator to measure the involvement of employers in vocational education and training (Busemeyer and Schlicht-Schmälzle 2014; Estévez-Abe, Iversen, and Soskice 2001; Hall and Soskice 2001). Furthermore, this indicator is often used as a measure for the signalling value of educational degrees (Breen 2005; M. H. Wolbers 2007). One problem with this indicator, however, is that it lumps together training systems with very different levels of employer involvement.⁸ As a result, the OECD data has been criticised for not being “sufficiently fine-grained” and for omitting “qualitative differences in the institutional structure of VET systems” (Busemeyer and Schlicht-Schmälzle 2014, p.59). As a response to this, (Busemeyer and Schlicht-Schmälzle 2014) developed an indicator to differentiate training systems along the dimensions of employer involvement in VET, and public commitment to VET. The degree of employer involvement in their index is based on the responses from an expert survey carried out in 2011 on different aspects of the involvement of employers in the provision and administration of VET. The survey results were then weighted by an indicator partially based on the earlier mentioned data on the share of students in combined programmes.

Table 5.6: Indicators of employer involvement in VET – availability

	Countries	Years/Cases
Share of firms providing IVET (Eurostat)	All countries except IE	One value (2010) applied to all years 330 cases
BSS-index (employer involvement)	AT, BE, DE, DK, EL, FI, FR, IE, IT, LU, NL, SE, UK	One value (2011) applied to all years 182 cases
Students in combined programmes (OECD)	AT, BE, CZ, DE, DK, EE, EL, ES, FI, FR, HU, IE, IT, LT, LU, LV, NL, PL, PT, SE, SL, SK	Varying years* 248 cases

*See table A.2 in the Annex for details.

The BSS-index on employer involvement in VET represents a considerable improvement to the pure OECD data. However, the BSS-index is not issue-free. It has been estimated for only one year (2011), and is only available for 13 of the 28 countries in this book. Finally, a problem with both the BSS-index and the OECD data on the share of students in combined programmes is that neither measures how many firms are involved in the provision of IVET, which as argued above, is central for measuring

⁸The OECD definition of combined programmes is that less than 75% of the curriculum is presented in the school environment or through distance education (OECD 2014, p.310). This definition is wide enough to include both educational systems where only a quarter of teaching takes place in firms and collective training systems like the German dual system in which apprentices spend four out of five days at the workplace and training is financed and administered by firms and employer groups.

Table 5.7: Indicators of employer involvement in VET – Pairwise correlation

	Share of firms providing IVET (Eurostat)	BSS-index (employer involvement)	Students in combined programmes (OECD)
Share of firms providing IVET (Eurostat)	1.0000		
BSS-index (employer involvement)	0.9038	1.0000	
Students in combined programmes (OECD)	0.7117	0.9663	1.0000

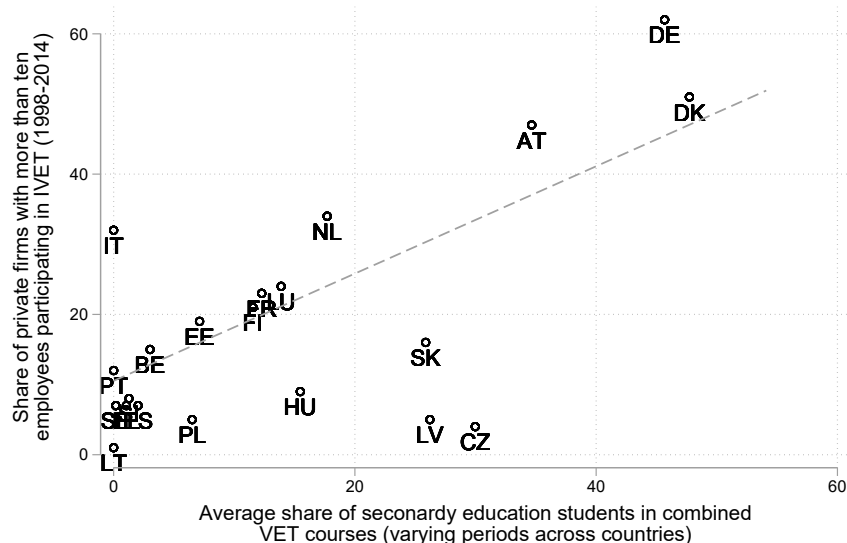
Source: see table A.7

the size of collective training systems from the perspective of the theory this chapter intends to test. For this reason, data from Eurostat’s Continuing Vocational Training Survey (CVTS) on the share of firms with more than ten employees participating in initial vocational training is used as a third, and arguably most valid of the three indicators to measure collective training systems used in this book. Another advantage of this indicator is that it provides comparable data for all EU countries, except Ireland. It has a disadvantage, however, in that there exists only one survey wave for the 1998 to 2014 period that produced reliable data⁹, namely 2010 (Eurostat 2017). Therefore, as with the BSS-index, no variation over time can be observed for the share of firms providing IVET. The fact that both the BSS-index and the data on the share of companies providing IVET is only available for a single year is unfortunate. However, while the provision of apprenticeships by employers is influenced by the state of the economy, as well as long-term technological trends, and the exhaustion of institutions (Busemeyer and Trampusch 2013; Katherine Thelen 2004, 2012; Katherine Thelen and Busemeyer 2011), differences between countries with and without collective training systems are arguably still more dominant than within-country differences. Therefore, for the BSS-index and the share of firms providing IVET, the single value available per country is used for all available years. The availability of data on each of the three indicators of employer involvement in VET (share of students in combined programmes, BSS-index, share of firms providing IVET) is shown in table 5.6.

The indicator measuring the share of firms with more than ten employees participating in IVET ranges from 1 (Lithuania) to 62 (Germany). The values of the BSS-index were standardised to facilitate the interpretation of the results. The values of the final indicator range from -1.13 (Greece) to +1.65 (Denmark), and the share of students in combined programmes from 0 for example in Italy, Portugal, Lithuania, and Sweden

⁹There have been three waves so far that included questions on initial vocational education and training: 2005, 2010 and 2015. However, the methodology was changed after the 2005 wave produced results deemed unreliable and the 2015 wave lies outside the scope of the analysis. Hence, only the 2010 wave is used.

Figure 5.1: Comparing indicators for the size of collective training systems



to 54.1 (Denmark in 2000).¹⁰ All three indicators are strongly correlated. As shown in table 5.7, the correlation between the BSS-index and the share of upper secondary education students in combined training programmes is very high, with a value of 0.9663. This comes as no surprise considering that the index is partially based on the OECD data. The correlation between the BSS-index and the Eurostat data is also very high, at 0.9038. This means that, at least for those countries for which the BSS-index is available, the Eurostat data on employer participation in IVET produces very similar results. Lastly, the correlation between the share of upper secondary education students in combined study programmes and the Eurostat data on employer involvement in IVET is still high at 0.7117, but lower than between the other two indicators. The scatter plot in figure 5.1, shows that much of the difference between these measures seems to be driven by three countries: the Czech Republic and Latvia, which report a high share of students in combined VET courses but a very low share of employers participating in IVET, and Italy, where the situation is reversed. Without these three countries, the correlation between the two indicators rises to 0.8843.

5.1.4 Control variables

Finally, to test the hypothesised relationships in a research design centred on the effect of specific variables (X-centred research design), it is important to control for the effect of possible confounders – factors simultaneously influencing the dependent variables

¹⁰Additional information is provided in the appendix. Country averages on all independent variables are shown in table A.10. Detailed data on the annual share of students in combined programmes is shown in table A.2.

(public expenditure on active labour market policies for young people), and influencing explanatory variables (the existence of corporatist employer groups and the size of collective training systems) (Morgan and Winship 2015).

One possible confounder is the political orientation of the parties in government, as measured on a left-right axis. As primary decision makers, parties in government determine the use of active labour market policies, and can also influence the organisational form of employer organisations (C. J. Martin and Swank 2012) and employer involvement in collective training systems (Busemeyer and Kathleen Thelen 2020; Busemeyer and Trampusch 2011). Hence, policymakers can simultaneously influence the dependent and the independent variable. Furthermore, it is conceivable that parties on the political left and right differ systematically in their preferences on these issues. For example, conservative parties may be less supportive of the establishment of highly-organised business groups and spending on active labour market policies. Hence, upon entering government, a conservative-leaning party may introduce legislation making it more difficult for employers to organise, and at the same time, they may reduce expenditure on active labour market policies for young people. Without controlling for the ideological orientation of the party (or parties) in government, a simultaneous reduction in corporatism and spending on active labour market policies for young people prompted by the actions of conservative policymakers could then erroneously be interpreted as the effect of declining corporatism on expenditure. To prevent this, the Schmidt Index on the political composition of government cabinets taken from the Comparative Political Dataset (Armingeon et al. 2016) is included as a control variable in all regression models. The index codes the political orientation of governments on a 5-point scale from 1 (Hegemony of right/centre parties) to 5 (Hegemony of left parties).

Another possible confounder with respect to the effects of collective training systems on spending on active labour market policies are corporatist employer groups. As outlined in hypothesis 1a and 1b and 2a and 2b, corporatist employer groups and collective training systems are both expected to increase total expenditure on active labour market policies for young people, as well as spending on training measures. At the same time, an increase in the organisational strength of employer groups can reduce the perceived collective action problems associated with training, and thereby induce more employers to provide firm-based training positions (Finegold and Soskice 1988; Hall and Soskice 2001). Therefore, an increase in coordination among employers could simultaneously lead to an increase in the number of firms and young people participating in firm-based training, as well as spending on active labour market policies. To control for this, a measure for the existence of corporatist employer groups is included in the regression analyses testing hypotheses 2a and 2b. To keep the number of regression tables to a manageable level, only employer density – the arguably more valid indicator – is included in the models shown in this chapter. Robustness tests using Jahn’s corporatism index instead of employer density are included in the appendix. These do not show substantially different results.

A third possible confounder regarding the effect of collective training systems on youth ALMP expenditure is deindustrialisation. Several studies have argued that the transition from an industrial economy to a service economy with increasingly demanding

qualifications puts pressure on collective training systems and reduces the number of apprenticeships offered, in particular to lower skilled young people (Jacob and Solga 2015; Kupfer 2010; Kathleen Thelen 2014). At the same time, the employment of an increasing share of the working population in the service economy has been described as one of the driving forces behind the expansion of active labour market policies (Bonoli 2013; C. J. Martin and Swank 2004). A shift in employment from manufacturing to the service sector could hence simultaneously decrease participation in collective training, and increase spending on active labour market policies. Therefore, all models using measures for collective training systems control for deindustrialisation measured by the share of the labour force employed in the service sector.

In addition, there is a more fundamental problem involved in testing the relationship between collective training systems and spending on active labour market policies per unemployed person when the size of collective training systems is measured using the annual number of apprentices or the number of firms participating in training: both variables are correlated with unemployment, but with different time-lags. Apprentices are counted as employees. Hence, the number of apprenticeship positions tends to be directly and negatively related to youth unemployment. Simply put, when the economic situation is bad, companies hire fewer apprentices and youth unemployment increases. Expenditure on active labour market policies too should be related to unemployment: when unemployment increases, policymakers should be expected to increase spending on active labour market policies. However, while the effect of a decrease in apprenticeship positions on youth unemployment is immediate, expenditure on active labour market policies should be expected to adapt only slowly to changes in unemployment levels because policymakers tend to need time to introduce new measures and authorise budgets. However, if unemployment levels increase, but expenditure remains constant, this will result in a decrease in the amount of expenditure per unemployed person. A short-term decrease (increase) in the number of apprentices may hence be a sign of a cyclical downturn (upswing), which influences youth ALMP expenditure through the level of unemployment, and may not be evidence for a long term institutional change in the collective training system. The confounder in this case is the economic situation, which influences both the hiring of apprentices by firms, and through its effect on unemployment, the level of spending on active labour market policies for young people. Therefore, the annual change in real GDP from the previous year is included as a control variable in models estimating the effect of collective training systems as measured by the share of students in combined programmes on total spending on active labour market policies for young people (hypothesis 2a), and on training measures for young people (hypothesis 2b). Furthermore, the effect of collective training systems on youth ALMP expenditure via the number of unemployed young people follows a different, purely mathematical mechanism, which is different from the mechanisms we are trying to test. Therefore, the annual change in percentage points in the youth unemployment ratio from the previous year is included as a control alongside changes in real GDP when the size of collective training systems is measured by the share of students in combined programmes.¹¹

¹¹Regression models using the share of firms participating in IVET or the BSS-index, in contrast, do

When the use of active labour market policies is measured by relative- instead of absolute spending on specific types of measures (hypotheses 1e, 2c and 2d), the number of possible confounders is lower. Neither the size of the service sector, the number of unemployed or the overall state of the economy are likely to simultaneously influence corporatism and the share of spending on jointly-produced measures. Similarly, while corporatist employer groups may influence spending on active labour market policies, as well as the propensity of firms to participate in collective training systems, there is no strong theoretical argument to explain why stronger coordination among employers would influence the choice between training and work experience measures, or institutional training and direct job creation measures and, if so, in which direction. Therefore, only the ideological orientation of governments will be used as a control variable in the regressions using relative spending measures as dependent variables.

Finally, as already mentioned during the discussion on measuring the existence of corporatist employer groups, the models using Jahn's corporatism index include a variable to measure union strength to control for the fact that the index measures not only the influence of employers, but also the organisational strength of unions. For this, an index based on union centralisation and union density based on the recommendation by Joshua Gordon is included in the analysis (Gordon 2015).¹²

5.2 Analysis

Having describing the variables, the chapters now turns to the testing of the nine hypotheses stated at the beginning of this chapter. First, the hypothesised relationships between corporatist employer groups and spending on active labour market policies for young people (Hypotheses 1a-1e) are analysed. Thereafter, the analysis turns to the hypothesised relationships between the size of collective training systems and public expenditure on active labour market policies for young people (Hypotheses 2a-2d). The analysis uses scatter plots, bivariate regressions and time-series cross-sectional (TSCS) analysis, which has been established as the standard quantitative method in the political economy literature on the determinants of spending on active labour market policies (Armingeon 2007; Cronert 2018b; Huo, Nelson, and Stephens 2008; Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013). In addition, the scatter plots are used to substantiate the selection of the three case studies – Germany, Sweden and the United Kingdom – for the qualitative analysis. The panel with the variables described in the previous

not include these additional control variables, because both variables are time invariant. In other words, they are not correlated with short term changes in youth unemployment.

¹²In the original indicator, Gordon further includes a value for the involvement of unions in the administration of unemployment benefits. This is based on the argument that unions which are involved in the payment of benefits gain more political profit from higher benefits than unions in countries where they do not have such an institutional role. Accordingly, 'Ghent' countries are assigned a value of 1, countries in which unions are somewhat involved in the employment service have a value of 0.5 and all others are scored at 0. This factor certainly makes sense for passive benefits, the involvement of unions in ALMPs is not directly clear. Therefore, this analysis uses an indicator based only on density and centralisation instead.

section contains data on 28 countries for a maximum period of 17 years and 341 country-years.¹³ The fact that data availability differs between countries means that the panel is unbalanced.

Pooled time-series cross-section analysis is subject to a number of complications (Podestà 2002). In particular, error terms tend to be correlated for individual countries from one year to the next. Wooldrige tests (not reported here) for the different regression models show that the null hypothesis of no auto-correlation cannot be rejected. According to Beck and Katz, serial correlation should be addressed by panel-corrected standard errors or the inclusion of a lagged dependent variable (Beck and Katz 1995, 1996). However, the inclusion of a lagged dependent variable can lead to flawed estimators, because OLS estimators are not consistent when errors are serially correlated (Plümper, Troeger, and Manow 2005; Podestà 2002). Therefore, we use Prais-Winston regressions with panel-corrected standard errors (PCSE). Another problem with pooled data is heterogeneity on the level of the dependent variable (Podestà 2002). This is also a problem regarding the data used here: variation in the level of spending on active labour market policies over time is small, while cross-country differences are substantial. This problem is addressed by also including random effects (RE) or fixed-effects (FE) models with country-robust standard errors (Podestà 2002). Where possible, RE models are used because they are more efficient and allow the inclusion of time-invariant independent variables, such as the BSS-index, and the share of firms participating in IVET. However, for some models using Jahn’s corporatism index or the share of students in combined programmes as explanatory variables, a test for over-identifying restrictions for panel data shows that fixed effects (FE) should be used instead of random effects.¹⁴ These cases are specifically mentioned in the text, and include FE models in addition to the RE models. Lastly, the differences in data availability for the three variables measuring collective training systems mean that the analyses using the different indicators are carried out for different samples. To ensure that the analysis is not biased by the inclusion or exclusion on specific country-years, each regression using the share of firms in IVET is repeated once for the smaller sample of country-years for which data is available for the BSS-index, and once for the country-years for which data is available on the share of students in combined programmes. Similarly, regressions using the share of students in combined programmes are repeated for the smaller sample of country-years for which data is also available for the BSS-index.

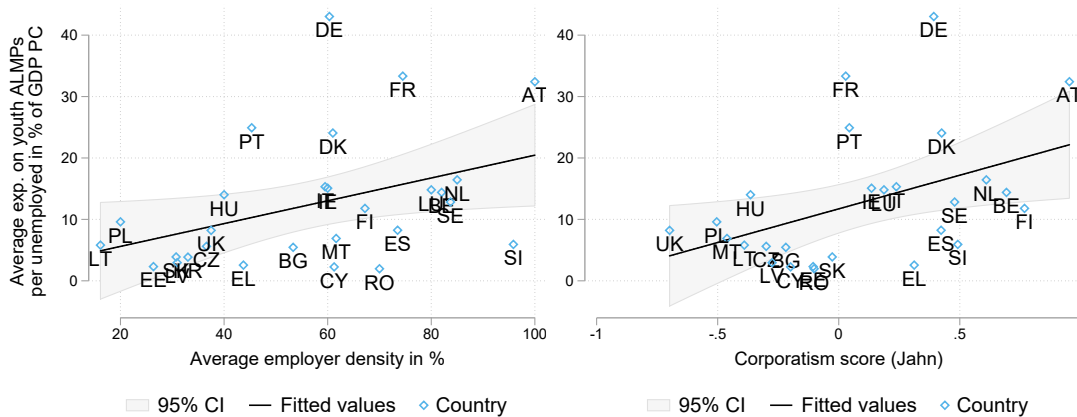
5.2.1 The effects of corporatist employer groups

Turning to the analysis, this first part will test hypotheses 1a to 1e – the effects of corporatist employer groups on the use of active labour market policies for young people.

¹³See table A.1 in the appendix for data availability by country.

¹⁴Usually Hausman tests are used to determine the appropriateness of FE and RE models (Hsiao 2003). The STATA-version of the Hausman test, however, does not work with the *xt-series* of commands used to calculate models with clustered standard errors. Therefore, the *xtoverid* command is used instead which calculates the Sargan-Hansen statistic which serves the same function as the Hausman test (Schaffer and Stillman 2006).

Figure 5.2: Corporatism and total youth ALMP expenditure (H1a)



H1a: Corporatist employer groups and youth ALMP expenditure

The scatter plots in figure 5.2 plot the average level of each country's total expenditure on active labour market policies for young people against the two indicators for corporatist employer groups: employer density, and Jahn's corporatism index. In line with hypothesis 1a, the trend lines in both plots slope from the bottom left to the upper right corner, showing a positive relationship between expenditure and the existence of corporatist employer groups. About half of the countries are located close to the plotted trend line and within a 95% confidence interval. This is also true for Sweden and the United Kingdom; the countries that will be used in the next chapters to analyse the effects of corporatist employer groups on the use of active labour market policies for young people in more detail using qualitative methods (see chapter 7 and 8). In line with hypothesis 1a, Sweden has well-organised employer groups and spends more than average on active labour market policies for young people. The United Kingdom, in contrast, is located in the lower left quadrants of the plots with low values on the two measures for corporatist employer groups, as well as low values of youth ALMP expenditure. Some other countries are located far away from the trend line. In particular, Germany, France and Portugal spent significantly more than other countries with similar values of employer density and on Jahn's corporatism index. On the other side of the trend line, Slovenia spent less on active labour market policies for young people than would be expected solely from the country's level of employer density and corporatism. The results of the bivariate OLS-regression analysis (see table A.12 in the appendix) show that both employer density and corporatism are strongly and positively related to spending on active labour market policy expenditure per unemployed young person. A one point increase in employer density is associated with a 0.24-point increase in spending on active labour market policies for young people per unemployed person in percent of per capita GDP. The adjusted R-squared shows that employer density can explain a

larger share of variation in spending (0.18) than Jahn's measure of corporatism (0.13).

The results of the TSCS-regression also support the hypothesised positive correlation between the existence of corporatist employer groups and public expenditure on active labour market policies for young people. Table 5.8 shows the regression output for the five TSCS-regression models used to test this hypothesis. Models 1 and 3, respectively, show the results of the PCSE-model and the RE-model for the analysis using employer density as an independent variable. Models 2 and 4 show the results for the same models using Jahn's corporatism index. Models 1 and 3 reveal a positive and significant association between employer density and expenditure in line with hypothesis 1a; an increase in employer density by one point is associated with a 0.21-point increase in spending on active labour market policies for young people in the PCSE model, and a 0.18-point increase in the RE-model. The effects are significant at the 1% and 5% level respectively. In contrast, the results for Jahn's index do not support the hypothesis 1a; while the coefficient for corporatism is positive but not significant in the PCSE model, it turns negative in the RE model. However, considering that employer density is regarded as the more appropriate indicator for measuring the existence of corporatist employer groups, the results are interpreted as support for hypothesis 1a.

Table 5.8: Corporatist employers and total youth ALMP expenditure (H1a)

	(1)	(2)	(3)	(4)
	PCSE	PCSE	RE	RE
Employer density	0.21*** (0.05)		0.18** (0.08)	
Corporatism (Jahn)		1.55 (1.18)		-2.10 (1.74)
Cabinet composition	0.36 (0.25)	0.39 (0.26)	1.06* (0.55)	1.02** (0.52)
Union index		2.14 (1.42)		6.46** (2.64)
Constant	-0.30 (2.18)	12.46*** (1.61)	-0.51 (4.11)	10.47*** (2.09)
Observations	340	337	340	337

Standard errors in parentheses

Models 1-2: Panel-corrected SEs; 3-4: Country-level cluster-robust SEs

* p<0.10, ** p<0.05, *** p<0.01

H1b: Corporatist employer groups and training expenditure

Figure 5.3 shows the average annual expenditure on training measures for young people plotted against employer density and Jahn's corporatism index. The plots show a clear upward trend indicating a positive correlation between the existence of corporatist employer groups and training expenditure, as stated in hypothesis 1b. The picture in

figure 5.3 is largely similar to figure 5.2; most countries are close to the trend line of fitted values. Sweden, the first country case that will be used to qualitatively analyse the mechanisms underlying hypothesis 1b, is located towards the upper right of the plot with higher than average levels of training expenditure for young people, while the United Kingdom, the second country selected for the qualitative analysis, is located in the bottom left quadrant. As in figure 5.2, Germany, France and Portugal, and in this instance also Austria, are located above the trend line.

The results of the bivariate OLS-regression (table A.12 in the appendix) show positive coefficients for both measures of 0.16 (employer density) and 3.44 (Jahn's corporatism index). These coefficients are slightly smaller than the coefficients for total expenditure, but the adjusted R-squares are slightly higher at 0.20 (employer density) and 0.18 (Jahn's index). The smaller coefficients indicate that the corporatist employer groups have a stronger effect on total expenditure on active labour market policies for young people than on training measures. The higher adjusted R-squares, in contrast, show that employer density and Jahn's corporatism index can explain more of the variation in training expenditure than variation in total expenditure on active labour market policies for young people. The results of the TSCS-analysis shown in table 5.9 also provide some evidence for a positive relationship between the existence of corporatist employer groups and spending on training measures for young people. The coefficient for employer density is positive and significant in both the PSCE and the RE-model. The coefficient for Jahn's index, in contrast, is positive but not significant in the PCSE model, and negative and not significant in both the random-effects, and an additional fixed-effects model.¹⁵ Again, considering that employer density is regarded as the more valid indicator to measure the existence of corporatist employer groups, the results are interpreted as support for hypothesis 1b.

H1c: Corporatist employer groups and expenditure on employment incentives

Turning to hypothesis 1c, the analysis provides no support for the expected positive relationship between the existence of corporatist employer groups and public expenditure on employment incentives for young people. The scatterplots in figure 5.4 plotting employer density and Jahn's corporatism index against spending on employment incentives for young people reveals no discernible pattern. Sweden and the United Kingdom behave as predicted by the theory. Sweden, located in the top right quadrant, shows high levels on both indicators measuring employer corporatism and comparatively high spending on subsidies for young people. The opposite is true for the United Kingdom, which is located in the bottom left quadrant, with low values for both the dependent and independent variables. However, a number of other countries behave differently than assumed by hypothesis 1c. In the top left quadrant, Poland, Hungary and Portugal are among the highest spenders on subsidies, despite having comparatively low levels of employer density and corporatism. In contrast, Austria, a country scoring amongst the highest on both measures for corporatist employer groups, spends very little on sub-

¹⁵The P-value of the Sargan-Hansen statistic is 0.0104 which suggests that the FE-model should be used.

Figure 5.3: Corporatism and training expenditure (H1b)

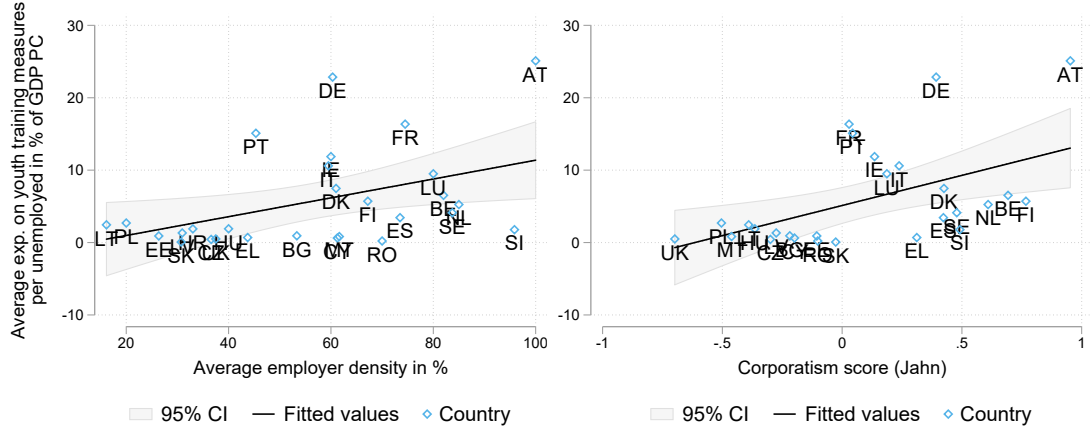


Table 5.9: Corporatist employers and training expenditure (H1b)

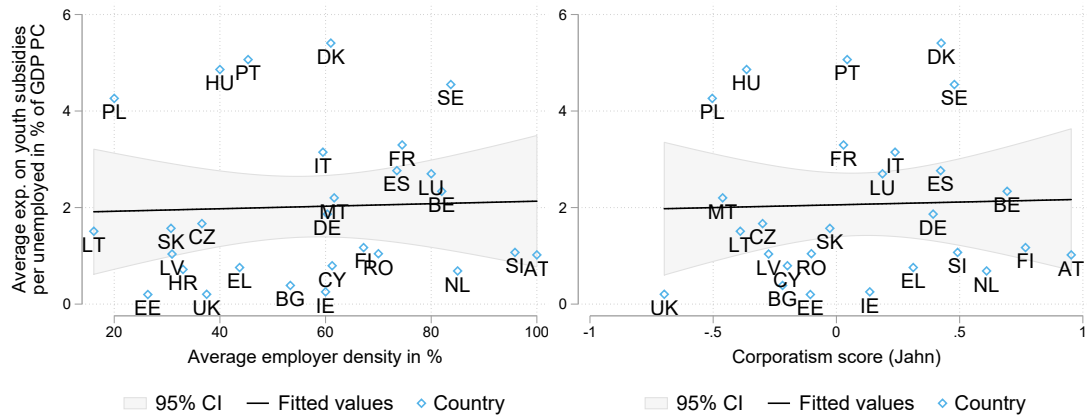
	(1)	(2)	(3)	(4)	(5)
	PCSE	PCSE	RE	RE	FE
Employer density	0.14*** (0.03)		0.09** (0.04)		
Corporatism (Jahn)		1.08* (0.65)		-1.53 (1.13)	-2.21 (1.31)
Cabinet composition	0.13 (0.13)	0.14 (0.13)	0.43 (0.32)	0.38 (0.30)	0.34 (0.29)
Union index		1.85** (0.74)		5.35** (2.10)	7.74** (3.66)
Constant	-2.03 (1.57)	6.13*** (0.82)	-0.23 (2.10)	5.26*** (1.63)	5.95*** (0.76)
Observations	340	337	340	337	337

Standard errors in parentheses

Models 1-2: Panel-corrected SEs; 3-5: Country-level cluster-robust SEs

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Figure 5.4: Corporatism and subsidy expenditure (H1c)



sidies for young people. Denmark, Italy, Germany and Ireland, in the middle of the left plot, show similar levels of employer density, but strongly diverging expenditure levels. Moreover, the line of fitted values is nearly flat for both measures for corporatism.

The results of the bivariate OLS-regressions (table A.12 in the appendix) also reveal no correlation. The coefficients for employer density and corporatism are 0.00 and -0.05 respectively, and the adjusted R-squares are negative for both models. Finally, the TSCS-analysis confirms the results shown in the scatter plots and the OLS-regression; none of the five regression models shows a significant effect. There are small differences in the effects of the two measures for employer corporatism; employer density shows negligible positive effect while Jahn's Corporatism index has a somewhat larger, but still very small negative effect. Therefore, hypothesis 1c is not supported.

H1d and H1e: Corporatist employer groups and jointly-produced measures

Turning to the use of jointly-produced measures for young people, the data does not support the predicted positive relationship between the existence of corporatist employer groups and spending on this type of measures, either in absolute (H1d) or relative (H1e) terms. Figures 5.5 and 5.6 respectively show expenditure on JPM per unemployed young person as a percent of GDP per capita, and as a share of total youth ALMP expenditure against the two indicators measuring the existence of corporatist employer groups. The trend line in figure 5.5 slopes upwards, indicating a positive relationship between corporatist employer groups and absolute spending. However, countries are widely distributed around the trend line. In line with hypothesis 1d, expenditure on jointly-produced measures in Sweden was higher than average, but very low in the United Kingdom. In Germany, the third country selected as a case study for the qualitative analysis, spending on this type of measure was higher than in Sweden, despite Germany having lower levels of corporatism. Other countries with higher than expected spending on jointly-

Table 5.10: Corporatist employers and employment incentive expenditure (H1c)

	(1)	(2)	(3)	(4)	(5)
	PCSE	PCSE	RE	RE	FE
Employer density	0.01 (0.01)		0.00 (0.01)		
Corporatism (Jahn)		-0.13 (0.25)		-0.17 (0.29)	-0.15 (0.36)
Cabinet composition	0.02 (0.07)	0.03 (0.07)	0.28** (0.11)	0.28*** (0.10)	0.27** (0.10)
Union index		0.39 (0.41)		0.58 (0.74)	1.45 (1.95)
Constant	1.63** (0.65)	2.01*** (0.28)	1.12 (0.90)	1.38*** (0.38)	1.45*** (0.26)
Observations	340	337	340	337	337

Standard errors in parentheses

Models 1-2: Panel-corrected SEs; 3-5: Country-level cluster-robust SEs

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

produced measures are Portugal, Italy, France and Luxembourg. Regarding the relationship between corporatist employer groups and the share of spending on jointly-produced measures out of all youth ALMP expenditure, the three countries selected for the qualitative analysis behave roughly in line with hypothesis 1e; Sweden, the country with the most corporatist employer groups, has the highest share of spending on jointly-produced measures among the three countries, and the United Kingdom, with the lowest levels of employer density and corporatism, has the lowest share. Germany is situated between Sweden and the United Kingdom with lower levels corporatism and relative spending on jointly-produced measures than Sweden and higher values than the United Kingdom. Overall, the trend lines in figure 5.6 are negative. Several countries with low levels of employer density and corporatism allocated a significantly higher share of their youth ALMP budget to jointly-produced measures. For instance, Lithuania and Poland, in the top left quadrant, have very low values on the variables measuring the existence of corporatist employer groups, but spend more than 60% of their total youth ALMP budget on jointly-produced measures.

The bivariate OLS-regressions show small positive coefficients for the effect of employer density and Jahn's corporatism index on absolute spending on jointly-produced measures. The coefficients for the effect on relative spending on jointly-produced measures are larger and negative. The adjusted R-squared statistics are small for absolute spending (0.09 and 0.03), and close to zero for relative spending (see table A.13). The results of the TSCS-analysis are shown in tables 5.11 and 5.12. The first table reveals a positive coefficient for employer density, which is significant in the PCSE model, but not in the RE model. The coefficient for the Jahn's corporatism index is positive but not significant in the PCSE model, and turns negative in the RE model. An additional

Figure 5.5: Corporatism and expenditure on JPM (H1d)

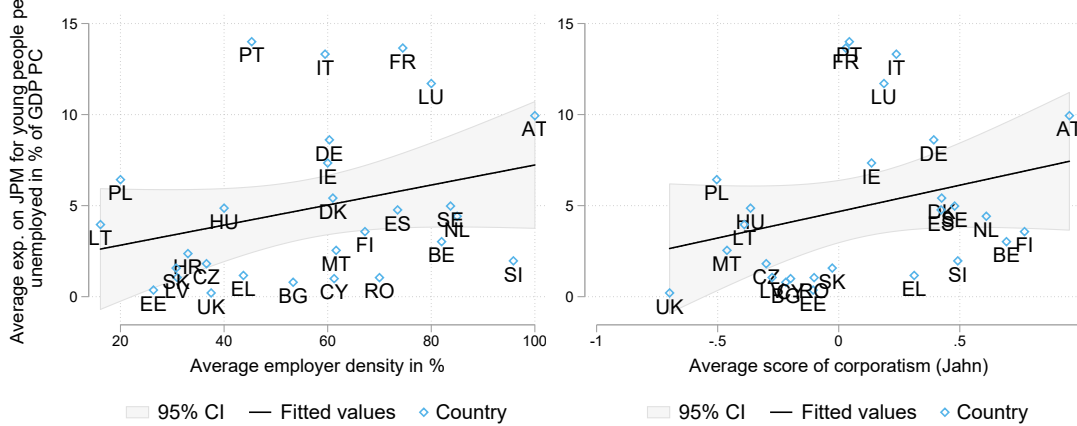
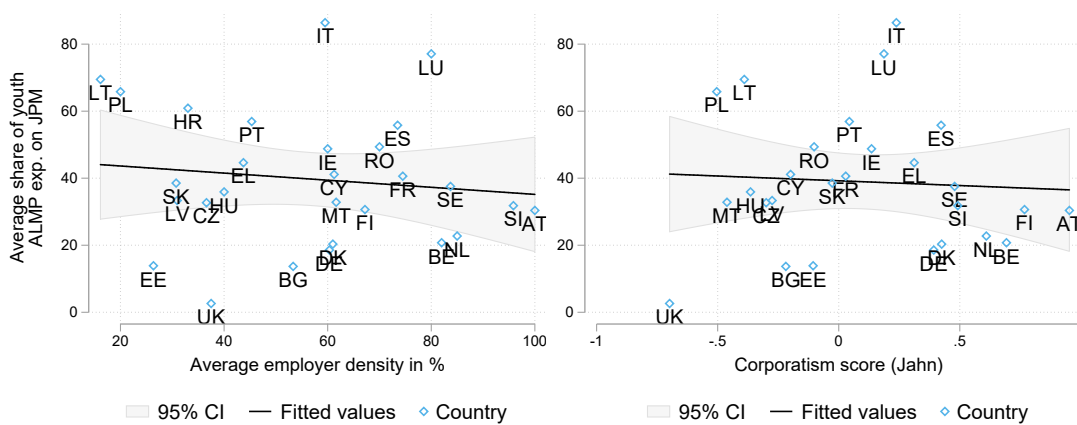


Figure 5.6: Corporatism and the share of spending on JPM (H1e)



fixed-effects model¹⁶ shows an even stronger negative effect, which is significant at the $p < 0.1$ threshold. Based on these results, hypothesis 1d is not supported. The same is true for hypothesis 1e. The coefficients for the indicator measuring the existence of corporatist employer groups all four regression models shown in 5.12 are negative. In other words, they point in the opposite direction of that assumed by hypothesis 1e. Therefore, this hypothesis is not supported either.

¹⁶The P-value of the Sargan-Hansen statistic for the model 4 is 0.0298 which suggests that the FE-model should be used.

Table 5.11: Corporatist employers and expenditure on JPM (H1d)

	(1)	(2)	(3)	(4)	(5)
	PCSE	PCSE	RE	RE	FE
Employer density	0.07*** (0.02)		0.06 (0.03)		
Corporatism (Jahn)		0.74 (0.48)		-1.15 (0.85)	-1.81* (1.03)
Cabinet composition	0.03 (0.12)	0.04 (0.13)	0.35 (0.24)	0.32 (0.22)	0.27 (0.22)
Union index		0.10 (0.65)		3.11** (1.48)	6.88** (2.90)
Constant	1.11 (1.14)	5.15*** (0.63)	0.87 (1.79)	4.28*** (1.27)	4.64*** (0.56)
Observations	340	337	340	337	337

Standard errors in parentheses

Models 1-2: Panel-corrected SEs. Models 3-5: Country-level cluster-robust SEs

* p<0.10, ** p<0.05, *** p<0.01

Table 5.12: Corporatist employers and exp. share on JPM (H1e)

	(1)	(2)	(3)	(4)
	PCSE	PCSE	RE	RE
Employer density	-0.11 (0.09)		-0.08 (0.16)	
Corporatism (Jahn)		-0.77 (2.98)		-1.96 (2.36)
Cabinet composition	-0.85 (0.72)	-0.92 (0.72)	0.43 (0.71)	0.35 (0.73)
Union index		-3.36 (3.05)		0.75 (5.95)
Constant	48.26*** (6.84)	41.70*** (3.39)	42.83*** (9.43)	37.87*** (4.63)
Observations	340	337	340	337

Standard errors in parentheses

Models 1-2: Panel-corrected SEs. Models 3-4: Country-level cluster-robust SEs

* p<0.10, ** p<0.05, *** p<0.01

5.2.2 The effects of collective training systems

The analysis now turns to the effects of collective training systems on the use of active labour market policies for young people, i.e. hypotheses 2a to 2d.

H2a: CTS and total youth ALMP expenditure

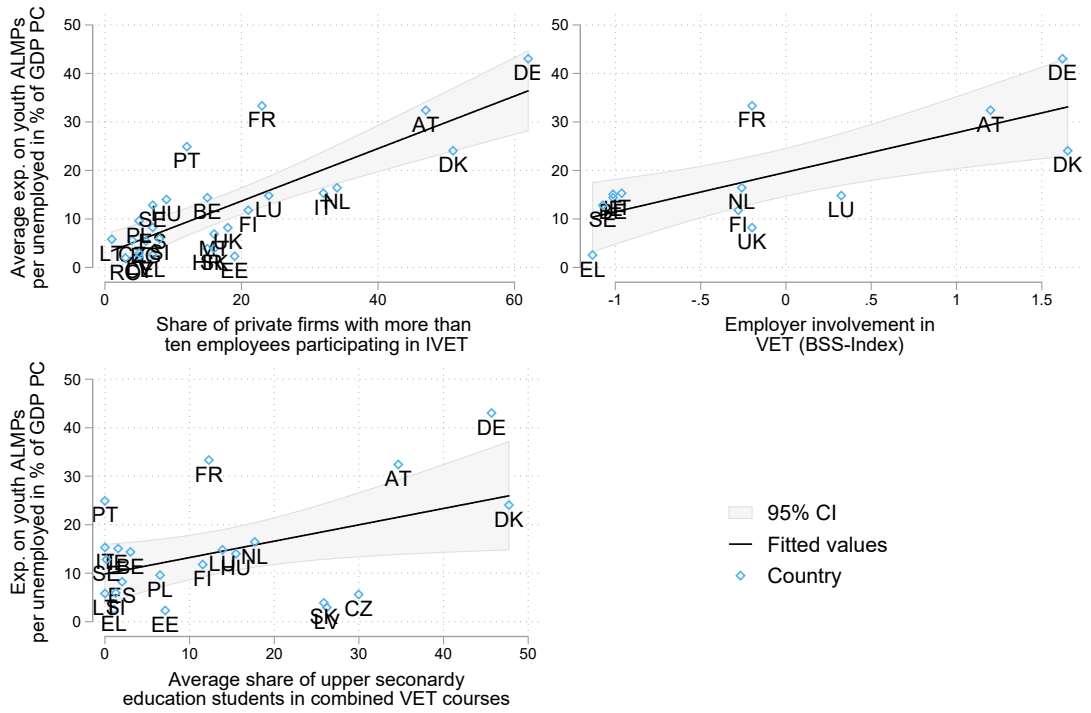
The plots in figure 5.7 show average total spending on active labour market policies for young people plotted against the three variables measuring collective training systems: the share of firms providing IVET, the BSS-index, and the share of upper secondary education students in VET programmes combining school-based and workplace-based education. In line with hypothesis 2a, a clear positive association between the size of collective training systems and expenditure on active labour market policies for young people can be observed across all three plots. A majority of countries, including the two countries selected for qualitative investigation of the mechanisms underlying hypothesis 2a, the United Kingdom and Germany, are located close to the trend line. The United Kingdom is found among a cluster of countries located in the lower left quadrant. In contrast, Germany, together with Austria and Denmark, is located in the top right quadrant. As in figure 5.2, France and Portugal are outliers located significantly above the trend line. In other words, both countries spent more on active labour market policies for young people than would be expected from the size of their collective training systems.

The coefficients and the adjusted R-squared for the bivariate OLS-regressions (table A.14 in the appendix) provide strong support for hypothesis 2a; a one-point increase in the share of firms providing IVET is associated with a 0.54-point increase in spending on active labour market policies for young people. Put differently, an increase by one standard deviation in the share of employers providing IVET is associated with a 9.1-point increase in spending. The coefficients for the BSS-index and the share of students in combined programmes are 8.17 and 0.39 respectively. These coefficients are substantially larger than the coefficients of the variables measuring the existence of corporatist employer groups shown in table A.12. Similarly, the adjusted R-squared values for the collective training system variables are significantly higher. According to this measure, the share of upper secondary education students in combined programmes explains 24.3% of the variation in expenditure, the BSS-index on employer involvement explains 39.3%, and the share of companies involved in the provision of IVET explains a total of 52.5% of the variation. In other words, the indicators to measure the size of collective training systems can explain significantly more of the variation in spending on active labour market policies for young people than employer density or Jahn's corporatism index.

The results of the TSCS-analysis shown in table 5.13 also strongly support hypothesis 2a; the coefficients for all three variables measuring the size of collective training systems are positive, and for firm-based training and the BSS-index on employer involvement, highly significant. The coefficient for the share of upper secondary education students in combined programmes is significant in the PCSE model, but not in the random effects model. In an additional FE model¹⁷, the size of the coefficient is positive, but not

¹⁷The P-value of the Sargan-Hansen statistic for model 6 is 0.046 suggesting a FE-model should be used.

Figure 5.7: Collective training systems and total youth ALMP expenditure (H2a)



significant. The coefficients for the first two indicators are large, albeit slightly smaller than in the OLS-regression with a value of 0.48 for the share of firms providing IVET and 7.43 for the BSS-index. Robustness tests reported in the appendix (tables A.16 and A.17) confirm these results. Replacing employer density with Jahn's corporatism index as a control variable slightly increases the size of the coefficients in all models. When the analysis using the share of firms in IVET is repeated for smaller samples, the results remain similar. When the regressions using the share of students in combined programmes is repeated for only those country-years for which data is also available for the BSS-index, the size of the coefficients increases, and the coefficient of the RE-model also becomes significant. In sum, these results provide very strong and robust evidence supporting hypothesis 2a.

Table 5.13: CTS and total expenditure on ALMPs for young people (H2a)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	PCSE	PCSE	RE	RE	RE	FE
Firms prov. IVET	0.48*** (0.09)			0.58*** (0.08)			
BSS-index		7.46*** (1.67)			6.96*** (1.87)		
Stud. in comb. prog.			0.13*** (0.05)			0.17 (0.14)	0.08 (0.12)
Employer density	0.10*** (0.02)	0.16*** (0.06)	0.17*** (0.05)	0.12* (0.07)	0.34*** (0.13)	0.23 (0.14)	0.13 (0.18)
Cabinet composition	0.44* (0.26)	0.82* (0.45)	0.91*** (0.32)	0.99* (0.53)	1.38* (0.78)	1.14* (0.68)	1.08 (0.67)
Service sector	-0.05 (0.06)	-0.48* (0.28)	0.13 (0.17)	-0.38* (0.20)	-1.26** (0.53)	-0.48 (0.34)	-0.81** (0.36)
△ YU ratio			-0.95*** (0.19)			-0.93*** (0.28)	-0.98*** (0.29)
△ GDP			-0.05 (0.11)			-0.26* (0.14)	-0.32** (0.13)
Constant	0.51 (3.80)	42.01** (18.55)	-8.89 (10.57)	18.29 (11.58)	86.30** (37.88)	29.40 (18.09)	62.04** (24.05)
Observations	329	181	247	329	181	247	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 3-7: Country-level cluster-robust SEs

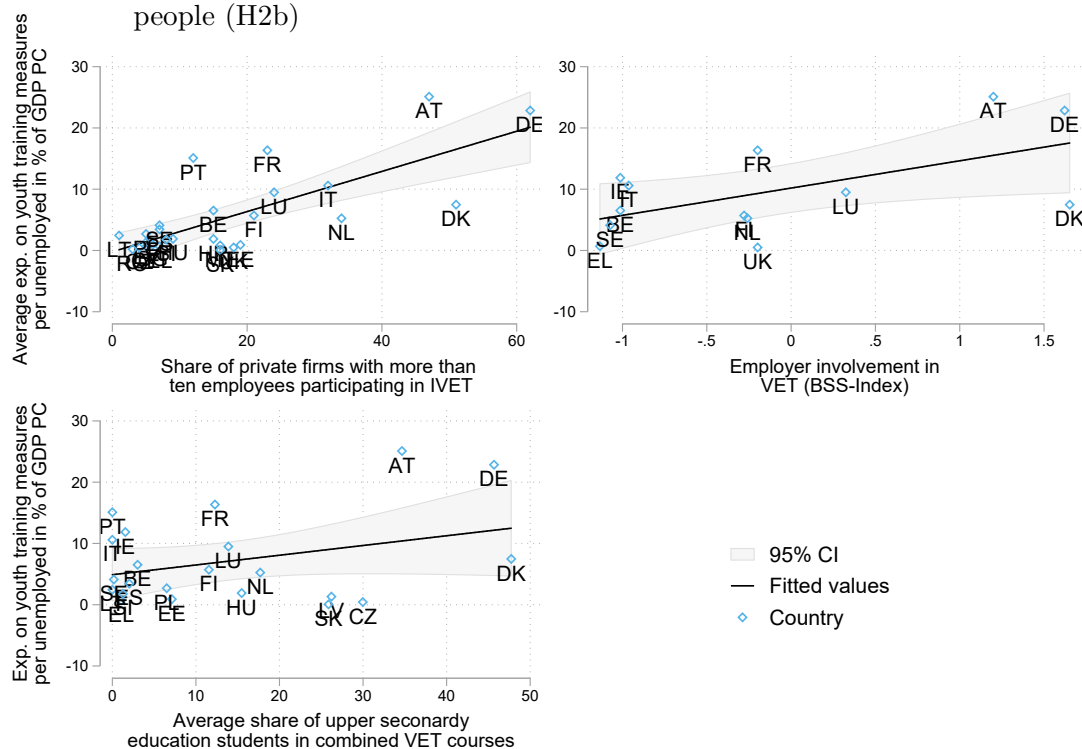
* p<0.10, ** p<0.05, *** p<0.01

H2b: CTS and training expenditure

Turning to hypothesis 2b, the predicted positive correlation between the size of collective training systems and public expenditure on training ALMPs for young people, the

5 Quantitative analysis

Figure 5.8: Collective training systems and spending on training measures for young people (H2b)



results look similar. All three scatterplots in figure 5.8 show upward sloping trend lines. As in the plots in figure 5.7, the majority of countries, including the United Kingdom have low values for the dependent and independent variables, and are clustered in the bottom left quadrant. In contrast, Germany and Austria are located in the top right quadrant, showing high levels of training expenditure and high values on all three indicators measuring the size of collective training systems. The results of the bivariate OLS-regressions (table A.14 in the appendix) show that the association between collective training systems and spending on training ALMPs is weaker than the association with total spending on active labour market policies for young people. The coefficients are positive, but are between about 30% and 50% smaller. The adjusted r-squares are also slightly smaller than for total youth ALMP expenditure, but remain comparatively large: 0.48 for the share of firms in IVET, 0.30 for the BSS-index, and 0.14 for the share of students in combined programmes.

The results of the TSCS-analysis presented in table 5.14 show positive and significant coefficients for two of the three measures for collective training systems. The coefficients for employer involvement in IVET, and the BSS-index on employer involvement in collective training systems, are both positive and significant across all models. A one-point increase in employer involvement in IVET is associated with an increase in public ex-

Table 5.14: CTS and training expenditure (H2b)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	PCSE	PCSE	RE	RE	RE	FE
Firms prov. IVET	0.29*** (0.06)			0.38*** (0.06)			
BSS-index		3.58** (1.45)			3.79*** (1.25)		
Stud. in comb. prog.			0.03 (0.02)			0.06 (0.07)	0.02 (0.06)
Employer density	0.09*** (0.02)	0.17*** (0.04)	0.12*** (0.04)	0.05 (0.04)	0.20*** (0.07)	0.12 (0.09)	0.04 (0.07)
Cabinet composition	0.13 (0.14)	0.31 (0.23)	0.37** (0.15)	0.36 (0.32)	0.44 (0.51)	0.43 (0.44)	0.41 (0.44)
Service sector	-0.09** (0.04)	-0.60*** (0.19)	-0.05 (0.12)	-0.28** (0.12)	-0.82** (0.34)	-0.43* (0.22)	-0.60** (0.25)
Δ YU ratio			-0.58*** (0.11)			-0.67*** (0.21)	-0.70*** (0.21)
Δ GDP			-0.06 (0.06)			-0.19** (0.08)	-0.22*** (0.07)
Constant	1.63 (2.51)	42.71*** (12.96)	1.54 (7.64)	14.15* (8.17)	56.29** (25.78)	27.93** (13.96)	47.25** (18.26)
Observations	329	181	247	329	181	247	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 3-7: Country-level cluster-robust SEs.

* p<0.10, ** p<0.05, *** p<0.01

penditure on training measures for young people by between 0.29 and 0.38 percentage points of per capita GDP per unemployed young person. For the BSS-index, the increase is between 3.58 and 3.79 percentage points. The coefficients for the share of students in combined programmes are also positive, but small and not significant. The results remain robust when the analysis is repeated with Jahn's corporatism index instead of employer density, or with smaller samples (see tables A.18 and A.19 in the appendix). In sum, the positive and significant effects of two of the three indicators measuring the size of collective training systems on spending on training measures for young people are interpreted as support for hypothesis 2b.

Another interesting finding is that, as with the bivariate OLS-regression, the coefficients shown in table 5.14 are smaller than the coefficients for the effect of collective training systems on total youth ALMP expenditure shown in table 5.13. This indicates that the existence of collective training systems also leads to higher spending on active labour market policies for young people for programmes other than training measures. In other words, collective training systems may influence the use of active labour market policies for young people in more ways than foreseen by the theory developed in chapter 3.

H2c: CTS and the choice between training and work experience

Regarding the effect of collective training systems and the choice between training measures and measures providing work experience, the results are more mixed. Figure 5.9 shows the spending on training measures minus spending on work experience measures as share of total youth ALMP expenditure, plotted against the three indicators measuring the size of collective training systems. The scatterplot using the share of firms participating in IVET, the arguably most valid indicator for the size of collective training systems, seems to confirm hypothesis 2c. The plot's trend line slopes upwards, indicating that countries with larger collective training systems spend relatively more on training measures than on measures providing work experience. In particular, Germany and Austria, located in the top right quadrant, spend much more on training. The United Kingdom spends about the same on both types of measures, Sweden, located in the bottom left quadrant, relies more on work experience measures than training. The results in the other two plots, however, are different. The trend line in the plot using the BSS-index is only marginally positive, the line in the plot using the share of secondary education students in combined programmes is marginally negative.

The mixed results are also reflected in the bivariate OLS-regression (table A.15 in the appendix) and the TSCS-analysis (table 5.15). The coefficient for employer involvement in IVET in the OLS-regression is, at 1.27, more than twice as large as in any of the previous regression models. The coefficient for the BSS-index and the share of students in combined programmes, in contrast, are smaller. Similarly, the adjusted R-square of the model using the share of firms providing IVET is high, at 0.30, but low for the BSS-index (0.05), and negative for the share of students in combined programmes. Similarly, the regression coefficients for the share of firms participating in IVET is large, positive and significant in the TSCS-analysis. Controlling for possible confounders, the

Table 5.15: CTS and exp. share on training - work-experience measures (H2c)

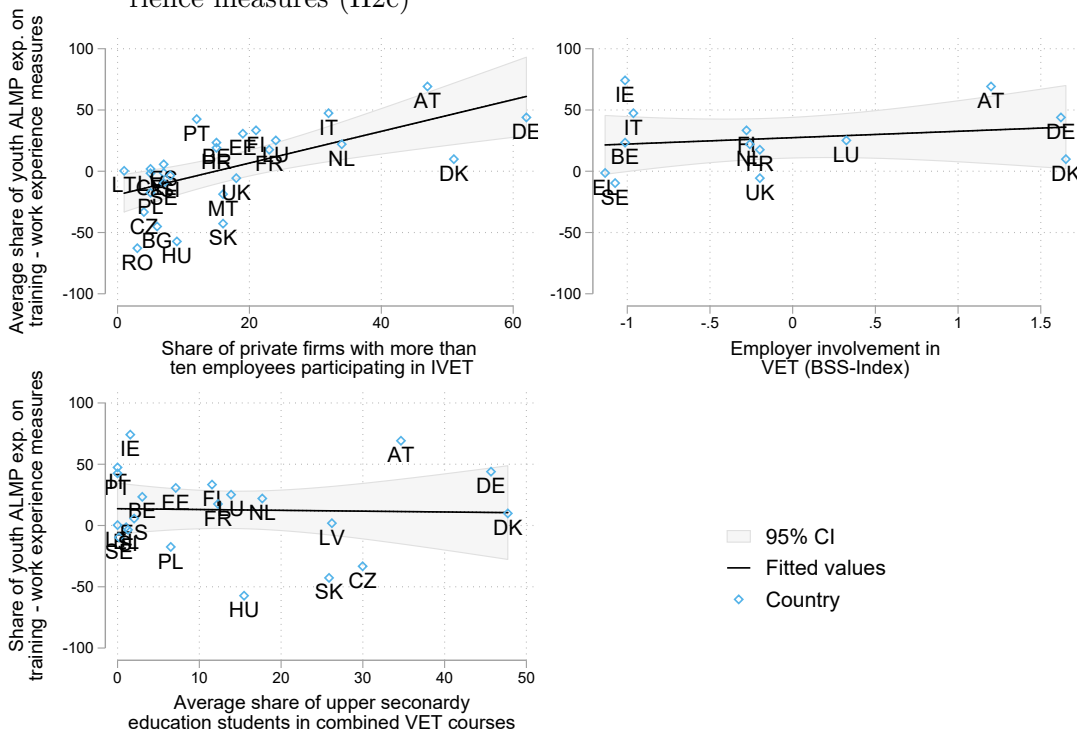
	(1)	(2)	(3)	(4)	(5)	(6)
	PCSE	PCSE	PCSE	RE	RE	RE
Firms prov. IVET	1.26*** (0.17)			1.29*** (0.33)		
BSS-index		5.43 (3.95)			5.30 (7.78)	
Stud. in comb. prog.			0.20 (0.15)			0.04 (0.25)
Cabinet composition	-1.80 (1.10)	-1.20 (1.06)	-1.72 (1.16)	-1.67 (1.74)	-1.46 (2.37)	-1.63 (2.07)
Constant	-12.31* (7.44)	31.79*** (5.15)	16.53*** (5.44)	-14.39 (10.16)	31.65*** (9.80)	16.02 (10.84)
Observations	329	181	247	329	181	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 4-6: Country-level cluster-robust SEs.

* p<0.10, ** p<0.05, *** p<0.01

Figure 5.9: Collective training systems and expenditure shares on training - work experience measures (H2c)



coefficient is 1.26 in the PCSE model and 1.29 in the RE-model. In other words, a one-point increase in the share of firms participating in IVET is associated with more than a 1.2-point increase in the share of expenditure on training measures minus the share of spending on work experience measures, i.e., employment incentives and DJC measures. The coefficients for the other two variables for collective training systems are also positive, but much smaller in size and not statistically significant. The results vary little across different samples. The coefficient for firm-based training is smaller for some samples, but remains positive and highly significant. The coefficient for the share of students in combined programmes is close to zero or negative, but not significant (see table A.20 in the appendix).

Considering that the share of firms participating in the provision of IVET is regarded as the most valid indicator, the combined results are interpreted as evidence – albeit less robust than the results regarding hypotheses 2a and 2b – supporting hypothesis 2c.

H2d: CTS and the choice between institutional training and DJC measures

Finally, is there a positive relationship between the size of collective training systems and the share of spending on institutional training measures relative to direct job creation measures for young people? The plots in figure 5.10 support this hypothesis. The trend line in all three plots slopes upwards, indicating that countries with large collective training systems allocate a larger share of their youth ALMP budget to institutional training measures than to direct job creation programmes. The top right quadrant is populated by Austria, Germany and Denmark. In the bottom left quadrant, we find Romania, Hungary and Bulgaria. These three countries score low on the indicators measuring the size of collective training systems and spend a substantial share of their youth ALMP budget on direct job creation measures. The United Kingdom, which, along with Germany, will be used as a case study to qualitatively analyse the causal mechanisms underlying hypothesis 2d, is located close to the line, and spends about equal shares of its total youth ALMP expenditure on institutional training and direct job creation measures.

The results of the bivariate OLS-regressions and the TSCS-analysis in tables A.15 (appendix) and 5.16 also provide support for hypothesis 2d. The coefficients for the bivariate regressions are large and positive for all three indicators, and the adjusted R-square varies between 0.2 for firm involvement in IVET to 0.5 for the share of students in combined programmes. In the TSCS-analysis, the regression coefficients for the first two indicators measuring collective training systems are positive and significant across all models. The coefficients for the share of upper secondary students in combined programmes in the PCSE and in the RE-model are positive, but small and not significant. In an additional FE-model¹⁸, the coefficient becomes negative, but remains insignificant. Repeating the analysis with adjusted samples does not significantly alter the results (see table A.21 in the appendix).

¹⁸The P-value of the Sargan-Hansen statistics for model 6 is 0.0181 which suggests that the FE-model should be used.

Figure 5.10: Collective training systems and expenditure shares on inst. training - DJC measures (H2d)

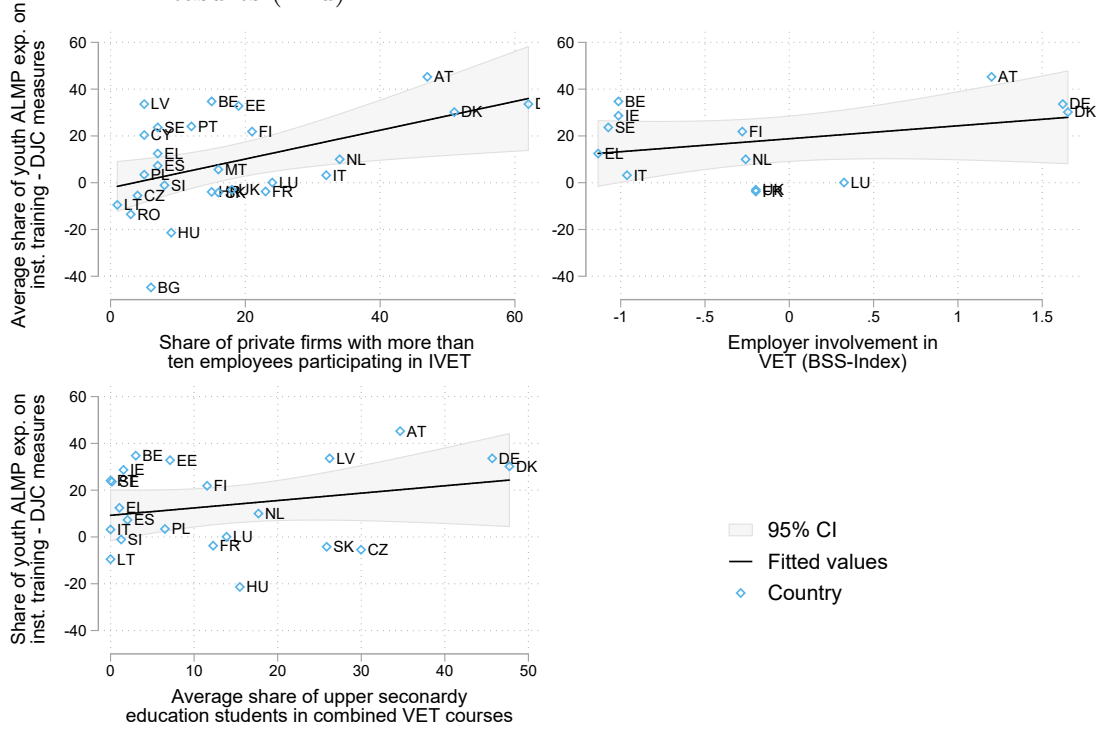


Table 5.16: CTS and exp. share on inst. training - DJC measures (H2d)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	PCSE	PCSE	RE	RE	RE	FE
Firms prov. IVET	0.60*** (0.12)			0.62*** (0.17)			
BSS-index		5.13** (2.27)			5.60* (3.40)		
Stud. in comb. prog.			0.11 (0.11)			0.02 (0.16)	-0.07 (0.22)
Cabinet composition	-0.84 (0.52)	-0.64 (0.58)	-0.52 (0.56)	0.43 (1.44)	-0.84 (2.00)	0.46 (1.79)	0.60 (1.83)
Constant	0.47 (4.95)	21.08*** (2.45)	14.58*** (3.40)	-3.17 (6.84)	21.38*** (5.31)	12.57** (5.86)	14.44** (5.40)
Observations	329	181	247	329	181	247	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 4-7: Country-level cluster-robust SEs.

* p<0.10, ** p<0.05, *** p<0.01

In sum, the positive and significant effects of two out of the three measures for the size of collective training systems are interpreted as support for hypothesis 2d.

5.3 Conclusion

This chapter set out to quantify variation in the use of active labour market policies for young people, and to test the macro-level implications of the employer-centred theory developed in chapter 3. To this end, this chapter presented a novel way of disaggregating expenditure on active labour market policies by age groups, based on the age of participants in individual measures or, where this data was missing, based on the age distribution of unemployed population. The disaggregated data shows that variation in the use of active labour market policies targeted at younger or older people displays different patterns, suggesting that different factors drive spending on expenditure on the two age groups. Furthermore, the data shows that spending on measures for young people accounts for a substantial share of the active labour market policy budget in most European countries. On average, European countries allocate about one fifth of their total spending on active labour market policies to measures targeting young people. Both findings reaffirm the argument that studying active labour market policies for young people as a separate policy area is a worthwhile undertaking.

After describing the use of active labour market policies for different age groups across countries, the chapter turned to testing the nine hypotheses derived from the theory. To this end, descriptive statistics, bivariate OLS-regression and TSCS-analyses were used. The results of the analysis provide some support for hypotheses 1a and 1b – the positive relationship between the existence of corporatist employer groups and public expenditure on active labour market policies for young people, as well as training measures for young people. In contrast, no support was found regarding the hypothesised positive relationship between corporatist employer groups and spending on subsidies for young people (H1c), jointly-produced measures for young people (H1d), and the relative share of spending on jointly-produced measures (H1e). With respect to the predicted relationships between the size of collective training systems and the use of active labour market policies for young people, all four hypotheses were supported, albeit to different degrees. The analysis found strong and robust support for the hypothesised positive relationship between the size of collective training systems and total spending on active labour market policies for young people (H2a), as well as on training measures for young people (H2b). Regarding the relationship between collective training systems and the relative use of training measures, and measures providing work experience, the analysis found weaker, but still sufficient evidence to conclude that hypothesis 2c is supported. Lastly, the analysis showed robust support for hypothesis 2d – the positive relationship between collective training systems and the use of institutional training measures relative to direct job creation measures.

In addition, scatterplots were used to substantiate the selection of case studies for the qualitative analysis. The plots showed that Germany is a well-predicted case for a country with a strong collective training system. The case is therefore well-suited

Table 5.17: Results of the quantitative analysis

Hypothesis	Relationship		Support	Cases	Mechanisms
1a	Corp. empl.	+	Total exp.	*	SE, UK [A,B,C,D]
1b	Corp. empl.	+	Training exp.	*	SE, UK [A,B,D]
1c	Corp. empl.	+	Subsidy exp.	-	SE, UK [D]
1d	Corp. empl.	+	JPM exp.	-	DE, SE, UK [C]
1e	Corp. empl.	+	JPM share	-	DE, SE, UK [C]
2a	CTS	+	Total exp.	***	DE, UK [V,W,X]
2b	CTS	+	Training exp.	**	DE, UK [V,W,X]
2c	CTS	+	Share TR-WE	*	DE, SE, UK [V]
2d	CTS	+	Share iTR-DJC	**	DE, UK [V,W,X,Y,Z]

***, **, * = Strength and robustness of support, - = not supported

to analyse the mechanisms theorised to underlie hypotheses 2a-2d. In addition, Germany represents a relatively well-predicted case for hypothesis 1d (corporatist employer groups and JPM expenditure) but is ‘off the line’ regarding hypothesis 1e (corporatist employer groups and spending share on JPM). In line with the recommendations by (Lieberman 2005), the German case will therefore be used to explore the relationship between corporatist employer groups and spending on jointly-produced measures that was not supported by the quantitative analysis. The United Kingdom, in contrast, has low values on all independent and dependent variables. The country therefore represents a well-predicted case of a country with pluralist employer groups and no collective training system with regards to all nine hypotheses. It will therefore be used to analyse all mechanisms expected to cause the relationships outlined in hypotheses 1a-2d. Finally, Sweden has very corporatist employer groups and no collective training system and was found to be well-predicted regarding hypothesis 1a, 1b, 1c and 2c and, to a lesser extent, 1d and 1e. The Swedish case will therefore be used to analyse whether the existence of corporatist employer groups and the absence of a collective training system can be causally linked to the observed spending pattern by the theorised mechanisms.

The results of the chapter are summarised in table 5.17. The first column from the left shows the name of the hypothesis. Columns two to four show the independent and dependent variables as well as the hypothesised relationship between them. The third column from the right shows the level of support for each hypothesis with stars (*) indicating support and a dash (-) indicating no support. The second column to the right shows which country case studies will be used to analyse the mechanisms theorised to be underlying each hypothesis and the last column lists the mechanisms relating to each hypothesis.

The lack of support for hypotheses 1d and 1e in almost all models is surprising because these hypotheses are based on substantial earlier work by renowned researchers (Cronert 2018a; C. J. Martin 2004b; C. J. Martin and Swank 2004, 2012). One possible explana-

tion, largely consistent with the theories developed by Martin, Swank and Cronert, could be that corporatist employer groups make it easier to use jointly-produced measures, but that this does not result in higher spending. Hypotheses 1d and 1e are based on the premise that the existence of corporatist employer groups reduces transaction costs in the production and implementation of jointly-produced measures, and that those efficiency gains lead policymakers to spend more on such measures in absolute (H1e) and relative terms (H1e). However, lower transaction costs may indeed have the opposite effect. Policymakers in countries where such groups exist may exploit efficiency gains by spending less to achieve the same results. Conversely, policymakers in countries without corporatist employer groups may have to spend more to convince companies to participate in the joint-production of active labour market policies. Both would result in a negative association between the existence of corporatist employer groups and spending on jointly-produced measures. Lastly, it may very well be the case that both logics occur in different countries and at different points in time, thereby offsetting each others' effects. This could explain the lack of clear results in the regression analysis.

Another interesting finding is that the effect of collective training systems on total spending on active labour market policies for young people is significantly larger than the effect on spending on training measures. The theory developed in chapter 3 foresees that collective training systems only increase total spending on active labour market policies for young people through their effect on spending on training measures. The larger coefficient for the effect of total spending therefore suggests that there may be other, so far unexplained, effects of collective training systems on the use of active labour market policies for young people. Finally, the scatterplots revealed two countries, France and Portugal, with very high spending on active labour market policies for young people which cannot easily be explained by the employer-centred theory presented in this book; neither of the two countries has a well-developed collective training system nor strong corporatist employer groups. As such, both countries represent interesting cases for further research.

These findings and other possible areas for further research will be discussed again in the final chapter of this book. The next chapters will now turn to the qualitative analysis to test whether the hypothesised relationships supported by the quantitative analysis (hypotheses 1a, 1b, 2a, 2b, 2c, and 2d) were indeed caused by the theorised mechanisms [A,B,C,D,E,W,X,Z] and to explore why no positive relationship between corporatist employer groups and public expenditure on jointly-produced measures and subsidies for young people (hypotheses 1c, 1d, 1e and mechanisms [Y,Z]) was found.

6 Case I: Germany

Germany was selected as a well-predicted case of a country with a strong collective training system to explore the link between collective training systems and the use of active labour market policies for young people. In addition, the German case was selected to analyse the relationship between corporatist employer groups and the use of jointly-produced measures.

Germany's dual training system is probably the most famous example of a collective training system, and the country's use of active labour market policies for young people is in line with the four hypotheses relating to collective training systems derived from this book's theory: Germany spends significant amounts on active labour market policies for young people in general (Hypothesis 2a), and on training measures in particular (Hypothesis 2b). In addition, Germany spends more on training measures for young people than on measures providing work experience (Hypothesis 2c), and more on institutional training measures than direct job creation measures (Hypothesis 2d). The findings of the quantitative analysis presented in the previous chapter supported all four hypotheses. The purpose of this chapter, is to analyse whether spending on active labour market policies in Germany can be causally linked to the country's training system, as theorised by mechanisms [V] to [Z]. In addition, Germany has relatively corporatist employer groups and above-average levels of spending on jointly-produced measures for young people. However, as share of total expenditure on active labour market policies for young people, Germany spends relatively little on jointly-produced measures. Against this background, the case study will also be used to analyse whether Germany's employer groups tried to convince firms to participate in the implementation of employment subsidies or firm-based training measures, and whether this resulted in increased spending on jointly-produced measures [C] (Hypotheses 1d and 1e). Throughout the analysis, the chapter focusses on the largest policies in terms of expenditure to maintain the link between the quantitative and the qualitative analysis.¹

Evidence from the period 1998-2014 supports all five mechanisms linking collective training systems to the use of youth ALMPs. There is significant evidence that German policymakers relied on the training standards and certification mechanisms of the country's dual training system to develop training programmes, and that they used these measures to reduce open youth unemployment [V]. German employer groups also supported higher spending on some training measures to increase the supply of skilled labour [W], to reduce training costs [X], and unexpectedly, for strategic reasons – namely, to prevent an unwanted training levy. Furthermore, German employers showed a clear preference for training measures over direct job creation measures and subsidies and used

¹A list of all measures used in Germany between 1998 and 2014 and their size as share of total spending on active labour market policies for young people is provided in table 3 in the Appendix.

their instrumental power [Y] and realised structural power [Z] to influence the use of active labour market policies accordingly. However, employers' opposition to subsidies was not only motivated by a preference for qualifications over work experience, but also by the fear that a subsidy on hiring apprentices would create incentives detrimental to the functioning of the training system. Regarding the use of jointly-produced measures, the German case shows that corporatist employers' organisations can affect the success of jointly-produced measures by influencing the willingness of firms to participate in the implementation of such measures. However, the evidence also shows that support by employer groups cannot be taken for granted, and that jointly-produced measures may be used as cheaper substitutes for institutional training measures.

The chapter is structured as follows. The first section describes the German collective training system and the country's principal employer organisations. The second section provides a historical overview on the use of active labour market policies for young people in Germany, before turning to the analysis of measures used between 1998 and the late 2000s when the primary goal of active labour market policy was to reduce unemployment. The third section analyses the use of active labour market policies for young people between the late 2000s and 2014 in the context of a booming labour market when reducing shortages in the supply of skilled workers became an important policy goal. The fourth section compares the evidence presented in this chapter with the theoretical expectations in order to analyse the mechanisms at play. Lastly, a brief conclusion summarises the findings and links them to the findings of the quantitative analysis.

6.1 Employers' associations and training in Germany

The German dual apprenticeship system is the prime example of a collective training system (Busemeyer and Trampusch 2011; Eichhorst, Rodríguez-Planas, et al. 2015; Hall and Soskice 2001). The system combines firm-based training with instruction in vocational schools. Apprenticeships are highly regulated, usually last for three years, and lead to certified labour market qualifications. During their training, apprentices commonly spend four days at the workplace and one day in school (Eichhorst, Rodríguez-Planas, et al. 2015, p.320-321). The goal of the apprenticeship is to teach apprentices the skills necessary for a specific occupation and to provide them with the practical work experience needed to successfully carry out the chosen profession (BiBB 2017, p.9). In contrast to students in school-based education, apprentices are employed by the firm in which they are trained and receive a wage from their employer. The training content is laid out in occupational profiles – standards describing the skills a person trained in a given occupation should possess, and how these skills are taught and assessed. The training profiles are updated on a regular basis. New occupations are created and old ones discarded so that the content of training evolves with the realities of the workplace and the demands of the economy. The updating and development of new training profiles is carried out jointly by representatives of employer organisations, trade unions, and policy experts from the BiBB, the Federal Institute for Vocational Education and Training

(*Bundesinstitut für Berufliche Bildung*) (BiBB 2017). The decisions on what types of occupational profiles should be developed, and what skills should be taught, are usually made by consensus among the three parties involved (Streeck, Hilbert, et al. 1987). Once agreement is reached, the training curricula are made legally binding across the country through federal regulations (BiBB 2017).

Regarding employers' associations, there are four major organisations representing the interests of German business with a clear division of responsibilities between them (Streeck, Hilbert, et al. 1987; Vogel 2010). The division of responsibilities means that despite the existence of multiple employer groups, those groups do not compete with each other for members or influence, and instead mostly complement and support each other in their actions. The Confederation of German Employers' Organisations, confederation (*Bundesvereinigung der Deutschen Arbeitgeberverbände*) is the umbrella organisation for various sectoral employer organisations. The members of the confederation are mostly smaller, sectoral or regional employer associations. The confederation is involved in policy-making across all policy areas, including in the dual training system. For example, representatives of the confederation and its member organisations are on the board of the public employment service and in the committees of the Federal Institute for Vocational Education and Training. In addition, the confederation coordinates the wage negotiations of its affiliates. The Federation of German Industries (*Bundesverband der deutschen Industrie – BDI*) is the umbrella organisation of industrialists. The confederation and BDI cooperate closely in some areas, including training. The BDI does not usually adopt a position on matters of vocational training. Instead, the German employer confederation tends to represent both organisations in this policy area.² The other two important employer organisations are the Chambers of Industry and Commerce, and the Chambers of Skilled Crafts. The first represents the interests of all enterprises except agricultural companies, the so-called “free-professions” which include, for example, medical doctors and lawyers, and craftspeople like carpenters, plumbers, etc. The latter are represented by the Chambers of Skilled Crafts. Both organisations consist of a network of independent local chapters. There are a total of 79 local Chambers of Industry and Commerce and 53 Chambers of Skilled Crafts. At the federal level, the Chambers of Industry and Commerce are represented by the DIHK (*Deutscher Industrie- und Handelskammertag*), and the German Confederation of Skilled Crafts is represented by its umbrella organisation, ZdH (*Zentralverband des deutschen Handwerks*). Membership in either one of these organisations is mandatory for all employers in the field of industry and commerce, and the skilled trades sector respectively. The chambers play a central role in administering the collective training system (Streeck, Hilbert, et al. 1987). Similarly to the employer confederation, they are involved in the development of training curricula. In addition, the chambers monitor the training system and assess whether employers fulfil the necessary conditions to be allowed to train apprentices. Furthermore, the chambers test the qualifications of instructors and organise the examination

²The BDI referred all questions regarding vocational training policy and active labour market policies for young people to the BDA. For this reason, no interviews were conducted with representatives of the BDI.

of apprentices, (Streeck, Hilbert, et al. 1987, pp.32, 35) as well as advising employers and prospective apprentices on all matters relating to vocational training (BiBB 2017, p.16).

A fifth relevant organisation is the German Employers' Organisation for Vocational and Further Training (*Kuratorium der deutschen Wirtschaft für Berufsbildung*), known by its German initials KWB. The KWB serves as a forum for all major German employers' organisations – those mentioned above, as well as the largest sectoral employers' organisations within the BDA – to coordinate and to develop joint policy positions on matters relating to vocational training (Streeck, Hilbert, et al. 1987, p.11).

6.2 Youth ALMPs in bad times

Active labour market policies for young people have been used in Germany since the 1970s (Dietrich 2001; Neubauer 2006) when several training measures were introduced to help disadvantaged young people find and successfully pursue apprenticeships (Busemeyer 2009c; Ulrich 1998). A number of these measures were still in place in some form during the period analysed in this book, 1998-2014. Three training programmes in particular deserve attention.

The first, introduced in 1969, is called Vocational Preparation Training (*Berufsvorbereitende Bildungsmaßnahmen*). The measure is a pre-vocational training programme; a form of institutional training intended to help young people to learn the skills necessary to begin an apprenticeship (Eurostat 2010a). It is one of the largest and longest running labour market training measures for young people in Germany, and as this chapter will show, the target group and the training curricula of the measure have changed over time. The second important measure was introduced in 1980 and is referred to as Vocational Training Outside the Workplace (*Berufsausbildung in außerbetrieblichen Bildungseinrichtungen*). This measure is also an institutional training programme. It provides socially disadvantaged young people and slow learners with the opportunity to carry out an apprenticeship in a state-financed training institution instead of a private company. Apprentices are encouraged to transition out of this measure and into a regular, firm-based apprenticeship if they have the opportunity. If not, they can complete their apprenticeship in the training institution. Training in this programme follows the same curricula and leads to the same qualifications as regular apprenticeships. Third, in 1982, a firm-based training programme called Supportive Measures during Apprenticeships (*Ausbildungsbegleitende Hilfen*) was introduced. The programme supports young people with learning disadvantages in regular apprenticeships by providing them with additional tutoring and support services. Taken together, these three training programmes account for about 25% of total spending on active labour market policies for young people in Germany between 1998 and 2014. Furthermore, they account for 46.4% of spending on training measures for young people.

Despite already having a range of active labour market policies targeted at young people in place, between the late 1990s and the late 2000s Germany suffered from high youth unemployment, and the measures in their existing form were deemed insufficient

to address the problem. Consecutive governments introduced new active labour market policies and reformed others in order to remedy the situation. In this process, the German government continued to rely heavily on training measures, but also experimented with direct job creation programmes and a subsidy for companies hiring apprentices. However, as the next pages will show, Germany's employers and employers' organisations successfully opposed those direct job creation measures and the subsidy. However, they actively cooperated with the government in the development and implementation of training programmes, as well as in aligning training measures with the apprenticeship system. As a consequence, spending on training measures including institutional training increased, while the share of spending and measures providing work experience (direct job creation measures and subsidies) declined.

6.2.1 Labour market crisis in the late 1990s

1998 was an election year in Germany, and the Social Democrats – then in opposition – put the reduction of youth unemployed at the heart of their electoral campaign. If elected, the party promised to introduce an “Immediate Action Programme for the Reduction of Youth Unemployment” which would help 100.000 young people find a job or an apprenticeship as quickly as possible (SPD 1998, p.51). The Social Democrats won the election and formed a coalition with the Green Party, and under the new chancellor Gerhard Schröder, the government moved quickly to introduce the promised programme known by its acronym “JUMP”.

The Immediate Action Programme JUMP

The concrete measures to be implemented through JUMP were agreed upon by the new government in the fall of 1998, two months after the election (BMAS 1998). The programme consisted of a range of different measures including labour market services, training measures, subsidies, and direct-job creation programmes, which were implemented starting from January 1, 1999 (IAB 1999). Some of the measures included in the programme were new. In most cases, however, JUMP provided additional funding for already existing programmes (Dietrich 2001, p.420).

Different measures were offered for two different target groups (IAB 1999). For young people without labour market qualifications, the first priority was to provide them with an apprenticeship position. To this end, JUMP provided financial support for local and regional projects intended to increase the supply of apprenticeship positions. In addition, the programme included financing for additional places in the earlier-mentioned Vocational Preparation Training and Vocational Training Outside the Workplace. As a novel measure, JUMP introduced a firm-based training measure called Work and Qualification (*Arbeit und Qualifizierung*), which combined pre-apprenticeship training in a training institution with a firm-based internship. For young people who had already finished an apprenticeship, or who were unlikely to be willing to participate in a “youth specific form of training” (IAB 1999, p.5), the programme foresaw more targeted vocational training courses and employment subsidies. Furthermore, young people at risk of be-

coming long-term unemployed were offered so-called Qualification-Employment Creation Measures (*Qualifizierungs-ABM*): direct-job creation measures with a training component to gain qualifications relevant for the labour market (BMAS 1999). In addition, targeted training measures and social support services could be offered to support young people already in employment and to prepare those that were further from the labour market for participation in active labour market policies. The size of the programmes' budget was in line with the ambitious goal of getting 100.000 young people into work or training: 2 billion DM (roughly 1 billion Euro) were allocated for the first year alone (IAB 1999). The programme was initially limited to one year, but was extended several times. In total, JUMP ran from 1999 until 2004, and despite its limited duration, it accounted for about 3% of the total expenditure on active labour market policies for young people in Germany between 1998 and 2014.

Why and how was the programme developed and what influence, if any, did employers have on its existence and design? Considering the economic and electoral context, JUMP was clearly introduced as a measure against youth unemployment, and the Social Democrats were the driving force behind it. However, Schröder's party showed little interested in the specific question of how the electoral promise of bringing 100,000 young people into apprenticeships or employment should be achieved. The party's electoral manifesto provided no details on what JUMP would contain (SPD 1998), and after being elected, the Social Democrats left the development of the programme to civil servants in the ministry of labour and the public employment agency (Interview DE-SPD 1). In other words, there is little evidence that Schröder's government had strong preferences for or against specific types of active labour market policies. Instead, it seems the primary goal of the new government was to show "decisiveness" in the fight against youth unemployment (Busemeyer 2009c, p.148). There is also no evidence that the new government consulted extensively with stakeholders like employer organisations or trade unions in the two short months between the election and the finalisation of the programme.

However, employer groups did have opinions on the programme, which they articulated after it was launched. The German employer organisations were generally supportive of improving young peoples' qualifications (Arbeitsgruppe 'Aus- und Weiterbildung' 1999b; IAB 2000), and as will be shown below, actively cooperated with trade unions and policy-makers to improve training measures. In contrast, they were strongly opposed to direct job creation programmes like the Qualification-Employment Creation (IAB 2000). Data on the share of JUMP participants entering employment or apprenticeships after leaving the measure also showed that companies were not keen on hiring participants of direct job creation programmes. Germany had introduced a mandatory evaluation requirement for active labour market policies in 1997.³ Accordingly, the federal employment agency was mandated to publish annual reports detailing the level of expenditure on each active labour market policy, the number of participants, and the so-called "integration quota", the share of persons entering regular employment or a firm-based apprenticeship after leaving a measure.⁴ The BDA used the integration quota of direct job creation

³Article 11 of the Third Social Code.

⁴§11 (2) 6. b) of the Third Social Code stipulates that the number of people who are in regular

programmes to underline their opposition to them. Specifically, the German employer confederation criticised that for 59% of former participants in one of Germany's biggest direct job creation programmes, "no integration in the labour market is in sight" (IAB 2000). Instead of relying on such "passive" measures, the BDA demanded that the vocational qualifications of the unemployed be improved (IAB 2000). Other studies carried by Institute for Employment Research, the research institute of the German public employment service, also found that direct job creation measures generally performed less well than training measures, at least when only the direct effect of integrating participants into employment was considered (Fitzenberger and Speckesser 2000, p.368).

The criticism of employer groups and the unwillingness of companies to provide employment or training opportunities to former participants of direct job creation programmes had an effect: from a peak of 376€ million in 2001, expenditure on the Qualification-Employment Creation, the direct job creation component of JUMP, was reduced to 323€ million in 2002, 197€ million in 2003 and 109€ million in 2004.⁵ In 2004, when JUMP officially ended, the Qualification-Employment Creation measure was also terminated.

Alignment of training ALMPs with the dual system

Another goal of Schröder's Red-Green government was to engage with trade unions and employer groups to address Germany's most pressing economic and social challenges (Fickinger 2005). To this end, the government set up the tripartite 'Alliance for Work, Apprenticeships and Competitiveness' in December 1998. The alliance formed several working groups including one on vocational training (Fickinger 2005, p.309). Government representatives, trade unions and employer organisations all acknowledged the need for reform to improve the difficult situation of young people. In a joint statement, the members of the working group on vocational training declared that "[o]ne of the great challenges of the German vocational education and training systems is to provide every young person who is willing and able with a training opportunity" (Arbeitsgruppe 'Aus- und Weiterbildung' 1999b, p.1). One of the group's central recommendations was to strengthen the linkages between preparatory training measures and apprenticeships in terms of organisation and content. The effectiveness of pre-apprenticeship training, like the Vocational Preparation Training programme, the working group's members agreed, could be directly measured in terms of the practical relevance of training for a subsequent apprenticeship (Arbeitsgruppe 'Aus- und Weiterbildung' 1999a). Based on this assessment, three reforms were recommended.

First, preparatory training should become more practice-oriented by also including firm-based internships. Internships, the group's members reasoned, would help young people make career choices by exposing them to different professions and companies. In addition, it was expected that internships would help employers get to know young people, which would increase their willingness to hire even hard to place young people

employment after an 'appropriate period of time' should be considered. Usually, this time frame is set at six months.

⁵Eurostat *lmp_expme_de*

(Interview DE-IAB). This practice had already been introduced on a temporary basis through the Work and Qualification measure within JUMP. However, without legislative action, this programme would run out. Second, the content of preparatory training programmes should be more strongly aligned with the occupational profiles of the dual training system. To this end, pre-vocational training should be structured into “Qualification Modules” that certify specific skills and qualifications. The Qualification Modules should be developed based on the training curricula of the dual system and should relate to recognised occupational profiles. Third, it was recommended that preparatory training and the proposed Qualification Modules should be certified. Young people participating in this form of training should be able to show what skills they had acquired and what qualifications they had obtained (Arbeitsgruppe ‘Aus- und Weiterbildung’ 1999a).

The recommendations were taken on board by the government and the legislator. It was decided that the Work and Qualification measure of the Immediate Action Programme should become a permanent part of the German toolbox of active labour market policies (IAB 2001). This reform allowed for the inclusion of internships within Vocational Preparation Training. In addition, in December 2002, pre-apprenticeship training was integrated into the Federal Code on Vocational Training. This made pre-apprenticeship training an official part of the dual system (Busemeyer 2009a, p.158). In July 2003, the Ministry for Education and Research passed a provision referred to as BAVBVO⁶, specifying the nature, development and certification of Qualification Module. It specified that Qualification Modules had to be limited in time and content, with the instruction or training period for each module standing at between 140 and 420 hours. Each module had to prepare for an activity that is part of an occupation recognised by the dual system or an equivalent occupation. Furthermore, the training instructions each module had to show a “mandatory link” to the training profiles of the recognised occupation. The development of Qualification Modules was left open to all interested parties. For example, education providers were permitted to develop their own modules. However, the certification of the modules, and hence the monitoring and quality assurance was to be left to the same institutions monitoring training in the dual system: in most cases the chambers.

The federal training institute, BiBB, supported the use of Qualification Modules by developing a guideline and examples on how to develop such modules (BiBB 2004a), and established a database for training providers on all certified Qualification Modules (BiBB 2004b). The Chambers of Skilled Crafts also actively engaged in the development, certification and documentation of Qualification Modules. The crafts chambers operated an education and training organisation⁷, which was instructed by the chambers to develop Qualification Modules for the most common professions in the skilled crafts sector (Interview DE-ZdH). Over time, the crafts chambers developed a total of 144 Qualification Modules for 25 occupations (Zentralstelle für die Weiterbildung im

⁶Verordnung über die Bescheinigung von Grundlagen beruflicher Handlungsfähigkeit im Rahmen der Berufsausbildungsvorbereitung (Berufsausbildungsvorbereitungs-Bescheinigungsverordnung – BAVBVO). Published on 16.07.2003.

⁷The Central Department for Further Education in the Skilled Crafts (ZWH)⁸

Handwerk 2021).

Overall, the recommendations of the Alliance and the subsequent reforms meant that pre-vocational training more closely reflected work place realities, and companies became more involved in defining training content and the administration of those training measures (Neubauer 2006, p.193 cited in Busemeyer 2009b).

6.2.2 Continuing crisis in the early to mid-2000s

In the early 2000s, the situation on the German labour market deteriorated year upon year. The unemployment rate, which had slightly recovered after reaching 9.6% in 1997, rose to new heights, peaking at 11.2% in 2005. Over the same period, the youth unemployment rate rose to 15.4%. One of the principal reasons for the dire situation of young people was a decrease in apprenticeship positions. In 2005, the number of new apprenticeship contracts stood at 550.200, the lowest level since German reunification in 1990 (Ulrich 2006). Based on one estimate, this meant that the demand for apprenticeships in that year exceeded the supply by a total of 142.000 positions (Ulrich 2006, p.15).

Just how to address this crisis was an issue of contention between Germany's trade unions and employer organisations. Both sides agreed that the dual training system required reforms, and both sides supported the ongoing efforts to strengthen the linkages between pre-vocational training and the dual system (DGB 2004b; KWB 2003b). Apart from that, however, the two sides disagreed on what actions to take. The trade unions blamed employers for the lack of apprenticeship positions. In their view, many companies were not committed enough to the dual training system and were shirking their responsibility to train young people (Busemeyer 2012; DGB 2004a). Accordingly, Germany's largest unions – the trade union confederation (DGB), the metal workers union (IGM) and the service sector union (Ver.di)⁹ – demanded the introduction of a training levy (Busemeyer 2012; IGM and Ver.di 2004). The basic idea of the levy was that, in accordance with its size, each company should be expected to hire a certain number of apprentices. Employers offering fewer positions would have to pay an additional tax, the “levy”, while companies training above the expected threshold would be reimbursed through the funds collected. Thereby, proponents of the levy argued, more firms would be incentivised to offer apprenticeship positions which would provide opportunities to young people and decrease youth unemployment.

The employers' organisations, in contrast, saw the reasons for companies' reduced training efforts in the difficult economic situation, high training costs and what they viewed as the insufficient “apprenticeship readiness” of many school-leavers, i.e. their lack of technical and social skills (KWB 2003a, 2005). A levy, in the view of employers, would have placed further obligations on companies instead of making it easier for them to hire apprentices. Consequently, they dismissed the levy as a fundamentally wrong approach. Instead, the employer groups demanded reforms to make it easier and more profitable for companies to train apprentices (KWB 2003a). Specifically, the employer

⁹Other unions, notably the chemical workers IG BCE and the construction workers (IG BAU) opposed it the levy however and favoured negotiated, sectoral agreements. For a more detailed account see (Busemeyer 2012).

groups demanded that the wages of apprentices should be frozen at their current level and that individual companies should be allowed to adapt the training of apprentices more closely to their specific needs. Furthermore, employers strongly demanded that the state should increase the skill levels of young people. In their view, an “inevitable precondition” for the continued engagement of firms was an improvement of the skill levels of school-leavers so that “companies are not forced to compensate for general educational deficits” (KWB 2003a). Lastly, the employer organisations positioned themselves against a rule requiring that time spent in pre-vocational training measures should (partially) count towards the completion of a subsequent apprenticeship (KWB 2003b). This rule on the automatic recognition of qualifications allowed young people who participated in pre-vocational training, such as a one-year Vocational Preparation Training programme, to enter an apprenticeship as a second-year apprentice. Without the rule, apprentices would have to complete the regular training period of generally three years independent of the amount of pre-vocational training they had already received.

This political fight between business and labour resulted in a decisive win for the employer camp (Busemeyer 2009c, 2012): the automatic recognition of qualifications was abolished, and the levy never entered into force. The Red-Green government initially supported the trade unions’ demands for a levy. After pushing through a series of labour market reforms deeply unpopular with the left wing of the social democrats, the levy was seen as a peace offering by the party leadership to the unions (Busemeyer 2009c). However, after losing control over Germany’s second legislative body, the Bundesrat, and in the face of opposition from business, the political opposition and more centrist social democrats, Schröder’s government decided against the levy (Busemeyer 2009c). Instead, his government signed a voluntary “Training Pact” (*Nationaler Pakt für Ausbildung und Fachkräftenachwuchs in Deutschland*) with the employer groups, in which employers promised to offer 30,000 new training positions annually, as well as 25,000 positions in a novel firm-based training measure called Initial Qualifications (*Einstiegsqualifizierung*)¹⁰ (Ausbildungspakt 2005).

Initial qualifications

The Initial Qualifications programme was launched for a trial period of three years one month after the training pact was signed (Bundesagentur für Arbeit 2004). The programme is a firm-based pre-vocational training programme that allowed private sector firms to hire young people for training internships of 6 to 12 months. During this period, the public employment service paid the participating person a monthly stipend of 192€ and covered the participant’s social security contributions. The company, on the other hand, had to cover the cost of training. The training had to prepare the participant for a recognised profession along the same lines as the earlier described Qualification Modules, and the chambers were tasked with supervising and ensuring the quality of training (Bundesagentur für Arbeit 2004). Furthermore, the public employment service’s implementation guidelines for the programme made clear that it was for the employer

¹⁰The Eurostat database uses the translation “First integration qualification for young people”. For the sake of brevity, this book uses the name Initial Qualifications.

organisations and the private sector to deliver the implementation of the programme as public employers were explicitly excluded from offering Initial Qualifications positions. Furthermore, the implementation guidelines stated that the recruitment of employers offering Initial Qualifications positions was “the obligation of the responsible institutions in the sense of the Vocational Training Act”, i.e. the chambers (Bundesagentur für Arbeit 2004). Both the Chambers of Industry and Commerce, and the Chambers of Skilled Crafts actively supported the programme’s implementation by developing training curricula and providing other forms of practical support for companies willing to participate in the programme. The crafts chambers continued developing Qualification Modules that could be used by employers to organise Initial Qualifications. The Chambers of Industry and Commerce also started developing training modules for the Initial Qualification programme based on the same principle as the earlier described Qualification Modules: specific skills and competencies were carved out of the curricula of recognised occupations and combined into modules that could be taught within a six to twelve month firm-based internship (Interview DE-DIHK). In total, the Chambers of Industry and Commerce developed certified training modules for Initial Qualifications in 35 different areas (Ausbildungspakt 2005). The modules were then made public so that all companies interested in offering an Initial Qualification could use them. As additional support, the local chambers provided companies willing to participate with information materials, as well as templates for employment contracts and participation certificates.

In addition, the local chapters of the chambers advertised the programme to companies and urged them to participate. The federal representation of the crafts chambers sent out a press statement arguing the pact prevented a “forced tax”¹¹ which would have resulted in a “systematic change” of the training system which would be detrimental to the interests of the skilled crafts sector (ZdH 2004). The president of the crafts chambers thus called upon employers in his industry to exhaust all possibilities to offer additional apprenticeship positions, and announced that local chambers would soon start contacting employers to support them in this process (ZdH 2004). The local chambers of both organisations also reached out to employers and tried to convince them to participate and offer firm-based training positions. An evaluation of the programme’s implementation in the years 2009 to 2011 found that 67% of the Chambers of Skilled Crafts and 73% of the Chambers of Industry and Commerce were actively recruiting companies to offer training positions within the Initial Qualification programme (IAB and GIB 2012, p.12).

Within six months, companies had offered 31,500 Initial Qualifications, exceeding the goal of 25,000 positions in the first year (Ausbildungspakt 2005). In 2005 and 2006, more than 40,000 positions were offered by companies and 18,200 and 21,600 young people started an Initial Qualification programme.¹² Furthermore, the measure was found to be very successful in integrating young people into apprenticeships. An early assessment showed that graduates from the programme were three times more likely to directly enter into an apprenticeship than graduates of the institutional Vocational

¹¹ *Zwangsabgabe*

¹² Data collected by the DIHK, ZdH and the Chambers of Free Professions and provided by the DIHK.

Preparation Training (GIB 2006). These numbers allowed politicians and employers to claim the measure to be a success (Ausbildungspakt 2005). As a consequence, the Initial Qualifications programme was made permanent in 2007 after the end of the three-year trial period.¹³

The Initial Qualifications programme is noteworthy two reasons. First, the introduction of the Initial Qualifications shows a political trade between employers and the government in which the employers' organisations use the promise of a firm-based training measure to prevent an unwanted reform. As one social democrat in parliament at the time remembered:

“Schröder’s offer to the trade unions and the social democrats was the training levy which, however, never came. What discussions we had. And we even had a finished bill. However, the debate never went anywhere [...]. [The debate] then turned away from the levy with the remark that instead we would get something concrete: 30.000 [*sic*] initial qualifications” (Interview DE-SPD 1)

In other words, there was a deal between the government and employers' organisations: employer groups offered the government their support for the development and implementation of a jointly-produced active labour market policy in exchange for stopping an unwanted policy, the training levy. The government accepted the employers' offer, called off the levy, and introduced the Initial Qualification programme instead. Second, the development and implementation of the Initial Qualifications shows the capacity of German employers' organisations to develop a firm-based training measure that is taken up by a large number of firms and, thereby, leads to the employment – albeit initially only in structured and temporary internships – of a significant number of young people.

Expansion of institutional training

A second notable development during this period was the continuing expansions of institutional training measures linked to the dual training system. As mentioned above, direct job creation measures were scaled back after 1999. In contrast, an increasing number of young people entered into the transition system, a loosely defined set of education and training policies intended to support young people's transition from school to apprenticeships (Beicht 2009; Kohlrausch 2012). For example, the number of participants in the Vocational Training Outside the Workplace Programme increased from around 38,000 in 1999 to around 50,000 in 2003 (Bundesagentur für Arbeit 2003). Participation in Vocational Preparation Training increased from around 73,000 participants in 1998 to a peak of 104,642 participants in 2003. The number of participants declined thereafter, but only in 2007 did they fall below the 1998 level.¹⁴

¹³*Viertes Gesetz zur Änderung des Dritten Buches Sozialgesetzbuch – Verbesserung der Qualifizierung und Beschäftigungschancen von jüngeren Menschen mit Vermittlungshemmnissen vom 10. Oktober 2007.* Bundesgesetzblatt Jahrgang 2007 Teil I Nr. 50, ausgegeben zu Bonn am 15. Oktober 2007, p. 2329.

¹⁴Eurostat data. See Chapter 5 and Annex for details.

The rising numbers can be explained first and foremost by the high levels of youth unemployment and the lack of apprenticeship positions. In the absence of better alternatives, young people unable to find employment or an apprenticeship were referred to institutional training measures (Beicht 2009; Ulrich and Eberhard 2008). In addition, the target group of the Vocational Preparation Training programme was expanded. Traditionally, the programme's target group were young people lacking the skills to start training, slow learners, the socially disadvantaged, and young people from migrant families (Dressel and Pflicht 2006). In 2004, this was changed. In addition to *personally* disadvantaged individuals, the Vocational Preparation Training was opened to *market* disadvantage persons; individuals who were capable of starting an apprenticeship, but who could not find a training position. In other words, preparatory training programmes were opened to young people whose primary obstacle to starting an apprenticeship was not a lack of apprenticeship readiness, but a lack of training positions offered by firms. This change was formalised in a new guidance by the public employment service on the use of Vocational Preparation Training (Dressel and Pflicht 2006, p.52).

The massive expansion of the transition system was criticised (Beicht 2009). Commentators argued that putting apprenticeship-ready young people into preparatory training measures did little to further improve their skills. Instead, it was argued that programmes like Vocational Preparation Training “have taken on the function of temporarily taking care of unsuccessful apprenticeship seekers until they start a regular form of vocational training” (Beicht 2009, p.3). In short, the expansion was criticised for using institutional training measures to occupy instead of train young people. However, an evaluation showed the training programmes were at least somewhat successful: the majority of people in the transition system did eventually manage to find a regular apprenticeship (Beicht 2009, p.10).

It is difficult to fully reconstruct all the motivations for the expansion of the transition system. However, both Vocational Preparation Training and Training Outside the Workplace are arguably well suited to reducing open youth unemployment as participants in both types of measures are not counted as unemployed.¹⁵ In addition, participants can spend long periods of time in those measures: Vocational Preparation Training usually last 12 months (Bundesagentur für Arbeit 2012, p.17), and Training Outside the Workplace can last as long as a full apprenticeship (Bundesagentur für Arbeit 2011b, p.5), i.e. up to three years. Furthermore, in contrast to jointly-produced measures like the Initial Qualifications, neither of these measures are constrained by the willingness of employers to provide the necessary training or employment opportunities. In short, both programmes can be scaled up unilaterally by the state and used to remove a significant number of young unemployed people from the unemployment statistics.

The employer organisations did not object to the expansion of the transition system as they had to the use of direct job creation measures. In fact, it can be argued that the expansion of training programmes followed employers' calls for improving the skills and apprenticeship-readiness of school leavers (KWB 2003b, 2005). Hence, even though the

¹⁵In accordance with §16 (2) of the Third German Social Code participants in active labour market policies are not counted as unemployed.

employer organisations did not specifically ask for more spending on institutional training measures – instead, they primarily demanded improvements to the general education system (KWB 2003b, 2005) – it can be argued that the expansion of the transition system was in line with their understanding that the cause of high youth unemployment lay in young people’s lack of skills and competencies.

6.2.3 The failed training bonus

Schröder’s red-green coalition was voted out of office in 2005 and was replaced by a grand coalition between the conservative Christian Democratic Union, under the new Chancellor Angela Merkel, and the social democrats. The youth unemployment rate started to decline after the 2005 peak, but the apprenticeship market remained an important political topic. In 2008, Merkel’s government introduced a new subsidy programme called the Training Bonus (*Ausbildungsbonus*) to induce employers to offer more apprenticeship positions (Busemeyer 2009c). The goal of the bonus was to create an additional 100,000 apprenticeship positions for disadvantaged young people by 2010 (Deutscher Bundestag 2008). Companies that hired young people who had been trying without success to find an apprenticeship for a given period of time would receive a financial bonus of between 4,000€ and 6,000€.

The bonus was met with scepticism by both trade unions and employer organisations. Despite having complained about extensive training costs only a few years earlier, employer organisations did not support the measure. In a joint statement, the Confederation of German Employers, the Federation of German Industries and the German Trade Union Confederation warned that any hiring subsidy should be narrowly focussed on the most disadvantaged, so as not to create the wrong incentives for companies (BDA 2008); a position shared also by the Chambers of Skilled Crafts and the Chambers of Industry and Commerce (Deutscher Bundestag 2008, p.7). As a representative of the Confederation of German Employers’ Organisations explained, subsidies were seen as a threat to the proper functioning of the dual system:

“This is the advantage of the dual system, also with respect to youth unemployment: Companies train because they have a demand [for labour] in the future and once the apprenticeship is finished this person’s labour is available to the company. A bonus may be useful for specific groups [...], young people with disabilities for example. However, to offer a bonus for all regular apprenticeships would in our view be a grave systemic error” (Interview DE-BDA).

In other words, the employer groups were concerned the bonus would lead companies to hire apprentices for the wrong reasons. Instead of hiring young people and training them to become valuable and skilled workers, employer groups feared the bonus would lead companies to hire young people purely for short-term financial gain. In the long run, so employer groups feared, this would threaten the basic idea and existence of the firm-based training system.

Despite the concerns of the social partners, the Training Bonus was launched for a trial period of two and a half years (Handelsblatt 2008). However, in addition to the earlier described negative statements by representatives of the main employer groups, the programme's implementation was also met with resistance by local business representatives, and with little interest on the part of firms. While the implementation of the Initial Qualifications had been actively supported by the chambers at the national and local levels, this time around they were much more sceptical. An evaluation of the implementation process found that some local chambers refused to promote the measure out of a general opposition to subsidies in the dual training system (BMAS 2013, p.16). Unsurprisingly then, the bonus was met with far less demand than hoped for. Instead of the programme contributing to 100,000 new positions, by September 2010 only 40,430 companies had applied for the bonus. As a result, the government decided that the measure should not be extended beyond the end of the year (Handwerksblatt 2010).

6.3 Youth ALMPs in good times

While the period from the mid 1990s to the mid 2000s was characterised by a dwindling supply of apprenticeship positions, and the principal goal of labour market policy for young people was fighting unemployment, the situation changed and ultimately reversed in the late 2000s and early 2010s. With the economy recovering, the unemployment rate declined continuously from its peak of 11.2% in 2005 to below 6% by 2011. Youth unemployment dropped from 15.4% to below 10% over the same period, and in 2010, for the first time since 1995, the supply of apprenticeship positions exceeded demand by more than 1% (BMBF 2017, p.17). In this context, companies no longer had a large pool of apprenticeship applicants to choose from. Instead, they increasingly faced problems finding any applicants at all. From 2009 to 2014, the annual number of unfilled apprenticeship positions increased from 17,564 to 38,269 (BMBF 2017, p.20). Against this background, employer organisations started lobbying the government to take action to prevent shortages of skilled labour.

Support for training measures

Employers in the crafts sector were among the first to feel a sense of urgency. In 2007, the crafts chambers warned that while providing young people with training positions remained the challenge of the day, ensuring the supply of skilled labour would be the challenge of the near future. To this end, "new potentials" should be exploited by targeting demographics that were under-represented in the training system like women, or individuals with a migration background (ZdH 2007). In 2011, the crafts chambers reiterated this call and underlined the importance of vocational orientation for young people, and the usefulness of the Initial Qualifications and Supportive Measures in helping disadvantaged young people succeed in the dual system (ZdH 2011). In the following years, the other large employer organisations followed suit (BDA 2014, 2015; BDA, BDI, and Telekom 2014). In a publication entitled "We need everybody!" the German employer

confederation, the Federation of German Industries and the country's largest telecommunications company, German Telekom, sounded the alarm about a shortage of graduates from the dual training system. As a remedy, the three organisations suggested that Initial Qualifications, Supportive Measures and a new measure, the Assisted Apprenticeship scheme (*Assistierte Ausbildung*), should be used to help more young people to successfully find, start and complete an apprenticeship (BDA, BDI, and Telekom 2014). The Assisted Apprenticeship scheme combines extended tutoring and social services for apprentices, with practical support for their employers. For example, companies can be provided with a counsellor to help them with the bureaucratic and pedagogical challenges of training young people from disadvantaged backgrounds (Bundesagentur für Arbeit 2015).

The concerns and suggestions by the employer organisations were taken up by the government in a new tripartite group called the "Alliance for Apprenticeships and Continuing Education" (*Allianz für Aus- und Weiterbildung*) in December 2014 (Allianz für Aus- und Weiterbildung 2014). In the initial agreement, the government, employer organisations, and the unions agreed on the extension of supportive measures, and employers promised to supply 20,000 Initial Qualifications positions annually. The Assisted Apprenticeships was endorsed by the pact partners and subsequently introduced for a trial period from May 2015 until September 2018 (Bundesagentur für Arbeit 2015, p.5).

In interviews, representatives of Germany's employer organisations reiterated their concerns about a lack of young people applying for and successfully graduating from apprenticeships, and described active labour market policies for young people as one useful policy option to address this problem. For example, a representative of the Chambers of the Skilled Crafts explained the situation in her industry, and the reasons why her organisation supported active labour market policies for young people in the following way:

"We have massive problems finding young people who want to do an apprenticeship in the crafts sector. [...] We try on the one hand to support weaker young people [to do an apprenticeship] and on the other hand support employers to train weaker young people. [...] In this regard, we have set the ball rolling on several measures within the Alliance. One is that the target group for Supportive Measures has been extended. We have also put our weight behind the Assisted Apprenticeships" (Interview DE-ZdH)

A representative of the Chambers of Industry and Commerce described the value of some of Germany's active labour market policies in making young people apprenticeship-ready, and thereby in helping address shortages of skilled workers.

"Whatever the reasons the lack of apprenticeship-readiness are, they should be addressed. Sometimes that can be done in parallel to an apprenticeship [through measures] like the Assisted Apprenticeship. Sometimes a bridge [between school and apprenticeship] like the Initial Qualifications programme is required beforehand." (Interview DE-DIHK)

Support for vocational guidance services

One other interesting finding about employers' calls for action against skills shortages is that they also supported more spending on vocational guidance and career orientation services. In 2008, together with the Training Bonus, the grand coalition government introduced a counselling programme called Integration Companions (*Berufseinstiegsbegleiter*). The programme assigns at-risk young people to counsellors who try to help them find a suitable career path and help them navigate the transition from school into pre-vocational training and apprenticeships (Bundesagentur für Arbeit 2011a). In the same way as the Initial Qualifications and the Training Bonus, this measure was initially limited to a duration of three years. However, in contrast to the bonus, employers supported the measure politically and in practice by working with the counsellors at the local level right from the beginning (Interview DE-DIHK, Interview DE-ZdH). Furthermore, representatives of the German employer confederation described career guidance and vocational orientation as important preventative measures which should be a stronger focus of the public employment services (Interview DE-BDA) and a representative of the crafts chamber described the Integration Companions as one of the measures they support to increase the number of young people applying for apprenticeships (Interview DE-ZdH).

6.4 Discussion: Do the mechanisms work as expected?

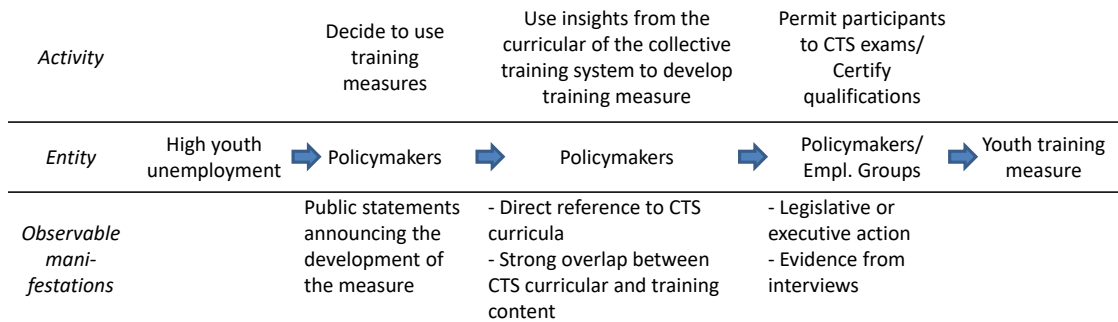
Based on the evidence presented in this chapter, did the existence of collective training systems and corporatist employer groups influence the use of active labour market policies in accordance with the theorised causal mechanisms [V,W,X,Y,Z] and [C]? To answer this question, each of the six mechanisms will be discussed in turn.

6.4.1 [V]: Skills insights and certification

Mechanism [V] theorised that collective training systems provide policymakers with insights into employers' skills needs and skills certification mechanisms that increase the effectiveness of these measures. Policymakers exploit this opportunity to spend more on training measures and to substitute direct job creation programmes with institutional training. The principal steps of the mechanism were operationalised as shown in figure 6.1: high youth unemployment causes policymakers to develop a new training measure. In the next step, policymakers use the information contained in the training curricula of the dual system to decide what skills and competencies should be taught. Thereafter, policymakers either decide to permit participants of the training measures to take dual system exams, or employer groups active in the dual system certify the qualifications taught during the measure. In the last step, the measure is implemented through legislative, executive or budgetary action.

Several of Germany's training measures were developed or improved in this way. The most striking example of an active labour market policy relying on the dual training system is Training Outside the Workplace. This measure effectively reproduces ap-

Figure 6.1: Skills insights & certification through collective training systems [V]



prenticeships for disadvantaged young people in a non-firm based setting. The training follows the same curricula as training of apprentices in firm-based training, and at the end of their training period, participants can sit the same exams and gain the same qualifications as regular apprentices. In the cases of Vocational Preparation Training, Qualification Modules developed based on apprenticeship training curricula and certified by the chambers were used to link an already existing measure more closely to the dual training system. The Initial Qualifications followed a similar approach: training in the programme had to be directly linked to the skills and qualifications of a recognised occupation taught within the dual system.

The training programmes linked to the dual system were relatively effective, or at least perceived as sufficiently effective employer organisations. Evaluations showed that the Initial Qualifications programme had a very high integration quota, i.e. that a large share of participants found an apprenticeship position after finishing the programme (GIB 2006). Institutional pre-vocational training programmes like Vocational Preparation Training were less effective, but most programme participants also eventually found an apprenticeship position (Beicht 2009). Furthermore, representatives of the employer groups stated that they generally preferred firm-based training measures like the Initial Qualifications. Nevertheless, they also agreed that institutional training programmes like Vocational Preparation Training and Qualification could be necessary for young people who are not yet ready to start an apprenticeship or a firm-based training measure (Interviews DE-ZdH, DE-BDA, DE-DIHK). Finally, it is important to note the size of these three programmes. Together, they accounted for more than one fifth of Germany's total youth ALMP expenditure, and around 40% of spending on training measures.¹⁶ Thus, the measures developed with the help of skills insights and certification mechanisms related to the dual system strongly contributed to spending on active labour market policies for young people in Germany, particularly on training measures.

The expansion of measures like Vocational Preparation Training and Training Outside the Workplace during the labour market crisis in the early to mid-2000s, and the parallel

¹⁶Own calculations based on Eurostat data. See also table 3 in the appendix.

decline in the use of direct job creation measures also suggests that German policymakers used institutional training measures linked to the dual system to occupy otherwise unemployed young people. The effect of this development is clearly visible in the data: spending on institutional training measures was higher than expenditure on direct job creation measures over the entire period from 1998 to 2014. However, the leaning towards institutional training measures increased strongly between 1998 and 2006, when the linkages between pre-vocational training and the dual system were strengthened. In 1999, spending on direct job creation programmes accounted for 16% of Germany's youth ALMP budget. This share decreased continuously over the rest of the observed period to only 0.3% in 2014. In contrast, the share of spending on institutional training measures increased from around 30% between 1998 and 2003 to 50% in 2006. Conversely, the difference in spending on the two types of measures (spending on institutional training - spending on direct job creation measures) increased from 14 percentage points in 1999 to 43 percentage points in 2006, and it remained around 40 points until the end of the observed period.¹⁷

In sum, there is significant evidence for mechanism [V]: skills insights from Germany's collective training system and the willingness and ability of the German chambers to certify the qualifications gained through those measures contributed to more spending on training measures and more spending on institutional training measures relative to direct job creation measures.

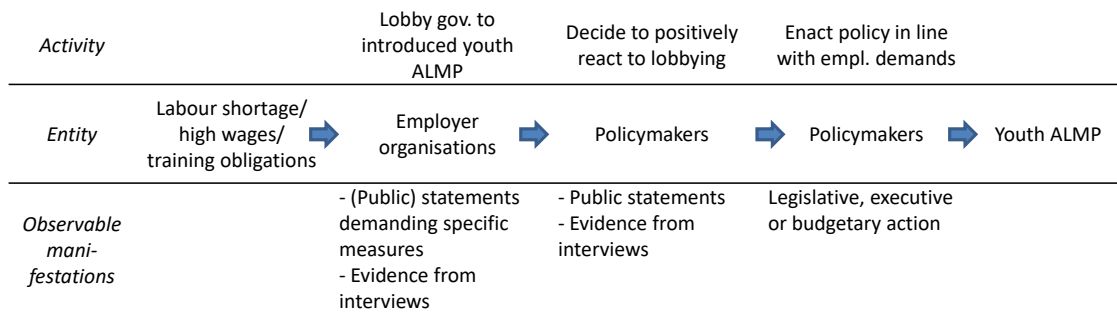
6.4.2 [W,X]: Business lobbying for spending on training measures

Mechanisms [W] and [X] theorised that employers in countries with collective training systems lobby for the expansion of training measures to increase the supply of skilled workers [W] or to reduce training expenses by shifting some of the costs of training apprentices onto the state [X]. Employers' trust in the effectiveness of training measures as a tool to fight skills shortages, in turn, was linked to their belief that skills insights gained from the dual system enable policymakers to develop training programmes in line with employers' needs [V]. The principal components of this mechanism are shown in Figure 6.2: Employers facing labour shortages or high training costs lobby policymakers to increase spending on training measures. Policymakers respond by introducing new training measures or expanding existing programmes in line with employers' demands.

Most measures introduced in the late 1990s and early 2000s in Germany were initiated by the government and were primarily aimed at reducing youth unemployment. However, there were also several instances of employer groups proposing and promoting new measures or the expansion of existing programmes. Most notably, the German employer organisations proposed and implemented the Initial Qualifications programme as part of the 2004 Pact for Apprenticeships and Skilled Labour. In addition, employer groups supported the introduction of a new vocational guidance programme, the Integration Companions, the introduction of the Assisted Apprenticeship measures, as well as the expansion of Initial Qualifications and Supportive Measures when the labour market

¹⁷Own calculations based on Eurostat data. See Chapter 5.

Figure 6.2: Instrumental power and employers as policy protagonists [W,X]



recovered in the late 2000s and early 2010s.

The more difficult question to answer, however, is why employers supported more spending on these training measures. Did employer groups lobby for more spending on training measures to fight skills shortages [W], to reduce training costs [X], to do both, or was there a third reason? There are several, not mutually exclusive explanations. The first is that employer groups wanted higher spending on training measures to fight shortages of skilled labour as theorised in mechanism [W]. This is certainly the reason provided by employer groups when they lobbied for the introduction of new training measures and the expansion of existing ones alongside calls for other measures to fight skills shortages (BDA 2014, 2015; BDA, BDI, and Telekom 2014; ZdH 2011). However, with regards to the Initial Qualifications, Supportive Measures and the Assisted Apprenticeship measure, an equally strong argument can be made that employer groups lobbied for these measures to shift training costs onto the state, as theorised by mechanism [X]. This process is straightforward when it comes to Supportive Measures and Assisted Apprenticeships: both measures help disadvantaged young people during apprenticeships, for example, through tutoring. In the absence of these programmes, employers themselves would be forced to invest more time and effort into training and supporting their apprentices. With respect to the Initial Qualifications programme, it is commonly agreed that training own apprentices benefits employers in the medium and long term (Estévez-Abe, Iversen, and Soskice 2001; Wenzelmann, Schönfeld, et al. 2009). At the beginning of a regular three-year apprenticeship, the productivity of apprentices is low and training investments are high. Over time, this relationship shifts, so that towards the end of the apprenticeship, or at the latest within a couple of years after training has been completed, trainees become so productive that their output exceeds the combined costs of salary and training, and companies start making profit. By having the state finance pre-apprenticeship training for six to twelve months, companies arguably shorten the initial loss-making period of the apprenticeship and can realise a profit more quickly. Finally, in addition to the two theorised reasons, this chapter showed that employers' proposal of the Initial Qualifications programme – at least at the time – was driven by a third, strategic consideration: to prevent state intervention in the dual system in the

form of a training levy. In other words, the German employer groups did not – or at least not only – propose, develop and implement the Initial Qualifications programme because they were convinced of the programme’s direct benefits for companies. Instead, their efforts were part of a political bargain to achieve a different goal: preventing the levy. Finally, the example of the Initial Qualifications programme also shows that motivations can change. While the immediate reason for the introduction of the measure was the threat of a training levy, later on employers seem to have truly embraced the programme in the political sphere and at the micro-level, as evidenced by calls for the extension of the measure to fight skills shortages and the oversupply of positions.

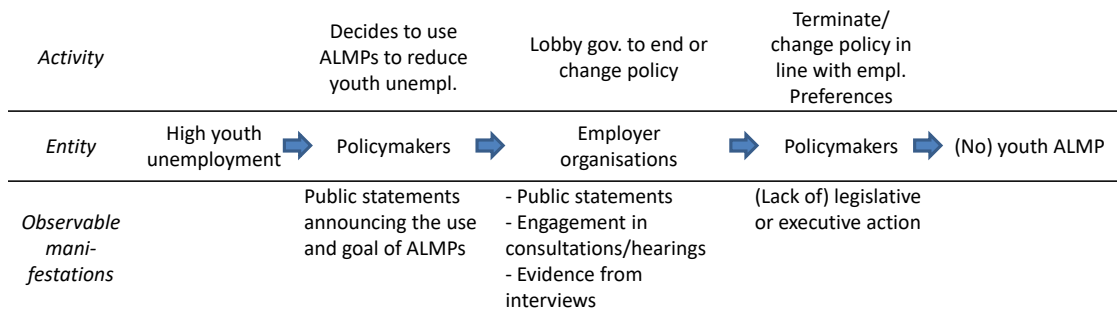
In sum, there is strong evidence of German employers acting as policy protagonists demanding more spending on youth training measures, and for three, possibly overlapping, reasons for them to do so. Furthermore, it is important to note that two of those reasons – fending off state interference in the training system and shifting training costs onto the state – are directly related to the collective training system. The third reason, fighting skills shortages, could also occur in countries without collective training systems. However, it is also noteworthy that all of the measures supported by employers with the declared aim of increasing the supply of skilled labour were directly linked to guiding young people into apprenticeships (Integration Companies), preparing them for training (Initial Qualifications) or supporting them during a firm-based apprenticeship (Supportive Measures, Assisted Apprenticeships). Hence, the evidence strongly supports the theory that there is a causal connection between collective training systems and employer support for spending on training measures for young people, as outlined in mechanisms [W] and [X]. It is important to note, however, that the measures supported by employer groups are comparatively cheap. The Initial Qualifications, the Supportive Measures and the Integration Companions accounted for 0.8%, 1.4% and 0.5% of total youth ALMP spending over the period 1998-2014.¹⁸ In other words, the sum total of measures actively demanded by employer groups constitutes less than 3% of Germany’s total youth ALMP expenditure. Nevertheless, those measures also contributed to the overall expenditure on training measures and, unexpectedly, also to spending on labour market services for young people. This helps to understand why spending on active labour market policies for young people in Germany remained comparatively high, even during periods of low youth unemployment, and why overall expenditure on training measures is higher than in other countries.

6.4.3 [Y,Z] The choice between training and work experience measures

The theory developed in Chapter 3 also predicted that employers in countries with collective training systems have a preferences for training measures over measures providing work experience, and that they influence the choice of policies through their instrumental [Y] and structural [Z] power. The evidence shows clear and consistent preference of German employers and employers’ groups for training measures over both types of measures providing work experience: direct job creation measures and employment in-

¹⁸The Assisted Apprenticeships are costly, but were only introduced in 2014. No spending on this measure was recorded in the Eurostat data for the period 1998 to 2014.

Figure 6.3: Instrumental power and employers as policy opponents [Y]



centives. Furthermore, there are several examples of employer organisations using their instrumental power [Y], and companies using their structural power [Z] to steer the choice of active labour market policies for young people away from direct job creation programmes and subsidies and towards institutional and firm-based training.

[Y] The instrumental power of employer groups

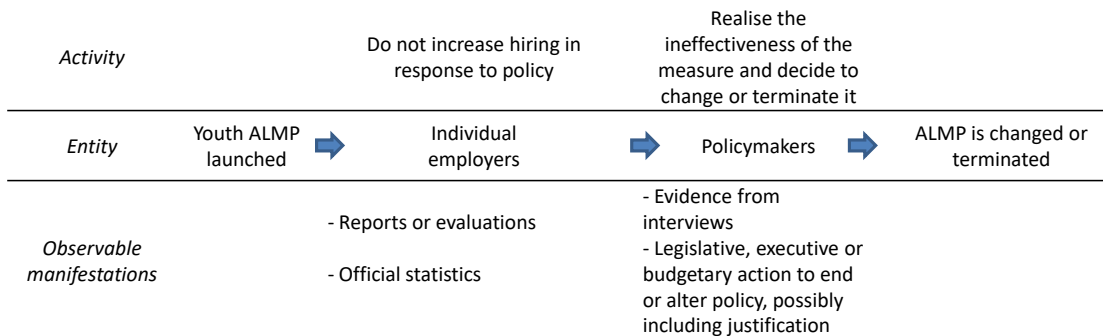
The discussion of mechanism [W] already argued that employers’ use their instrumental power to lobby for more spending on youth training measures. Indeed, in the early to mid-2000s, Germany’s employer groups consistently complained about the insufficient skills and “apprenticeship readiness” of school leavers, and actively cooperated with the government to improve pre-vocational training through the development of Qualification Modules. These actions can be interpreted as signs that employer groups were at least less opposed to training programmes than other types of active labour market policies for young people. In addition, the case study provides evidence that German employer groups influenced the choice of the types of active labour market policies for young people by lobbying against specific measures, as outlined in figure 6.3. During the discussions surrounding the implementation of the Immediate Action Programme, JUMP, the Confederation of German Employer Organisations took a clear and public position against direct job creation measures. Lastly, all employer groups opposed the later terminated Training Bonus, a subsidy programme to encourage the employment of apprentices. In short, the evidence shows that German employer groups preferred training measures over direct job creation programmes or subsidies and that they used their instrumental power to influence the choice of active labour market policies for young people in Germany accordingly.

[Z] The structural power of companies

In addition to the instrumental power of employer organisations, the case study revealed evidence of the structural power of German companies to influence the choice of active labour market policies. In particular, there is evidence that the *realised structural power*

6.4 Discussion: Do the mechanisms work as expected?

Figure 6.4: Realised structural power at the evaluation stage [Z]



of German companies contributed to the termination of the direct job creation measures within the immediate action programme, and even more so, to the discontinuation of the Training Bonus.

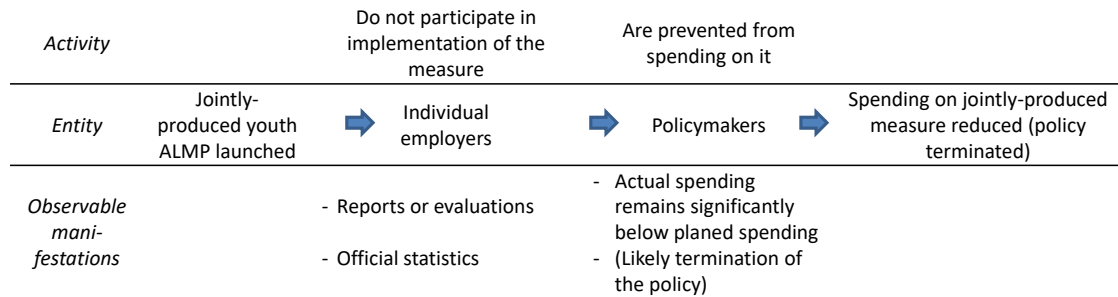
In the case of the direct job creation programme, employers' realised structural power worked as outlined in Figure 6.4: employers' power was realised at the evaluation stage. Data collected by Germany's public employment service showed that only a small number of those participating in the direct job creation measure found employment or an apprenticeship afterwards. The head of the Confederation of German Employer Organisations then referenced this low "integration quota" to argue for the measure's termination. How important, then, are the integration quotas? Interviews with representatives of the public employment service suggests that they play significant role. As one official explained:

"Of course, we have a great interest in making the measures work. We usually assess that based on the integration quota into apprenticeships because the majority of our measures which are targeted at the transition from school to work aim at integrating [young people] into a regular apprenticeship" (Interview DE-BA).

It can therefore be concluded that the low integration quota of the direct job creation programme contributed to its discontinuation in 2004.

With regards to the Training Bonus, employers' structural power was already realised in the implementation stage, as outlined in Figure 6.5: significantly fewer companies than envisaged by the German government decided to participate in the implementation of this subsidy programme. Since subsidies are jointly-produced, i.e. require companies to hire subsidised individuals, employers' unwillingness to participate slowed down the implementation process significantly. Against this background, the German government decided to discontinue the programme at the end of the trial period in 2010.

Figure 6.5: Realised structural power at the implementation stage [C]



Why prefer training over subsidies and DJC-measures?

There is thus significant evidence that German employers and employer groups influenced the choice of active labour market policies for young people away from direct job creation measures and subsidies and towards training. However, it is important to also look into what motivated employers' actions. This chapter mentioned a number of reasons why German employers may support training measures, and why they would oppose subsidies and direct job creation measures: training measures can be used to increase the supply of skilled labour and to shift training costs onto the state. Subsidies for hiring apprentices, employer groups feared, would lead to mis-incentives that would undermine the dual system, and the Qualification Employment Creation Programme was opposed to due to its ostensible ineffectiveness. In addition to that, what is notable in the German case is the virtual absence of the topic of work experience from the discussion surrounding youth unemployment. Neither representatives of employer groups, nor politicians, trade unionists, or public officials mentioned a lack of work experience as an important reason why young people could not find an apprenticeship or employment. Furthermore, the analysis carried out for this chapter found no evidence of demands from employer groups, trade unions, politicians, or public officials for active labour market policies to provide young people with work experience.

Why is this the case? The literature on school-to-work transitions explains employers' relative preferences for qualifications and work experience with the signalling value of qualifications (Allmendinger 1989; Gangl 2003). This explanation seems applicable in the German case: the labour market qualifications from the German education system and the dual training system are generally argued to have high signalling value (Allmendinger 1989; Gangl 2003). Furthermore, the certification by the chambers of qualifications gained through programmes like the Initial Qualifications, Vocational Preparation Training and Vocational Training Outside the Workplace arguably increased the signalling value of those measures. In addition to the arguably high value employers attach to qualifications, there seems to be an understanding that work experience is to be gained within the dual system. The understanding that the dual system should provide

young people with work experience is made explicit in the goals of vocational training, as laid down in the Federal Training Code, which states that in addition to teaching people the necessary skills to carry out a given occupation, training has to “enable [apprentices] to gain the necessary work experience”.¹⁹ Representatives of employers’ organisations also said that work experience may matter for employers when hiring apprentices, but only in so far as it supports young people’s vocational orientation, and that it helps employers to screen potential apprentices. “Real” work experience, in contrast, should be gained during apprenticeships (Interview DE-DIHK, DE-ZdH). As one representative of the crafts sector explained when asked why a lack of work experience was not an issue for employers hiring apprentices:

“It is the apprenticeship through which [apprentices] should gain work experience. [...] What we in the crafts sector like to do is to organise internships before the apprenticeship so that applicants can learn about their occupation of choice and see what will be expected of them and the employer has the chance to get to know the [prospective] apprentice. Yet, these are usually short internships lasting days or weeks. The advantage of the dual apprenticeship in general is just that: it provides work experience during the training period.” (Interview DE-ZdH)

In sum, there were several reasons for German employers and employer groups to view training programmes more favourably than direct job creation measures and subsidies. Moreover, several of those reasons – the fear of mis-incentives, the low importance given to work experience, and the ability to shift training costs onto the state – can be directly linked to the existence of the dual training system.

Employers or everybody together?

Finally, it is difficult to fully assess the effect of employer preferences on Germany’s strong focus on training measures with respect to active labour market policies for young people. One problem in this regard is that there was very little disagreement between the employers, unions and politicians in this policy area. In line with the literature (Streeck, Hilbert, et al. 1987), representatives of all organisations described very few conflicts over the choice of measures and said that policy-making in this area usually proceeds in a constructive and cooperative manner (Interviews DE-DIHK, DE-ZdH, DE-BDA, DE-DGB, DE-IG BCE, DE-SPD 1, DE-CDU).²⁰

One alternative explanation in line with the literature (Tepe and Vanhuyse 2013; Vlandas 2013) would be that not employers, but trade unions and politically left-leaning parties were the driving force behind Germany’s focus on training measures. However,

¹⁹Article 1, paragraph 3 of the Vocational Training Act.

²⁰The area where both unions and social democrats on the one side and employers the Christian Democrats on the other side saw fundamental differences was the question of a training levy and the question of a legal right for young people to receive training or, as several actors called it, a “training guarantee”. While most trade unions and the SPD support both, employers and conservatives oppose both and describe them as systemic threats to the dual system.

there is evidence that both of these groups were more open to other types of active labour market policies for young people than employers: the wide range of measures including direct job creation measures and subsidies introduced through JUMP suggest that the Social Democrats were not entirely opposed to these measures. Furthermore, the Social Democrats also supported the Training Bonus, which speaks against a hard preferences for training measures on their part. The trade unions, on the other hand, joined forces with the employers' organisations against the Training Bonus and generally prefer training measures over job creation programmes or subsidies (Interview DE-DGB). However, the trade unions were not always entirely opposed to subsidies either. For example, one representative of the DGB involved in the debate on how to address youth unemployment explained:

“There were also considerations to offer companies money if they would create additional apprenticeships. However, we realised that this was not necessarily what firms wanted” (Interview DE-DGB 2).

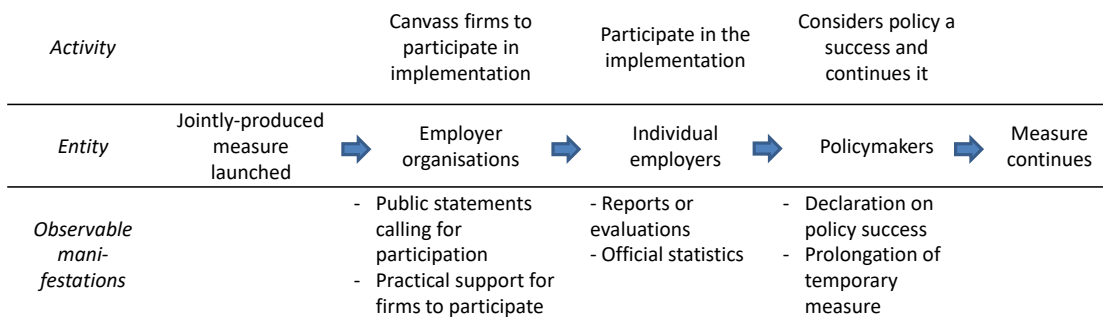
Considering the openness of social democrats and trade unions to other types of active labour market policies for young people, it can be concluded that German employers played an important role in steering German youth ALMP expenditure towards training and away from subsidies and job creation measures.

6.4.4 [C]: The cognitive effects of corporatist employer organisations

Finally, in addition to the effects of collective training systems, the German case also provides interesting insights into the relationship between corporatist employer groups and the use of jointly-produced measures. Mechanism [C] operationalised in Figure 4.8 theorised that corporatist employers' organisations canvass individual firms to participate in the implementation of jointly-produced measures. These efforts lead to an increase participation rate, the assessment of the policy as a success, and the continuation of the measure. All these elements were clearly present in the case of the Initial Qualifications, where the chambers actively and successfully promoted the a firm-based training programme to their members. The successful implementation of the Initial Qualifications programme hence supports the theory that corporatist employers' organisations have *cognitive effects* (C. J. Martin and Swank 2012) which can increase the participation of their members in jointly-produced measures.

The German case, however, also shows that the existence of corporatist employer groups does not necessarily result in higher spending on jointly-produced measures, and higher spending on jointly-produced measures may not necessarily result in higher spending on active labour market policies in general. Firstly, the example of the Training Bonus showed that corporatist employer group support cannot be taken for granted. As described above, employers were very sceptical about the Training Bonus, and in contrast to the Initial Qualifications, some representatives of local chambers declined to promote the measure to companies, which contributed to the discontinuation of the programme. Secondly, a closer look at the Initial Qualifications and the context within which the

Figure 6.6: The cognitive effects of employers' organisations [C]



measure was implemented suggests that it was at least partially used as a cheaper substitute for more expensive institutional training measures. The aim of the measure is similar to other pre-vocational training measures like Vocational Preparation Training or Training Outside the Workplace: to prepare young people who are not yet ready for an apprenticeship, or as was arguably the case when the measures was first implemented, to occupy otherwise unemployed young people during economically challenging times. However, Initial Qualifications are far cheaper than these alternatives. As mentioned before, the average costs per person and year in Vocational Preparation Training and Training Outside the Workplace were respectively 7,926€ and 14,681€. This compares to only 3,735€ for each participant in the Initial Qualifications programme.²¹ Hence, to the extent that the Initial Qualification measure was used to substitute more expensive institutional training measures, we should expect that the introduction of the measures resulted in *higher* expenditure on jointly-produced measures, but in *lower* overall spending on active labour market policies for young people.

6.5 Conclusion

This chapter provided a qualitative analysis of the development and implementation of active labour market policies for young people in Germany to test whether collective training systems and corporatist employer groups influence the use of such policies, as theorised in mechanisms [V,W,X,Y,Z] and [C]. In the following, the main findings of the chapter are summarised and linked to the results of the quantitative analysis.

The analysis provided evidence that collective training systems influence the use of active labour market policies in line with all of the five theorised mechanisms [V to Z]. Firstly, German policymakers used skills insights gained through the collective training system and skill certification mechanisms provided by employer groups and the training system, as outlined in mechanism [V]. Specifically, policymakers relied on the infrastruc-

²¹Own calculations based on Eurostat datasets *lmp_partme_de* and *lmp_expme_de* for the years 2004-2014.

ture of the dual system in three instances: to develop the Vocational Training Outside the Workplace programme, which offers apprenticeship training in publicly financed workshops; to develop Qualification Modules bringing the training content of the Vocational Preparation Training programme closer to the curricula of the dual system; and to develop the training content of the Initial Qualifications programme. The measures developed in this way contributed significantly to Germany's expenditure on active labour market policies for young people in general, and on training measures in particular. In other words, mechanism [V] can be seen as one reason why countries with well-developed collective training systems spend more than other countries on youth ALMPs and training measures, as shown by the quantitative analysis in Chapter 5 (Hypothesis 2a and 2b). Furthermore, the two institutional training programmes that relied on skills insight from the dual system, Vocational Training Outside the Workplace and Vocational Preparation Training, were used to occupy a large number of young people during the early to mid-2000s, when youth unemployment was high. In the absence of any significant direct job creation measures used for the same purpose, this suggests that the German government used institutional training measures to reduce open youth unemployment in the same way as governments in countries without collective training systems sometimes use direct job creation measures. The use of long-term institutional training measures in a functionally equivalent way to direct job creation programmes can explain why in countries with collective training systems spending on institutional training measures is high relative to spending on direct job creation programmes (Hypothesis 2d).

Secondly, there is evidence that German employer groups acted as policy protagonists supporting the launch of new-, or the expansion of existing training measures. The German business umbrella organisations offered the Red-Green coalition government 25,000 positions in a firm-based training measure in a political deal to prevent a training levy. Furthermore, when labour markets tightened in the late 2000s and early 2010s, employer groups supported the expansion of several training measures (Initial Qualifications, Supportive Measures and Assisted Apprenticeships) and one labour market service (Integration Companions). The exact motivations for employers' support for these measures are difficult to disentangle. However, strong arguments can be made that their support was motivated by a desire to fight skills shortages, as theorised in mechanism [W], and to shift unwanted training costs onto the state, as theorised in mechanism [X]. Furthermore, the fact that Germany's employer groups used the promise of firm-based training opportunities strategically, to prevent state interference in the training system is interesting because it shows another motivation, also linked to the collective training system, for employer groups to support spending on youth ALMPs. Hence, the case study found plenty of evidence for a causal connection between the existence of collective training systems and employer support for expenditure on youth training measures. The describe mechanisms can be seen as another explanation why spending on active labour market policies, in particular training measures, is comparatively high in countries with collective training systems (Hypothesis 2a and 2b). However, the effect of employers lobbying for spending on active labour market policy seems much smaller than the effect of mechanism [V] because the measures supported by employer groups accounted only for a small share of Germany's youth ALMP expenditure.

Surprisingly, German employer groups were also found to support the Integration Companions, a labour market service supposed to help young people in their transition from school into apprenticeships. Employer support for such measures was not expected. However, if it is the case that employers in countries with collective training systems are also more likely to support spending on labour market services, it may help explain one of the surprising findings of the quantitative analysis: the fact that collective training systems are positively associated with spending on types of active labour market policies for young people other than training measures.

Thirdly, the chapter showed that German employers preferred training measures over subsidies and direct job creation measures, and that employer organisations used their instrumental power [Y], and companies used their realised structural power [Z] to influence the use of active labour market policies for young people accordingly. The use of instrumental power [Y] was visible in employer groups' lobbying against the Qualification Employment Creation Programme, a direct job creation programme within the Immediate Action Programme against Youth Unemployment, and the Training Bonus, as well as in their active support for training measures described above. The realised structural power of companies [Z] influenced the use of active labour market policies at the implementation and evaluation stage. At the implementation stage, the unwillingness of companies to hire subsidised apprentices resulted in the discontinuation of the Training Bonus. The government's decision to discontinue the Qualification Employment Creation Programme, on the other hand, was arguably influenced by the programme's low integration quota, i.e. the low share of participants hired as employees or apprentices after leaving the measure.

As expected, employers' preferences for training measures over direct job creation programmes and subsidies were partly based on a preference for qualifications over work-experience: a lack of skills is perceived by employers as a problem that can and should be addressed through active labour market policies. Work-experience, on the other hand, is something German employers expect young people should gain during an apprenticeship. Hence, employers do not see a need for active labour market policies providing young people with this kind of experience. However, the evidence shows an additional link, unforeseen in the theory, between collective training systems and employers' opposition to subsidy programmes. Namely, subsidies paid to employers for the hiring of apprentices were viewed by employers' organisations as a "grave systemic error", which would lead to companies hiring apprentices for short term financial benefits and not for the long-term benefit of having highly-skilled employees. In the same way that the Initial Qualifications programme was used as a political bargaining chip, employers' opposition to the Training Bonus appears to have been motivated by strategic considerations.

In sum, the German case study provides evidence that employers and employer groups influence the use of active labour market policies for young people through their structural and instrumental power, as theorised by mechanisms [Y] and [Z]. Furthermore, the relative preference of German employers and employer groups for training measures over direct job creation programmes and subsidies can be traced back to the existence of the collective training system. Thus, mechanisms [Y] and [Z] help explain why countries with collective training systems spend more on training measures than on measures

providing work experience, as shown in chapter 5 (Hypothesis 2c).

Finally, the examples of the Initial Qualifications and the Training Bonus show that the Germany's corporatist employer groups were able to influence the number of companies willing to participate in the implementation of jointly-produced measures as predicted by mechanism [C]. However, the two examples also showed that support from corporatist employer groups cannot be taken for granted: while the Initial Qualifications programme was supported, the Training Bonus was not. This may explain why the quantitative analysis found no positive association between the existence of corporatist employer groups and absolute and relative spending on jointly-produced measures (Hypotheses 1d and 1e). Furthermore, the evidence suggests that the Initial Qualifications programme was in part used as a less expensive substitute to institutional training programmes like Vocational Preparation Training. If it is the case that corporatist employer groups use their cognitive effects to help policymakers substitute expensive institutional measures with cheaper firm-based measures, it would influence the relationship between corporatist employer groups and total spending on active labour market policies (Hypothesis 1a). Namely, in this way the existence of corporatist groups should lead to *lower* total expenditure on active labour market policies.

7 Case II: United Kingdom

The United Kingdom was selected as a well-predicted case of a country with pluralist employer groups and no collective training system. In line with the theoretical expectations for countries without corporatist employer groups or collective training systems, the United Kingdom spends very little on either active labour market policies for young people in general (Hypotheses 1a, 2a), on training measures (Hypotheses 1b, 2b), on subsidies (1c) or on jointly-produced measures (Hypotheses 1d, 1e). Furthermore, chapter 4 has shown that UK expenditure on training measures relative to work experience measures (Hypothesis 2c), and on institutional training relative to direct job creation measures (Hypotheses 2d) is below average compared to European Union countries.

The purpose of this chapter is to analyse whether the observed use of active labour market policies was caused by the (absence of the) theorised mechanisms [A,B,C,D,E,W, X,Y] and [Z]. The chapter focusses on the analyses of three large-scale labour market programmes introduced between 1998 and 2014 – the New Deal for Young People (NDYP), the Future Jobs Fund and the Youth Contract – and a short period characterised by labour shortages in the mid to late 2000s. The findings largely confirm the theoretical expectations. There is no evidence of employer groups or the training system providing skills insights [A,V]. There is also no evidence of British employer groups lobbying for training measures [B,W,X], but there is evidence of one employer group, the Confederation of British Industry, lobbying for a subsidy programme shortly before such measures were launched through the Youth Contract [D]. However, although the subsidy was launched, the programme's implementation was unsuccessful, as individual companies remained largely unwilling to hire the subsidised workers. Employer groups endorsed another subsidy programme, the Employment Option within the New Deal for Young People, but the implementation of this measure was also constrained by a limited participation of firms. The failed implementation of both programmes shows that the United Kingdom's pluralist employer groups were unable to convince companies to participate in jointly-produced active labour market policies that they themselves had supported [C]. Finally, representatives of employer groups repeatedly emphasised the value of work experience for young people. Policymakers agreed with this perspective and generally underlined the importance of developing labour market policies in a way that makes job seekers more attractive from the perspective of employers. This shows that employers' in the United Kingdom indeed value work experience, and that their instrumental [Y] and structural power [Z] influences the choice of active labour market policies for young people accordingly.

The chapter follows the same structure as the case study on Germany. The first section provides a brief overview of employers' associations and labour market training in the United Kingdom. The second, third, and fourth section discuss the development

and use of active labour market policies for young people over two periods of economic downturn and one of strong growth and low unemployment. The fifth section discusses the evidence, and the last summarises the findings.

7.1 Employers' associations and training in the United Kingdom

The United Kingdom has a pluralist system of employers' organisations (C. J. Martin and Swank 2012): employer groups only represent a comparatively small share of UK companies, companies may belong to different groups at the same time, and employers' organisations are not organised within one hierarchical umbrella organisation (C. J. Martin 2010). The most prominent and politically active employers' organisation is the Confederation of British Industry (CBI). The CBI represents individual companies as well as a number of trade associations. According to its own statistics, the organisation represented about 190,000 businesses, which together employed close to 7 million people in 2014 (CBI 2015). The organisation was founded 1965 through a merger of three smaller associations, in part to represent a common voice for business in tripartite initiatives launched by Labour governments in the 1960s and 1970s. During this period, the government achieved several instances of successful coordination with employers and the Trade Union Congress (TUC), which represented trade unions at the national level (C. J. Martin and Swank 2012, p.191). The conservative governments under Margaret Thatcher, however, opposed corporatist arrangements and reduced the influence of the CBI. This drove away many of the organisation's members, and in the 1990s, the CBI was on the verge of bankruptcy (C. J. Martin and Swank 2012, p.196). As this chapter will show, Tony Blair's labour government (1997-2007) made efforts to again involve employer groups more strongly in the development and implementation of policies. Despite these efforts, however, the CBI did not manage to regain its strength or membership numbers of earlier decades (C. J. Martin and Swank 2012, p. 198). Next to the CBI, there are a number of smaller employers' organisations that sometimes engage in matters of labour market policy. The British Chamber of Commerce (BCC) represents 53 individual Chambers across the United Kingdom at the national level. The organisation claims to represent companies employing more than 5 million people (British Chamber of Commerce 2021). Other organisations include the Federation of Small Businesses and the British Retail Consortium. In contrast to Germany there is not clear division of labour or hierarchy among these organisations. Furthermore, membership in any of these organisations is voluntary, and membership fees are an important source of funding for them. As a consequence, the different groups compete with each other for members, and have a limited capacity to foster cooperation (C. J. Martin 2010).

The United Kingdom does not have a collective training system, despite repeated attempts to develop one (Benassi, Durazzi, and Fortwengel 2021; Busemeyer 2015; Finegold and Soskice 1988). Instead, the country's training systems is voluntaristic: companies do not have to follow strict guidelines in terms of training content and duration (Busemeyer 2015), and the overall number of companies training young people on the

job is limited (see chapters 4 and 5). Historically, firm-based training in the United Kingdom was not regulated by the state, and there was no external examination of apprentices. Starting with the Industrial Training Act in 1964, multiple governments tried to set up a institutional infrastructure to administer and regulate training through more or less corporatist and collectivist institutions (Busemeyer 2015, p.62-63). The Industrial Training Act established Industrial Training Boards governed by representatives of employers and trade unions that were charged with the administration and financing of apprentice training. The boards had the right to collect funds through a levy on companies within their industry to finance apprenticeship training and the work of the boards. However, the levies and the boards were abolished in the 1980s by the Thatcher administration (Busemeyer 2015; C. J. Martin and Swank 2012). Another attempt to increase the collectivist character of the British training systems was undertaken in 1986 with the introduction of the National Vocational Qualification scheme which was supposed to introduce uniform and high training standards. However, the National Vocational Qualification system that remained in place until 2014 was unsuccessful in increasing the quality and consistency of training (Marsden and Ryan 1995; C. J. Martin and Swank 2012). The failure to develop uniform training standards has been linked to the lack of collective standard-setting through social partners. Whereas training curricula in the German dual system are negotiated between unions, corporatist employers' organisations and the government and then *standardised* across the country, employers in the United Kingdom can develop their own individual training programmes and then have them recognised as an National Vocational Qualification (Busemeyer 2015, p.78). The consequence of the failure to develop collectivist institutions is that training does not follow standardised curricula, and does not lead to uniform and widely accepted labour market qualifications. Furthermore, the small share of companies engaging in firm-based training means that most young people enter the labour market without work experience and with school-leaving diplomas with limited signalling value (Gangl 2003; Marsden and Ryan 1995).¹

7.2 Youth ALMPs in bad times

The United Kingdom has a long tradition of addressing youth unemployment through dedicated labour market programmes and training initiatives reaching back to the inter-war period (Edwards 1985; IER 1999; Walker 1988). In contrast to Germany, however, active labour market policies in the United Kingdom tend not to be introduced as individual policies, but as large programmes combining different types of measures. Furthermore, these programmes are regularly replaced in their entirety by new programmes introduced by incoming governments.² The focus of this chapter is on the three largest

¹See (Marsden and Ryan 1995, p.76-77) for a more detailed comparison of the National Vocational Qualifications (NVQ) system of skill assessment with the German dual system.

²This programme-based logic stands in contrast to the continuity of policies across administrations in Germany and is related to the way measures are made in the two countries. In contrast to Germany where active labour market policies usually require legislative acts by parliament, the United Kingdom government has significant executive powers to start and terminate measures. Under section

programmes targeting young people introduced between 1998 and 2014: the New Deal for Young People, the Future Jobs Fund and the Youth Contract.³

7.2.1 The New Deal for Young People

1997 was an election year in the United Kingdom. Against the background of high youth unemployment rates during most of the 1990s, the oppositional Labour party under Tony Blair made helping unemployed young people a central part of their electoral campaign. One of the party's core electoral promises was a "New Deal for Young People", a programme to "get 250,000 young unemployed off benefits and into work" (Party 2017). Labour won the election and moved to implement the programme. The New Deal had an initial budget of 3.15 billion pounds over the 1997-2002 period and was targeted at young unemployed people between the ages of 18 and 24 who had been unemployed for six months or more (Jarvis 1997).

The programme included several measures.⁴ All participants first entered into a period of orientation and counselling services called Gateway. For up to four months, participants received career advice and support to find employment. Those who found a job left the programme, while those remaining in the New Deal were referred to one of four possible options: the Employment Option, the Voluntary Sector option, the Environmental Task Force, or the Education and Training option. The first option constituted a wage subsidy with a small training component. Young people who had spent at least two months in the Gateway programme became eligible for a £60 a week subsidy to be paid to an employer for up to 6 months. As part of the subsidy, the employer was required to provide the equivalent of one day of training per week, leading towards an accredited qualification. The option was open to public employers and private sector employers, but the primary focus was on creating private sector jobs. The second and third option were direct job creation measures in the public and non-for-profit sector. The goal of this option was to provide participants with work experience through activities contributing to social (Voluntary Sector option) or environmental (Environmental Task Force) goals (Layard 2001). Both work experience programmes lasted 6 months, and participants were required to receive one day of education or training per week. The fourth option consisted of up to one year of full time education in a course leading to

2 of the Employment and Training Act 1973, the Secretary of State for Employment can "set up, fund and administer employment and training programmes without the need for further secondary legislation"(Eurostat 2011). The responsibility and leeway granted to the Secretary of State for Employment in this field means that measures can quickly change when new governments enter into power.

³Another important reform by the Blair government was the introduction of the Connexions agencies (DfEE (Department for Education and Employment) 2000) which provided services to young people in their transition from school to work. The programme accounted for a significant part (15.75%) of total spending on active labour market policies for young people in the period for which data is available. However, the entire programme is classified as employment service. Since there are no specific hypothesis for this type of measure, the analysis in this chapter focusses on the three other programmes.

⁴Unless specified otherwise, the following description of the technical aspects of the New Deal for Young People is informed by a House of Commons briefing note produced by (Jarvis 1997)

a certified qualification. The training was provided by institutional training providers, not companies, and the courses offered within this option were based on the Further and Higher Education Act of 1992 (Jarvis 1997, p.11). Finally, a novelty of the New Deal for Young People was that participation was compulsory for the long-term unemployed below the age of 25. Young people receiving Job Seeker's Allowance for six months or more who refused to take part had their benefits cut. As Labour's election manifesto put it: there is no "fifth option of life on full benefit" (Party 2017).

The New Deal for Young People was reformed several times but the basic structure of the four options remained in place until it was partially replaced by the Young Person's Guarantee in October 2009, and abolished in 2011. Until 2009, the New Deal was the primary active labour market programme for young people in the United Kingdom, accounting for about 17,5% of the country's expenditure in the quantitative analysis.⁵ The number of participants in the programme was highest at the beginning and fell thereafter. In 1999 and 2000, the annual stock of participants was 43,000 people (no data is available for 1998).⁶ From 2001 to 2003, this number was between 20,000 and 25,000. From 2004 to 2009, the number remained between around 15,000 (2004) and 20,000 (2008). After the Gateway, the largest share of participants (49%) entered into the Education and Training option. The Voluntary Sector option and the Environmental Task Force accounted for a combined 39% of participants, and the Employment Option for the remaining 12%. Participation in the Employment Option, i.e. the subsidy programme, decreased the most over time. In 1999, 2000, 2001 and 2002 the annual stock of participants in this option was 6,859, 16,610, 3,280 and, 3,450. As share of total participants, the Employment Option accounted for 16% (1999), 38% (2000), 16% (2001) and 14% (2002) in these early years of the New Deal programme. From 2002 onwards, the number of people in the Employment Option declined steadily to below 1,000 participants in 2006. As such, the Employment Option accounted for only 4% of all New Deal participants from 2006 to 2009. Expenditure on the New Deal for Young People options closely mirrored the participant numbers: the Education and Training Option accounted for most of the expenditure of the New Deal for Young People (6.13% of total youth ALMP expenditure between 2004-2010), followed by the two work experience options (4.72% together), the Gateway (4.25%) and the Employment Option (0.74%) (see also table A.23 in the Appendix).

Why then did policymakers decide on these four options to address youth unemployment and what role did employers and employer groups play in influence spending on the programme? These questions will be addressed next.

Development of the New Deal for young people

<the New Deal was initially developed by Labour politicians and academics without the involvement of employer groups. The first draft of the New Deal for Young People

⁵See table A.23 in the Appendix for an overview on all measures.

⁶All numbers and calculations are based on Eurostat data (lmp_partme_UK) of the stock of participants over this period. The participant stock refers "to the number of persons participating in an intervention at a given moment" (DG Employment, Social Affairs and Inclusion 2018, p.32)

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was drawn up in the context of the 1994 Labour conference in Blackpool (Interview UK-Ed Balls). The planned structure of the New Deal, featuring the four options, was then included in Labour's 1997 general election manifesto. There is no evidence of employer groups actively lobbying Labour politicians on the design of the New Deal before the election. However, evidence from interviews, official documents and the academic literature suggest policymakers reached out companies and employer groups for input and tried to develop the programme with the perspective of employers in mind.

Blair's Labour party showed a strong preference for activation policies like active labour market policies over traditional social policies like unemployment benefits (Bonoli 2013). For example, Labour's election manifesto stated that "[t]he best way to tackle poverty is to help people into jobs – real jobs" (Party 2017). In line with this philosophy, the New Deal and its different options was regarded as a tool to provide young job-seekers with the types of experiences and skills the lack of which had so far had prevented them from finding employment. Thereby, the Employment Option was perceived as the most promising because, as the argument went, subsidised employment could either result in continued employment with the same company, or would provide the participant with a valuable reference for the next job interview. Ed Balls, a Labour politician involved in the development of the New Deal programme, and Chief Economic Adviser to the Blair government from 1997 to 2004 explained the importance of the Employment Option as follows:

"The focus was on the best way to get a young person into a job. If somebody had good qualifications but for whatever reasons had failed to get a job and therefore was starting to have the negative effect of unemployment on their CV, then getting them into a private job which might sustain them in employment, but which certainly would give them a track record and a reference, we thought that was the first-best option" (Interview UK-Ed Balls).

A similar view was expressed by another Labour policymaker involved in the development of the programme:

"[N]othing is as powerful as a good reference from another employer, for an employer to take you on. Getting a reference from an employer was therefore seen as a big achievement" (Interview UK-Labour)

The Education and Training option was seen as useful when young people could not find a job because of educational deficits. However, training was regarded as useful only for a more limited number of people:

"We thought that for some people there may have been some educational reason why they were not actually at that level. Maybe things had gone wrong in school and therefore they needed another chance in basic education. So if somebody said 'I really, really want to do a particular kind of skill', we might have paid for that. And it may have been more basic than that. The

training would depend on the advisor and your particular personal needs”
(Interview UK-Ed Balls)

Furthermore, throughout the development and implementation of the New Deal for Young People, Labour politicians emphasised that the type of education and training provided should be in line with employers’ skills needs (see also (Farnsworth 2006)). For example, a 1997 report by the House of Commons Education and Employment Committee on the New Deal stated:

“[t]he key to the success of this option [...] will be the extent to which the training and education offered is related to the needs and aspirations of New Deal participants and to the requirements of employers. There will need to be strong links between education and training providers and employers”(Education and Employment Committee 1997, paragraph 31).

Finally, the inclusion in the New Deal of the Voluntary Sector and the Environment Taskforce had two motivations. First, both options would provide participants with work experience and thereby increase their chances of finding regular employment. Richard Layard, one of the intellectual architects behind the New Deal, explained this reasoning in the following words: “Where no job can be found with a regular employer, work on publicly-useful projects can help improve people’s work habits and give them work records which help in finding regular jobs”(Layard 2001, p.2). The second reason was that these direct job creation programmes were seen as the only options which could be scaled up so as to provide something meaningful to larger numbers of individuals who could not find regular or subsidised employment, and for whom additional training would not have made a difference. In this way, the options were a necessary element for a programme in which non-participation was sanctioned with benefit cuts:

“[I]n order to justify the compulsion, we had to have a *fall-back option* in case that an employer would not take you on and you already had qualifications. You just did not really want to grant work so we had to have some place where you could go in order that you could not simply say that there is no option for me so I am going to stay on benefits. So that was the fall-back option” (*emphasis added*) (Interview UK-Ed Balls).

“The second two [Voluntary Sector and Environmental Taskforce] were of lower quality and were there really to deliver the no-fifth-option” (Interview UK-Labour).

In short, the New Deal for Young People and its four options was designed in such a way as to make hiring young people more attractive for companies. According to Ed Balls, he and his colleagues also reached out to companies to learn about their preferences and make sure that the programme worked “from an employers’ point of view” (Interview UK-Ed Balls). Before the 1997 election, however, there is no evidence of employer groups commenting on the programme, or of a substantial exchange of

views between Labour politicians and business taking place. This changed after the election. Statements by employer groups and the heads of individual companies released after the new administration had published further details about the New Deal suggest that Ed Balls and his colleagues were at least partially successful in designing the New Deal in accordance with employers' needs. The CBI and other members of the business community openly endorsed the programme in 1997 (Eurofound 1997a,b). The BCC, too, strongly supported the New Deal, at least in the beginning (The Independent 1998). Nevertheless, cooperation with employers and employer groups in the implementation of the New Deal for Young People proved difficult, as the next section will show.

7.2.2 Employer engagement with the NDYP

Upon entering power, the newly elected government set up a New Deal Task Force which included among its members a range of executives of large companies to reach out to companies and employer organisations and gather their support in the implementation and further development of the programme (C. J. Martin and Swank 2012). In addition, Blair and several cabinet members "roamed the country having breakfast meetings with 3,500 business leaders to introduce the New Deal and solicit employer participation" (C. J. Martin and Swank 2012, p.202). These efforts to involve employers in the development and implementation of the New Deal for Young People have been analysed by several authors and were used to develop much of the political economy literature on the relationship between employers and active labour market policies (Cronert 2018a; C. J. Martin 2004a,b; C. J. Martin and Swank 2004, 2012). Specifically, Martin and Swank argue that *collective action* and *political economic effects*, as well as the absence of *cognitive effects* linked to the UK's pluralist employer groups limited employers' willingness to actively shape the programme and to offer subsidised employment to programme participants. In turn, Martin and Swank link employers' limited engagement to the comparatively low levels of total active labour market policy expenditure in the United Kingdom.

Their arguments will be critically assessed in the following. Thereby, it will be argued that Martin and Swank are right about the collective action problems and the lack of cognitive effects of the United Kingdom's pluralist employer groups. However, their argument about the political economic effects of pluralist groups requires discussion. Specifically, Martin and Swank's argument that the political economic effects of pluralist employer groups resulted in low demand for skilled workers, and hence, limited engagement with the New Deal is less convincing. Instead, an alternative argument will be presented, namely, that the UK government's limited capacity to gain skills insights and trusted certification mechanisms limited employer demand for training programmes.

Collective action, political economy and cognitive effects

According to Martin and Swank, the limited capacity of the United Kingdom's pluralist employer groups for *collective action* prevented the business community from shaping the New Deal for Young People to suit their own needs, which in turn reduced the will-

ingness of individual firms to engage with the programme. In their words, “employers had a limited organizational base to bring them into the policy making process and to tailor the programs to real economic need” (C. J. Martin and Swank 2012, p.201). While the government made substantial efforts to reach out to the business community, their engagement with companies and employers’ associations was only partially successful. Initially, the New Deal for Young People was supported and openly endorsed by the business community (Eurofound 1997a,b). Large companies like Tesco, Radisson Hotel Group, Lloyds-TSB, Ford, and Jaguar declared their support for the programme (Eurofound 1997b), as did the CBI, which specifically endorsed the four options as a “flexible package to suit the needs of the different groups” (Eurofound 1997a). However, the organisation soon became more sceptical, scaling back their level of cooperation (C. J. Martin and Swank 2012). A similar dynamic can be observed on the level of individual firms. A large number of companies had signed up for the New Deal for Young People, and signalled their willingness to hire young people participating in the programme. However, this enthusiasm quickly evaporated. Many employers complained that New Deal participants were not “job ready”, or did not possess the right skills. Other employers did not engage with the New Deal because they had a generally low opinion of the programme’s participants (C. J. Martin 2004a,b). For example, one of the employers interviewed by Martin and Swank stated that his employees are “heavy weight individuals who are too smart to be in the typical New Deal category” while another stated that “[his] company has been recruiting at the skilled level, but government schemes are irrelevant to this labour pool” (C. J. Martin and Swank 2012, p.204).

In addition, Martin and Swank argue that companies’ negative perceptions of the New Deal for Young People and its participants can be explained by failed efforts of past skills policies and the *political economic* impact of pluralist employer groups on the United Kingdom’s economy. In their view, pluralism had contributed to the country’s evolution towards a liberal market economy characterised by Fordist production processes and a low-skill equilibrium. The repeated and failed efforts to establish collective forms of training were part of this evolution, and they established negative legacies influencing employers’ pessimistic assessments of the New Deal’s potential to help with their “immediate employment needs” (C. J. Martin and Swank 2012, p.204). As evidence for this argument, Martin and Swank cite employers’ negative perceptions of the New Deal. Furthermore, they concluded that “[b]ecause employers felt that the New Deal did little to improve the skills of the workforce, it follows that the firms most willing to participate in the program would use workers with limited skills” (C. J. Martin and Swank 2012, p.204).

Finally, Martin and Swank argue that the lack of positive *cognitive effects* of employer organisations meant that employers’ organisations like the CBI or the BCC were unable to change the perceptions of individual employers. Specifically, an analysis by Martin shows that companies that were members of an employer group in the United Kingdom were not more likely to participate in the implementation of the New Deal, despite the employers’ group’s endorsement of the programme. In other words, the pluralist employers’ groups in the United Kingdom could not convince their constituents that it was beneficial for them to participate in the implementation of the New Deal for Young Peo-

ple (C. J. Martin 2004a). Cronert builds on the empirical material collected by Martin and Swank. He argues that missing cognitive effects prevented Blair's government specifically from spending money on active labour market policies that must be implemented with employers, i.e. the subsidy programme with the New Deal (Cronert 2018a).

Employers' and the Employment Option

Martin and Swank provide convincing evidence that employer groups did not manage to increase employer participation in the Employment Option. Furthermore, the evidence also supports Cronert's claim that this lack of engagement reduced spending on the Employment Option.

One notable aspect of the New Deal for Young People is the discrepancy between the money initially reserved for the programme and the amount actually spent. The initial budget passed in 1997 reserved 3.15 billion pounds for the period 1997-2002. However, this number was corrected downwards to 2.62 billion in March 1998, and again to less than half of the initial amount – 1.48 billion – in 2000 (Education and Employment Committee 2000). Much of the reason for this seems to be that youth unemployment fell – and by 1997 had already fallen – more quickly than anticipated. Already in 1997, before the programme was rolled out, the Minister for Employment, Andrew Smith, suggested that some of the money earmarked for unemployed young people may be redirected to help other groups of unemployed instead (Education and Employment Committee 1997, Question 74). Similarly, Smith's successor, Tessa Jowell, explained that the reduction in spending was due to unemployment falling more quickly than anticipated, to the fact that many people already found employment while in the Gateway Option, and the fact that the New Deal options were cheaper than expected (Education and Employment Committee 2000, Question 3).

Of course, those politically responsible for the New Deal for Young People should be expected to stress the rebounding labour market rather than other factors influencing spending levels. In fact, while lower costs and a declining number of unemployed people likely had an influence on aggregated expenditure, there is also evidence that the government would have liked to enable more young people to participate in the subsidy. As described above, the employment option was believed to be most effective (Interview UK-Ed Balls) and the Blair administration put an extensive focus on recruiting employers for this option. Evaluations of the New Deal for Young People also found the subsidy to be the most effective of the four New Deal options in integrating young people into jobs (Dorsett 2004; National Audit Office 2002). An evaluation by the National Audit Office concluded that “the overall effectiveness of the programme would be increased if a larger proportion of participants were able to move from the Gateway to the Employment Option, rather than to the other options”. The report was fully aware that for this “would require employers to increase their support for the programme and to be willing to take on more participants” (National Audit Office 2002, pp. 12-13). However, the declining number of participants in the Employment Option after the first two years show that companies were rarely motivated to do so. Similarly, a labour politician reflects how companies showed little intrinsic motivation to offer subsidised employment

positions. Instead, constant efforts by policymakers were required to recruit companies:

“It [the Employment Option] was one that you had to sell quite heavily. [...] There was always a commitment required to get the employers to engage. It required work and that effort was increasingly diminishing, obviously as youth unemployment was falling” (Interview UK-Labour)

Hence, it is clear that a lack of employer engagement limited the number of young people able to participate in the Employment Option. Given that the CBI and other employer groups endorsed the New Deal for Young People, the finding that companies remained very reluctant to hire individuals subsidised through the programme supports Martin and Swank’s argument that those employer groups indeed did not have cognitive effects: their endorsement did not make individual companies more likely to participate in the subsidy programme.

Low-skill economy or lack of skills insights?

When it comes to the argument about political economic effects, it is important to point out that Martin and Swank did not explicitly distinguish between the different options of the New Deal for Young People in their analysis. Instead, they argued that all three effects they described (collective action, political economic and cognitive effect) reduced spending on active labour market policies in general. However, if the political economic impact of pluralist employer groups indeed result in a low-skill equilibrium as argued by the authors, this arguably should have had the strongest negative effect on the use of training measures: if there is no demand among employers for skilled workers, it would make little sense for the government to provide education and training to job seekers. This, in turn, could explain why the United Kingdom spends less on training measures than other countries.

This explanation, however, does not sit well with the evidence collected by Martin in surveys among employers (C. J. Martin 2004a,b). Her analysis shows that it was mostly employers looking for low-skilled and cheap labour that participated in the programme. Her evidence also shows, however, that many employers were looking for more skilled workers: 53% of respondents stated that a need for higher skills prevented them from participating in the New Deal. Furthermore, several managers interviewed by Martin explained that the New Deal “did little to address the pressing skills-gap problem” (C. J. Martin 2004a). Hence, the fact that primarily companies using less skilled workers participated in the New Deal does not mean there was no demand for skilled workers. Furthermore, there is ample evidence that the Blair government was willing to provide companies with the types of skilled labour they demanded. Education and training were one of the primary policy priorities of New Labour as encapsulated by Blair’s mantra “education, education, education” (BBC 2007a). In addition, the government followed what they described as a “demand-lead approach” that engaged “employers in the design of training and work experience and *use[d] their hiring requirements as a basic standard of job readiness*”(emphasis added)(HM Government 2001, p.46). The importance of

linking training to the local demand for skills was also stressed in a government Green Paper in March 2001:

“We are convinced that the effective engagement of employers in the education and training system is vital if people are to develop the skills they need to progress in work and for skills shortages to be avoided. Employer engagement is crucial for the success of New Deal. Involving employers in the development of New Deal and understanding better the requirements of employers in particular industries are key ways to break down the barriers that prevent people moving quickly into new jobs” (HM Government 2001, pp.44-45)

However, in contrast to Germany, or as the next chapter will show, Sweden, the United Kingdom could not rely on effective help from employers. While the German chambers worked with the government to develop highly specific training programmes based on the training profiles of the dual system, the UK government used surveys in an attempt to understand employers’ skills needs (HM Government 2001, p.42). In the absence of more demand-oriented alternatives, training under the education and training option was offered on a range of subjects including training leading to approved vocational qualifications, towards the common secondary education certificates (GCSE and GSCE A-levels⁷), or other topics such as basic literacy or mathematics (Jarvis 1997, p.35). This meant that training was based either on the underdeveloped British vocational training system, curricula from the general education system, or that it focussed on very basic general skills.

However, no courses were developed with collective input by employers. This was not unknown to policymakers. Indeed, the UK government was aware that a lack of employer input presented a problem. A 2001 Green Paper by the Blair administration acknowledged that “[e]ffective matching of people to jobs and workforce development requires good information” on current and future skill needs of local employers, the capacity of training providers and an understanding of future economic and industrial trends (HM Government 2001). Aware that the United Kingdom was lagging behind in this regard, the administration launched a new initiative to fund training and to improve the linkages between employer demands and skill production called “Learning and Skills Councils” (Busemeyer 2015). Like similar past initiatives, however, the Learning and Skills Councils failed to produce the right number of people with the right types of skills. For example, the former head of the CBI complained in 2007 that the programme did not produce the types of skilled workers companies wanted (BBC 2007c). As a consequence, in 2008 the Labour government, now under Prime Minister Gordon Brown, decided to terminate the Learning and Skills Councils (The Guardian 2008). Against this background, it appears that employers in the United Kingdom did not *not* demand skilled workers, as implied by the “low-skill orientation” of the British economy, but that the UK government was simply *not able* to develop a programme which helped young

⁷General Certificate of Secondary Education (GCSE), GSCE at advanced levels

people learn the types of skills demanded and valued by employers.⁸ Therefore, the low level of expenditure on training measures for young people in the United Kingdom should not be associated with employers' low demand for skilled workers, but rather the government's inability to deliver on those demands.

7.3 Youth ALMPs in good times?

While the labour market in the United Kingdom in the 1990s was characterised by high youth unemployment, the situation improved after 1998. By the mid-2000s youth unemployment had decreased, and skills shortages were becoming an increasingly pressing concern. A 2005 government report urged “radical change” in the training of young people and adults to deal with the existing skills gap (BBC 2005). One year later, the CBI warned that the United Kingdom was “woefully short of world-class skills” and demanded action (BBC 2006b). Businesses raised concerns about shortages in a wide range of skills and occupations ranging from electricians and plumbers (BBC 2007d) to university educated scientists (The Guardian 2006). CBI representatives repeatedly warned that the general education system was failing to teach all young people sufficient basic competencies such as language and numeracy skills (BBC 2006a). In response, the government appointed the outgoing head of the CBI, Sir Digby Jones, as its “skills envoy”. In this position, Jones repeated earlier calls for the reform of the general education system and further demanded the introduction of training “bribes” for employers in the form of tax cuts for companies investing in the training of their employees (BBC 2007b). However, what employers and their representatives did *not* call for was an expansion of active labour market policies for young people to alleviate the situation.

This result is hardly surprising given that British employers thought the New Deal for Young People – at this time still the largest active labour market policy programme for young people in force – had little impact on improving the skills of workers (C. J. Martin 2004a,b). The British Chamber of Commerce also did not see active labour market policies to be a core interest of their members and hence a policy priority for their organisation. A BCC officers responsible for skills policy explained his organisation's approach to active labour market policies in the following words:

“I think it can be a bit tricky for business groups to engage on this welfare-to-work element of these programmes because, ultimately, business groups focus on where there is a very real material impact on their members: infrastructure, tax, apprenticeships, regulations. [...] That is often why you

⁸The argument about the lack of skills insights and certification mechanisms is very similar to Martin and Swank's argument that a limited capacity for collective action undermined employers' capacity to influence the design of the New Deal according to their own needs. However, Martin and Swank's argument remains rather general. The limited ability for collective action is not linked to any specific type of active labour market policy even though it is not clear what effect collective action problems would have had, for example, on the Gateway or the two direct job creation programmes. Hence, this chapter focusses on the lack of skills insights and certification mechanisms because it presents a more precise mechanism linking employer groups to the use of active labour market policies for young people.

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may not find business groups knocking down doors to lobby on welfare-to-work programmes. [...] Welfare to work is about training people who are unemployed which is obviously a worthy thing to do. It is important for government to do. But, if you are a business, that is not your primary concern” (Interview UK-BCC).

In short, employers’ and employer groups in the United Kingdom did not perceive active labour market policies for young people as a type of policy that could help companies meet their skills needs. Thus, when faced with shortages of skilled workers, they did not lobby for more public spending on this type of policy.

7.4 Return to bad times

The recovery of the British labour market did not last long. In 2007, the global financial crisis hit the United Kingdom’s economy. Between December 2007 and December 2009, unemployment among young people jumped from 641,000 to 878,000 and the youth unemployment rate hit 19,9% in 2010.⁹ This created political pressure on Prime Minister Gordon Brown of the Labour party, who had taken over from Blair in 2007. Faced with a general election in 2010, Brown’s government launched a new set of measures under the title “Young Person’s Guarantee”. The principal component of the guarantee was a direct job creation programme called Future Jobs Fund.

7.4.1 The Young Person’s Guarantee and the Future Jobs Fund

The Guarantee was announced as part of the 2009 budget in April of the same year. The promise of the programme was that every young person unemployed for 12 months or more would be guaranteed a “job, training or work placement” (HM Treasury 2009, p.87). The final programme consisted of four elements: the Future Jobs Fund, Routes Into Work, Work Focussed Training, and a Community Task Force. Routes Into Work and Work Focussed Training were training programmes. The Community Task Force and the Future Jobs Fund were direct job creation measures aimed at providing work experience. The Future Jobs Fund was by the far the most important of the four components of the Young Person’s Guarantee, with a planned budget of around 1 billion pounds. In terms of actual expenditure, the Future Jobs Fund accounted for more than 90% of the Guarantee programme’s budget in 2009 and 2010.¹⁰ Given its size, the analysis of the Young Person’s Guarantee in this chapter focuses on the Future Jobs Fund.

Under the Future Jobs Fund, public and third sector organisations, as well as private companies, were able to apply for funding to create jobs that fulfilled certain minimum criteria: jobs had to be at least 25 hours per week, they had to pay the minimum wage, and they had to last for at least six months. Furthermore, employers were required to help participants in the programme to move into long-term employment, and the jobs had to benefit the local community. Lastly, state aid requirements demanded that jobs had to

⁹Eurostat *une_rt_a*

¹⁰Own calculations based on Eurostat data.

be “additional”. In other words, employers would not be able to replace existing workers or create jobs for positions they would have created anyhow. If these conditions were fulfilled, the government contributed up to £6,500 per job over six months (Work and Pensions Committee 2010). The goal was to create temporary jobs for 150,000 young people by March 2011. In March 2010, the programme was extended for another year, and the number of jobs to be created were increased to 200,000 by March 2012 (Work and Pensions Committee 2010, p.9). The programme was developed by an interdepartmental team headed by the Department of Work and Pensions in consultation with experts and representatives of different stakeholders over the very short period of three months¹¹ (Work and Pensions Committee 2010, Ev 22).

Why then did the Brown government decide to use a direct job creation programme to address the surge in youth unemployment? Two considerations seem to have influenced the choice of a direct job creation programme: the measure’s effect on young people’s immediate and longer-term employment situation, and the time required to implement it. According to the Department of Work and Pensions, the primary goals of the programme were to protect young people from the sudden contraction of the economy, while also improving their longer-term labour market prospects by increasing their “work experience, confidence and self-esteem” (Work and Pensions Committee 2010, p. 13). As one policy officer at the DWP explained:

“The Future Jobs Fund is very much about creating a short-term meaningful job for people who would otherwise be unemployed. Meaningful for them, meaningful for the community in which they sat and useful in terms of being a stepping stone towards long-term and sustained employment” (Interview UK-DWP).

In other words, the programme was intended to shelter young people during the immediate crisis, while also improving their chances of finding stable employment as soon as the economy recovered. In addition, the government decided to focus on creating employment in the public and voluntary sector because the government had established relations with those sectors, which could reduce transaction costs, and increase the speed of policy implementation. As one Labour politician explained:

“[T]hey were in a bloody hurry in 2009. What they went for then was that there were a whole bunch of organisations in the public and quasi-public charitable type sector where the public was already in the game of funding stuff. These organisations were already contracting other things with the government and so getting it moving was easier with these organisations than with private sector organisations where there were no existing contractual relationships.” (Interview UK-Labour).

The Future Jobs Fund achieved its goal of quickly providing employment opportunities for young people. From the launch of the programme in October 2009 until March

¹¹“Essentially, we went from a blank piece of paper to having a programme on the ground in three months” (Interview UK-DWP)

2011, 105,230 young people had taken up an employment opportunity created by the programme (Department of Work and Pensions 2011). Employers' organisations, however, were not entirely happy with the Future Jobs Fund. The CBI had in principle supported the idea of an employment programme for young people, but criticised the public-sector orientation of the Future Jobs Funds. In the CBI's view, labour market programmes should be demand-led, and the jobs to be created should be "real", i.e. in the private sector (Work and Pensions Committee 2010, Ev12-13). The programme also did not help Brown achieve re-election. After Labour lost the 2010 general election, the new government moved to end the Future Jobs Funds, and later replaced with it a new measure, the Youth Contract.

7.4.2 The Youth Contract

The Conservative party had criticised the Future Jobs Fund as costly and ineffective, and after winning the 2010 election and forming a coalition government with the Liberals, terminated the programme ahead of schedule (BBC 2011; The Guardian 2010). However, the labour market situation for young people continued to deteriorate. In September 2011, the number of young unemployed people reached 1,000,000 for the first time since the mid-1980s. In addition, in August 2011 large-scale riots erupted in Tottenham after Mark Duggan, a 29 year old man, was shot by the police. The riots spread quickly across other major cities including Birmingham, Liverpool and Manchester and resulted in the deaths of four more people, large scale property damage and about 4000 arrests. The rioters were mostly "young, poor and unemployed" as the left-leaning Guardian titled (The Guardian 2011b). While the new Prime Minister, David Cameron, rejected a link between the riots and young people's economic situation, his government announced a new £1 billion programme against youth unemployment in November of the same year (The Guardian 2011a). The new programme was called the Youth Contract, and its goal was to "make young people more appealing to employers looking to recruit" (Work and Pensions Committee 2012, p.8). The programme's central component was a employment subsidy with the aim of creating work opportunities for 160,000 young people over three years. In terms of expenditure, this meant that up to £364 million, i.e. one-third of the overall budget of the Youth Contract, was reserved for the subsidy (Work and Pensions Committee 2012, p. 34).¹² In contrast to the Future Job Funds, the subsidy programme was targeted at private sector employers. Public sector employers were explicitly excluded (Work and Pensions Committee 2012, p.36).

Similarly to Blair's administration during the initial phase of the New Deal for Young People, the Coalition government actively sought to engage business leaders. After a meeting in January 2012, Nick Clegg, the Deputy Prime Minister and principle advo-

¹²The other elements were funds for additional places in existing measures. Specifically, additional 250,000 work experience and sector-based work academics as well as 20,000 extra apprenticeships grants for small and medium-sized companies which hired their first apprentice aged 16-24. In addition, the programme financed advise and job guidance for young people and an initiative for 16-17 year old NEETS without no or inferior secondary education (Work and Pensions Committee 2012)

cate of the programme, announced the endorsement of the Youth Contract by the four largest British business organisations: the CBI, the BCC, the British Retail Consortium and the Federation of Small Businesses (Deputy Prime Minister's Office 2012). In making the announcement the minister for employment, Chris Grayling, reiterated his administration's view of the importance of the private sector:

“Businesses are vital for us to get our support for young people right. With their input we can ensure young people gain the experience and the training to gain sustainable employment” (Deputy Prime Minister's Office 2012).

Deputy Prime Minister Clegg also underlined the efforts of his administration in co-operating with employers to develop a programme best suited to help employers hire:

“When myself and my team were designing this scheme [...] we looked very closely at what the employers said, and they said: ‘If you give us a bit of help at the beginning to the start-up costs of employing a young person, then invariably we stand a good chance of giving that young person a job’” (The Guardian 2011a).

In contrast to the Future Jobs Funds, the subsidy programme was publicly welcomed by employer groups. The four employer groups present at the event praised the Youth Contract by stating that it would “encourage firms to give a young inexperienced person a chance” and “help growing businesses offer more young people real jobs and work experience” (Deputy Prime Minister's Office 2012). The CBI in particular supported the employment subsidy. One month before the Youth Contract was announced, the organisation had called for the introduction of a similar financial incentive for employers willing to hire unemployed young people (CBI 2011). The Youth Contract fulfilled this demand. The CBI therefore welcomed the programme and promised to cooperate with the government and actively support the implementation of the subsidy by encouraging its members to engage with the measure (Work and Pensions Committee 2012, Ev 113). The Youth Contract subsidy also followed the findings of an inquiry into employers' perspectives on tackling youth unemployment carried out by the United Kingdom Commission on Employment and Skills (UKCES 2011). The study was published in March 2011, about half a year before the Youth Contract was announced. Based on a nation-wide survey, it found that a lack of experience was the most common reason why employers considered young people not prepared for the workplace (UKCES 2011, p.18). Against this background, the Youth Contract subsidy can be seen as a policy that addressed what the government perceived to be the biggest impediment to young people's employment chances.

However, despite the endorsement by employer groups and the CBI's self-declared efforts to promote the programme among its members, the implementation of the subsidy lagged strongly behind expectations, and was ended prematurely (Financial Times 2014). In the first year, only 4,690 wage incentive payments were made (The Guardian 2013). This number accounted for only about 9% of the 53,000 annual opportunities necessary

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to reached the three-year goal of 160,000. As a consequence, the programme was ended one month earlier than planned (Financial Times 2014). Overall only 36,470 individuals participated in the programme, and only 20,120 did so for the maximum duration of 6 months (Department of Work and Pensions 2015). In terms of expenditure, this means that out of a budget of £364 million, less than £83 million was spent.¹³

Concerns about employer take-up had existed right from the start. Several experts and stakeholders testifying to the House of Commons committee on Work and Pensions cautioned that the goal of 160,000 opportunities was significantly higher than that which similar programmes had achieved in the past (Work and Pensions Committee 2012, p.36). The CBI director for employment and skills said that his organisation was “relatively confident” (Work and Pensions Committee 2012, p.37) that the declared goal could be reached, but others were much less optimistic. For example, a representative for the Trade Union Congress expressed support for the subsidy programme in general, but cautioned that past experiences with the Employment Option of the New Deal made her sceptical about the level of employer engagement:

“[T]he design of [the subsidy] is in some ways very similar to the New Deal. The part of the New Deal that attempted to undertake this started off with very ambitious take-up forecasts, which were quickly not achieved, as fewer private sector employers wanted to engage with the scheme” (Work and Pensions Committee 2012, Q 73)

Even the Federation of Small Businesses which had endorsed the Youth Contract had concerns that outreach by employers’ organisations would not suffice to inform a reasonably large number of businesses about the programme:

“[W]e are continually asked by different Government Departments to send out messages on new options and incentives that are out there. We do: we send them out in newsletters and magazines; we write blogs and try to raise awareness. I know the CBI, the Chambers and the Federation [of Small Businesses] will do the same, but even if you take all those bodies together they are not accessing the majority of businesses in the country” (Work and Pensions Committee 2012, Q 77).

Thus, while the Brown government had successfully used the public sector as “an employer of last resort” (Ingold and Stuart 2015, p.444) with the Future Jobs Funds, the Coalition government tried an alternative approach and focused on employment creation in the private sector. However, the premature termination of the Youth Contract in the face of very low participation numbers shows that the concerns of critics regarding the implementation of such a private sector subsidy were well grounded.

¹³Calculation based on the maximum amount of £2,275 for a six month placement.

7.5 Discussion: Do the mechanisms work as expected?

Based on the empirical material presented in this chapter, is there evidence that the mechanisms theorised to link companies and pluralist employer groups to the use of active labour market policies for young people worked as expected? Furthermore, were mechanisms we should only expect to work in countries with corporatist employer groups or collective training systems absent in the United Kingdom?

7.5.1 [A,V]: Skills insights and certification

Collective training systems [V] and corporatist employer groups [A] were theorised to provide policymakers with insights into employers' skills needs and with trusted skill certification mechanisms. Policymakers were theorised to use those insights to develop training measures for young people which would lead to higher expenditure on this particular type of active labour market policy. The operationalised mechanisms are shown in figures 7.1 and 7.2: policymakers decide to use training measures to fight high youth unemployment. In the next step, they use insights from the collective training system [V] or by corporatist employer groups [A] to develop the curricula of training programmes. In addition, participants of the training programmes are either permitted to participate in the exams organised within the training system, or employer groups help with the certification of qualifications by organising examinations. As a result, training measures are launched and expenditure on this type of policy increases. Considering the the United Kingdom has neither a collective training system, nor corporatist employer groups, neither mechanism [V] or [A] should have occurred.

The absence of a collective training system in the United Kingdom rules out that the UK government could have gained insights into employers' skills needs from any such system [V]. Similarly, there is no evidence that employer groups in the United Kingdom successfully cooperate with policymakers to develop training measures or certify qualifications [A]. The largest training programme during the analysed period, the Education and Training Option of the New Deal for Young People, provided training on a range of different subjects. However, training offered in this programme was not based on curricula developed with substantial input by employers' groups. Instead, to guide the training content, policymakers had to rely on regular secondary education certificates, and on a vocational training system that lacked coordinated input from employers.

Compared to a country like Germany, where policymakers were able to easily develop training programmes that addressed employers' skills needs and that produced qualifications certified by employer groups, the lack of similar mechanism in the United Kingdom is thus one explanation as to why this country spent much less on training measures for young people. In addition, the lack of skills insights and certification mechanisms can help to explain why the Blair and Brown administrations used direct job creation measures – the Voluntary Sector and Environmental Task Force of the New Deal for Young People, and the Future Jobs Fund – instead of institutional training measures to reduce open youth unemployment. Again, unlike in Germany, where politicians simply copied (part) of the training curriculum of the collective training system to develop long-term

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Figure 7.1: Skills insights & certification through collective training systems [V]

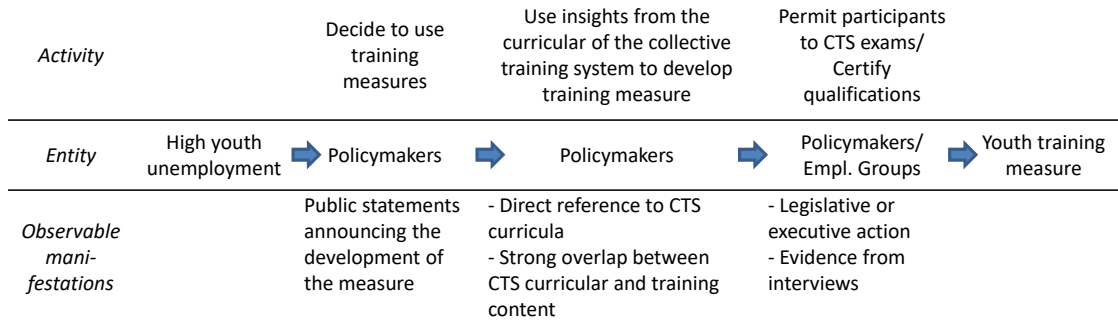
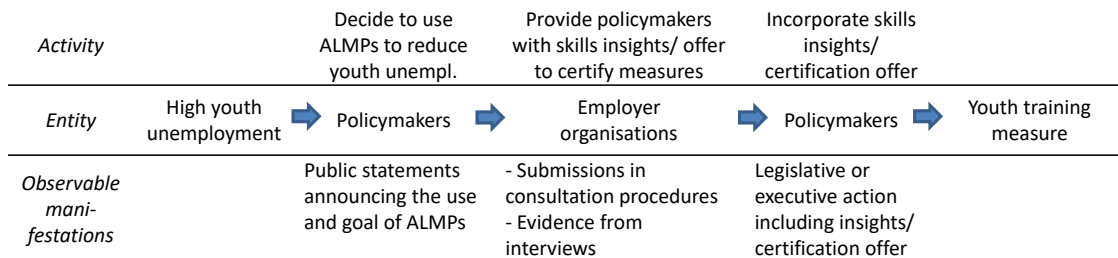


Figure 7.2: Skills insights & certification from corporatist employer groups [A]

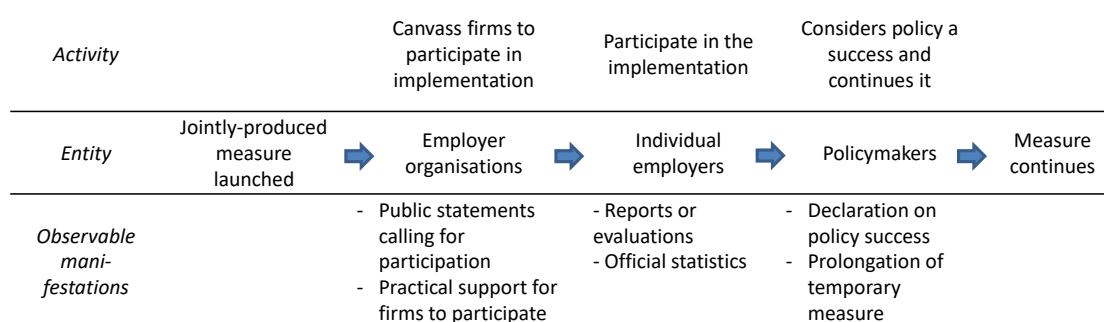


training measures that could occupy young people for extended periods of time, this option was not available to policymakers in the United Kingdom.

7.5.2 [C]: Pluralist groups, cognitive effects and structural power

Corporatist employer groups were theorised to have *cognitive effects* resulting in more spending on jointly-produced active labour market policies in absolute and relative terms [C]. As laid out in the causal mechanism in figure 7.3, this means that corporatist groups help policymakers implement jointly-produced measures like subsidies or firm-based training measures by asking individuals companies to participate in them. Companies, in turn, respond positively to the encouragements of employer groups and hire subsidised workers, or provide positions for firm-based training. This leads to the continuation of public spending on jointly-produced active labour market policies. Given that employer groups in the United Kingdom are pluralist instead of corporatist, the theory presented in this book predicted that they should not have cognitive effects on their

Figure 7.3: The cognitive effects of employer organisations [C]

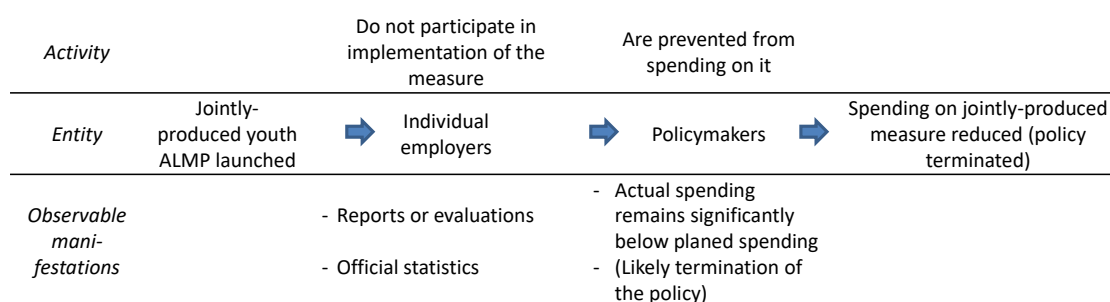


members, and hence, are unable to support the use of jointly-produced active labour market policies in this way.

The cases of the two subsidy programmes for young people launched in the United Kingdom between 1998 and 2014, the Employment Option in the New Deal for Young People, and the Employer Subsidy in the Youth Contract, strongly support this theory. Both programmes were publicly endorsed by employer groups who encouraged their members to participate in them: the New Deal was publicly supported by the CBI and the BCC (Eurofound 1997a; The Independent 1998), the Youth Contract by the CBI, the BBC, the Federation of Small Business and the British Retail Council (Deputy Prime Minister's Office 2012; Work and Pensions Committee 2012). Thus, employer groups followed the first step of the mechanism in 7.3. However, the number of companies willing to hire subsidised workers remained below policymakers' goals. Regarding the subsidy within the New Deal, it is evident that policymakers would have preferred more participants to enter into this option, rather than any of the other three (National Audit Office 2002). Similarly, the Youth Contract subsidy reached less than 23% of the intended number of people. In short, individual companies did not react as outlined in the mechanism, and did not hire subsidised workers to the extent envisaged by policymakers. In the case of the New Deal, this resulted very low participation numbers after the first three years of the programme. In the case of the Youth Contract, the government even terminated the measures before their scheduled end (Financial Times 2014). In short, there is no evidence that employer groups in the United Kingdom had cognitive effects that increased their members willingness to participate in the implementation of these two jointly-produced programmes. In the case of the New Deal, the evidence is not surprising considering that the lacklustre implementation of the New Deal for Young People was used by Martin and Swank to develop the theory of the cognitive effects of corporatist groups in the first place (C. J. Martin 2004a; C. J. Martin and Swank 2004, 2012). The case of the Youth Contract, however, is particularly striking considering that the CBI, the largest employer group in the United Kingdom in terms of membership, had actively lobbied for such a subsidy (Work and Pensions Committee 2012).

The failed implementation of the two subsidy programmes is interesting with respect

Figure 7.4: Realised structural power at the implementation stage [C]



to the differences between pluralist and corporatist employer groups. Moreover, these two cases provide evidence for the *realised structural power* of *individual* companies at the policy implementation stage, as outlined in figure 7.4. In both cases, the lack of interest on the part of businesses in taking part in the subsidy scheme resulted in low participant numbers, and hence limited spending. Despite marginal participant numbers, the Employment Option remained an active programme within the New Deal for Young People until the entirety of the programme was ended in 2010. However, even before its termination, spending on the Employment Option had been marginal for many years. The fate of the New Deal subsidy thus followed the first two steps of the theorised mechanism of realised structural power (figure 7.4): a jointly-produced active labour market policy is launched, but individual companies do not participate in the implementation process. As a consequence, policymakers are prevented from spending as much as they initially envisaged on this policy. In the case of the Youth Contract, policymakers even took the logical next step and ended the programme one year earlier than planned (Financial Times 2014).

In contrast, there is no evidence for the *perceived structural power* of business preventing policymakers from using jointly-produced measures. In other words, there is no evidence for politicians not launching subsidies or firm-based training measures out of fear they would not be able to implement those measures. To the contrary, the Youth Contract subsidy provides an example of a policy even employer groups were sceptical could be implemented, but the Coalition government tried to do so anyhow. However, this chapter also showed that policymakers are conscious of their limited control over success of subsidy programmes and that this awareness influences policy decisions. The clearest example of this are the direct job creation components of the New Deal for Young People which were deliberately included as “fall-back options” in case the Employment Option failed to deliver sufficient work opportunities for all young people. Similarly, in the case of the Future Jobs Fund policymakers deliberately selected a unilaterally-produced direct job creation measure knowing that this programme could be implemented more rapidly. In sum, this shows that policymakers may not be dissuaded

by the structural power of business from using jointly-produced measures. However, they may deliberately chose unilaterally-produced measures when they feel the need to act urgently or independently from business.

Finally, the fact that actual spending was less than the publicly communicated budget requires some discussion. As argued here, from an employer-centred perspective, it can be seen as evidence that poor employer buy-in prevented the government from spending as much money as it intended. From a politics-centred perspective, however, it could also be seen as evidence of Bonoli's credit claiming logic (Bonoli 2012a): assuming that policymakers are mostly concerned about how voters perceive their actions, it is conceivable that they would inflate the size of their efforts by promising more funds than they know they are be able to use. One could argue that this happened, at least to some degree, in the case of the Youth Contract because, as described earlier, many experts warned right from the start that the number of subsidised positions the measure aimed to create would be incredibly difficult to achieve (Work and Pensions Committee 2012). Moreover, it seems plausible that a government under immediate pressure because of youth unemployment and riots would want to make large promises, even if it may not be able to deliver. Nevertheless, even if the Coalition government in 2011 intentionally over-promised, the fact remains that the funds which had been allocated to the Youth Contract could not be distributed, because too few employers were interested in hiring subsidised workers.

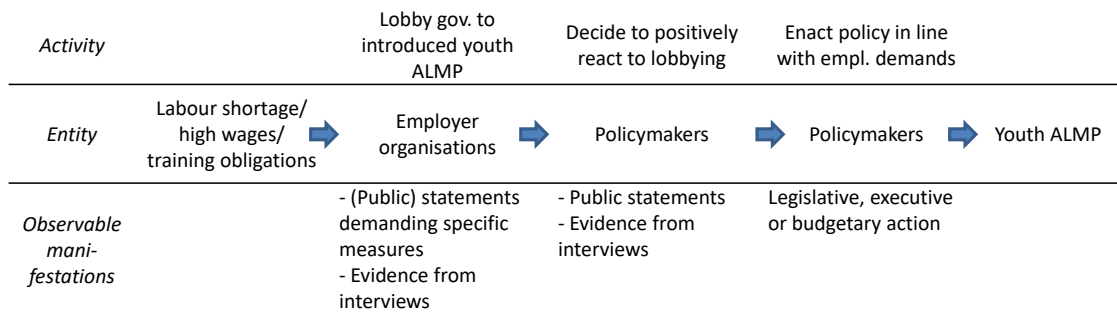
7.5.3 [B,D,W,X]: Employers supporting the expansion of youth ALMPs

This book theorised several reasons for employer groups to lobby for higher spending on active labour market policies for young people: employer groups in countries with collectivist training systems are expected to lobby for spending on training measures to increase the supply of skilled labour [W], and to shift costs associated with the training of apprentices onto the state [X]. Corporatist employer groups are expected to lobby for spending on training measures to fight skills shortages [B], as well as on subsidies to reduce employment costs in the context of high minimum wages [D]. In each case, the causal mechanism would be similar. As outlined in figure 7.5, the cause of lobbying is that an employer organisation perceives a problem (labour shortage, high wages, expensive training obligations) that causes it to lobby policymakers. Policymakers react positively and enact the policy demanded by the employer group(s). In the last step, the policy enters into force, which increases public expenditure on active labour market policies for young people.

In line with the theoretical expectations, there is no evidence of UK employer groups effectively lobbying for more spending on training measures or subsidies for young people. However, a nuanced analysis is required. Firstly, the United Kingdom does not have a training system imposing demanding standards for apprenticeships. Hence, employer groups did not lobby for training measures to reduce the burden of any such obligations on companies as it happened in Germany [B]. Second, the United Kingdom experienced shortages of skilled labour during the mid to late-2000s. However, employer groups like the CBI did not include an expansion of active labour market policies in the list of

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Figure 7.5: Instrumental power and employer groups as policy protagonists [B,D,W,X]



measures they demanded from the government to address this situation (BBC 2007b). Furthermore, an interview with a representative of the British Chambers of Commerce confirmed that programmes like the New Deal or the Youth Contract were not perceived as helping companies find qualified employees (Interview UK-BCC). There is thus no evidence that active labour market policies were seen by employers or employer groups as a way to increase the supply of skilled labour [B,W]. Finally, British employer groups did endorse two of the three large scale youth programmes introduced between 1998 and 2014: the New Deal for Young People and the Youth Contract. Moreover, in the case of the Youth Contract, the CBI had actually already specifically called for a such a subsidy programme. However, the support of employer groups for these programmes remained limited. With the exception of the CBI's support for a subsidy programme like that of the Youth Contract, the role of employer groups with respect to the New Deal and the Youth Contract can best be characterised as that of *consenters* rather than *protagonists* (Korpi 2006). In the New Deal for Young People, employer groups endorsed the programme, but only after it had already been announced by the newly elected government (Eurofound 1997a,b). Regarding the Youth Contract, the endorsement by most groups also came once the programme was announced, not before (Deputy Prime Minister's Office 2012). Furthermore, while business leaders did follow the invitation by deputy Prime Minister Nick Clegg to endorse the programme, only the CBI took any follow-up action. For example, out of the four groups endorsing the Youth Contract, only the CBI and the Federation of Small Businesses provided witnesses to speak to the House of Commons Work and Pensions Committee (Work and Pensions Committee 2012). Out of the two organisations, only the CBI submitted a written testimony (Work and Pensions Committee 2012). In addition, request to be interviewed for this book to the Federation of Small Businesses and the British Retail Consortium were declined or remained unanswered¹⁴, suggesting that this is not a policy area to which either organisation assigns much value. All this suggests that active labour market policies for

¹⁴This stands in contrast to very high response rate among other actors in the United Kingdom and a 100% response rate to similar requests addressed to employers organisations in Germany and Sweden.

young people are not an urgent concern for employer groups in the United Kingdom, and that any public support for such measures remains half-hearted.

The CBI's support for the Youth Contract subsidy is an exception. However, it is important to note that although a particular policy like this had actually been demanded by the CBI, it failed rather spectacularly at the implementation stage, as described above. Hence, the lobbying is unlikely to have resulted in any significant increase in spending on youth ALMPs. The case of the United Kingdom thus also shows a disconnect between employers' organisations and their members that goes against one of the assumptions of this book's theory. Employers' organisations were assumed to act according to a logic of membership (Streeck and Kenworthy 2005) – i.e. based on the preferences of their members. By extension, the programmes lobbied for by employer groups should be expected to be welcomed by individual firms. This however, was not the case. Instead, several employer groups endorsed or even lobbied for measures that the companies they claim to represent ignored. One explanation could be that employer groups simply misjudged their members' interests. Another explanation is that those groups supported the New Deal and the Youth Contract for other, strategic reasons. For example, the leaders of the employer groups may have perceived the endorsement of large-scale national programmes as an opportunity for free publicity¹⁵, or to gain the government's goodwill for negotiations in other policy areas (logic of influence) (Streeck and Kenworthy 2005).

Independent of the reasons for the broken link between employers' interests and employer groups' policy positions, it can be concluded that employer groups in the United Kingdom generally do not use their instrumental power to act as policy protagonists for the expansion of active labour market policies for young people. In the limited cases where they do so, these efforts are undermined by employers' structural power, i.e. the non-participation of firms in the implementation of jointly-produced measures.

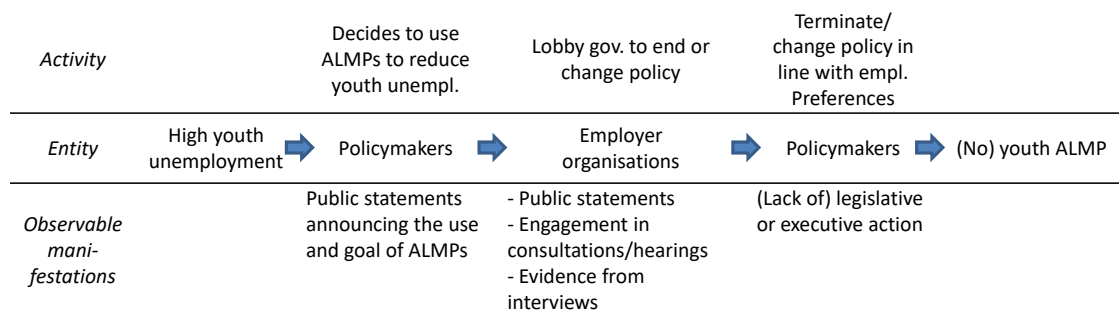
7.5.4 [Y,Z]: Employers' preferences for training and work experience

Finally, this book theorised that companies in countries without collective training systems value work experience in young job applicants more than employers in countries where firm-based training is widespread. This preference then influences the choice of active labour market policies for young people through the instrumental power of employer groups [Y], and the perceived and realised structural power of individual companies [Z]. In terms of instrumental power, employer groups can lobby for the development of a new-, or the expansion of an existing policy, as already described in figure 7.5. In addition, employer groups can lobby against existing programmes, as described by the mechanisms in figure 7.6. With respect to structural power [Z], perceived structural

¹⁵For example, when asked about the reasons for business leaders to endorse the Youth Contract, a policymaker for the Liberal Party interviewed on the subject gave the following answer: "One of the things I learned in Westminster is that the most senior chief executive on billions of pounds will be absolutely delighted to come to parliament, to meet you and the minister. [...] It was good politics, it was good branding for the big trade associations, it was a bonus that their chief executive gets to meet the Deputy Prime Minister. It was a bit of a win-win for the whole campaign." (Interview UK-Liberals)

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Figure 7.6: Instrumental power and employer groups as policy opponents [Y]



power is at play when policymakers develop active labour market policies based on their perception of employer preferences. The operationalised version of this mechanism is shown in the figure 7.7: policymakers react to high youth unemployment by developing active labour market policies. They then select the type of policy they believe addresses the strongest impediments to hiring young people from the perspective of companies. Realised structural power is at play when, as shown above, employers unwillingness to participate in the implementation of jointly-produced programmes undermines the implementation process, or when a policy is terminated because evaluations show it to not increase participants' chances of finding employment.

The evidence present in this chapter supports the argument that employers in the United Kingdom highly value work experience when hiring young people. For example, in a contribution to the House of Commons select committee on work and pensions, the CBI wrote that it “strongly supports [work experience schemes] as they successfully offer young people stepping stones into work by adding to their track record and allowing them to shine in front of a potential employer” (Work and Pensions Committee 2012, EV 114). Similarly, evidence gathered by the UK Commission for Employment and Skills showed that one of the most common complaints of employers about young people was a lack of work experience (UKCES 2011, 2012). These findings are in line with the academic consensus on the value of work experience for young people's employment chances in the United Kingdom (Gangl 2003; Marsden and Ryan 1995). Moreover, as with training measures in Germany, there is a wide consensus among political actors in the United Kingdom that work experience will increase young people's chances of finding employment. For example, the statement by one Labour politicians interviewed for this book that “nothing is as powerful as a good reference from another employer, for an employer to take you on” (Interview UK-Labour) is clear evidence that even left-leaning politicians shared the view of business. Similarly, a labour market policy expert from the Trade Union Congress acknowledged the importance of work experience by referencing evidence from evaluations:

7.5 Discussion: Do the mechanisms work as expected?

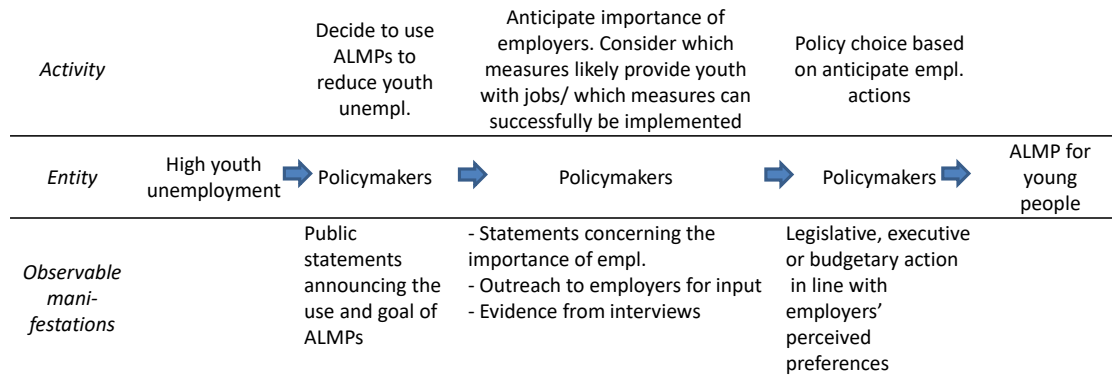
“Our primary interest is in effectiveness. [...] There is quite a lot of international evidence now, showing that work experience can help unemployed people to get jobs, especially long term unemployed people and especially the more disadvantaged groups of unemployed people” (Interview UK-TUC).

There is no evidence of employer groups lobbying for the termination of training measures like the Education and Training option of the New Deal. Even though companies were often unhappy about the skill levels of (former) New Deal participants, employer groups did not demand it to be terminated. In fact, there is one policy the CBI lobbied against, the Future Jobs Funds. However, it did not oppose this policy because it would have preferred a training policy. Instead, the CBI would have preferred a subsidy programme focussed on *private* sector employment (CBI 2011), i.e. a different programme, but also one that also provides work experience. Thus, there is no evidence of employer groups acting as *policy opponents* to shift the use of active labour market policies for young people away from training and towards work experience programmes, as outlined in figure 7.6. However, the CBI’s support for employment subsidies like the Youth Contract subsidy and the public statements regarding the importance of work experience for young jobseekers by representatives of the organisation can be seen as evidence for employer groups using their instrumental power to influence the choice between training and work experience measures for young people by supporting specific types of measures.

However, employers’ perceived structural power arguably had the strongest effect on the relative use of training and work experience measures. The effect of this form of business power was clearly visible in the development of the New Deal for Young People. First of all, the election manifesto and statements by the Blair administration emphasised time and again that the New Deal programme was intended to create “real jobs” (Party 2017), that the programme was “demand-led”, and that it used employers’ hiring requirements as “basic standard of job readiness” (HM Government 2001). These are clear signs that the labour politicians focussed on measures they believed to be best suited to increase hiring by private sector firms, as described in the mechanism outlined in figure 7.7. Evidence from interviews further supports this interpretation. Specifically, the above-cited statement by a labour politician regarding the value of work experience underlines how those involved in developing the New Deal thought about active labour market policies as tools to remove what they believed to be obstacles to employers hiring more young people. Labour politician Ed Balls explicitly stated that he and his colleagues consulted with businesses regarding the New Deal to check that the programme would work “from the employer’s point of view” (Interview UK-Ed Balls). The selection of the four options of the New Deal for Young People reflected this approach: private and public sector work experience programmes, as well as and education and training option for the (limited number of) young people expected to be able to benefit from that.

Finally, the value of work experience and policymakers’ understanding of employers’ structural power help to further explain why both the Blair and the Brown administration used direct job creation measures instead of institutional training as a “fall-back option”: These programmes allowed the administrations to offer work opportunities to

Figure 7.7: Perceived structural power [Z]



unemployed young people in the short term, while providing participants with work experience, which politicians believed was best suited to also improving young people's chances of finding regular employment in the medium term.

7.6 Conclusion

The purpose of this chapter was to test for the existence of causal mechanisms between pluralist employer groups and a lack of a collective training system on the one hand, and the use of active labour market policies for young people on the other. The evidence presented in this chapter confirmed the theoretical expectations.

As expected and as reflected in the quantitative data, training measures play a smaller role in the United Kingdom than in Germany. A closer look at the biggest training programme, the Education and Training Option in the New Deal for Young People further showed that policymakers in the United Kingdom did not have access to insights about employers' skills needs and high-signalling certification mechanisms through a collective training system, or through the support of employer groups [A,V]. Instead, the curricula taught in this training programme were developed based on the country's regular education system, and the often criticised British vocational training system. Compared to Germany, where policymakers were able to use skills insights to easily develop (long-term) training measures, it becomes apparent that in the UK, a country without a collective training system and without corporatist employer groups, the lack of skills insights and certification mechanisms available to government provides one explanation as to why spending on training measures in the United Kingdom is relatively low (Hypotheses 1a and 2a). Furthermore, in the absence of skills insights, the UK government used direct job creation measures instead of institutional training programmes to reduce open youth unemployment. While the lack of skills insights was not the only reason for this choice (the relative value of work experience also played a role), it also explains why the United Kingdom spends more than other countries on direct job creation measures relative to institutional training programmes (Hypothesis 2d).

Secondly, the chapter analysed whether employer groups in the United Kingdom have cognitive effects that enable government to increase total and relative spending on jointly-produced active labour market policies [C]. The evidence supported the theory that the United Kingdom's pluralist employer groups indeed do not have cognitive effects. The cases of the Employment Option in the New Deal for Young People, and the Youth Contract subsidy showed that the endorsement of these programmes by employer groups did not increase the number of companies willing to participate. In the case the Youth Contract, employers' participation remained very limited, even despite the CBI having actively lobbied for such a programme. Furthermore, the failed implementation and the premature termination of the Youth Contract are evidence of the realised structural power of business. Spending on both programmes remained severely limited because individual companies, not employer groups, were not willing to hire subsidised workers. The lack of cognitive effects of employer groups in the United Kingdom thus helps explain why total (Hypothesis 1d) and relative spending (Hypothesis 1e) on jointly-produced active labour market policies is lower than in other countries.

Thirdly, there is no evidence of employer groups lobbying, i.e. using their instrumental power, for more spending on training measures to fight shortages of skilled labour [B,W,X]. The CBI did lobby the government for the introduction of a subsidy programme like the Youth Contract subsidy, as it would be expected from corporatist employer groups in the context of high minimum wages [D]. Several other employer groups also publicly endorsed the Youth Contract subsidy. However, most employer groups attached little importance to promoting the subsidy programme and the implementation of the subsidies faltered because individual companies were not interested in participating. This means that in the limited instances that employer groups supported spending on active labour market policies for young people, their efforts focussed on subsidy programmes, on which spending remained very limited. Hence, the lack of lobbying by employer groups is another explanation why the United Kingdom spends less on training measures (Hypothesis 1a) and subsidy programmes (Hypothesis 1c) for young people than other countries.

The evidence presented in this chapter also confirmed that companies in the United Kingdom highly value work experience in young job applicants, and that the instrumental power [Y] of employer groups and the perceived structural power [Z] of companies influence the relative use of training measures and active labour market policies providing job experience accordingly. The main example of employer groups lobbying for a policy providing work experience is the CBI's demand for an employment subsidy shortly before the Youth Contract was launched. The perceived structural power of business was most visible in the development of the New Deal for Young People. Specifically, the Labour politicians that developed the New Deal for Young People designed the programme in such a way that it would make young job-seekers more attractive to companies willing to hire. The selection of an employment subsidy, and the two direct job creation programmes can hence be explained by policymakers' belief that gaining work experience would help young people find durable employment. Both mechanisms are in line with the quantitative data showing that the United Kingdom spends less on training programmes relative to measures providing work experience than most other

7 Case II: *United Kingdom*

countries.

In addition to the tested hypotheses, this chapter showed the importance of the analytical distinction between employers' groups and employers. Specifically, the case of the employer subsidy in the Youth Contract showed that employer groups may lobby for a programme for which there is very limited demand by firms. In other words, it showed that there can be disconnect between what companies want and the policies the groups claiming to represent them support. Moreover, the chapter showed that policymakers may announce budgets larger than the actually amounts they are conceivably able to spend, while employer groups may endorse policies they have little genuine interest in. One reason for this may be that policymakers view the promise of action as politically more important than the results they can deliver. With respect to employer groups, it could be that they use public endorsements of policies important to the government to achieve publicity and garner the goodwill of the representation. Both findings require more discussion and research, and will be further explored in the conclusion of this book.

8 Case III: Sweden

The third case, Sweden, serves as an example of a country with corporatist employers' groups but no collective training system. In line with the theoretical expectations for a country with these institutions, Sweden has relatively high expenditure on active labour market policies for young people in general (Hypothesis 1a), training measures (Hypothesis 1b), and employment incentives (Hypothesis 1c). In addition, Sweden has high spending on jointly-produced measures in absolute (Hypothesis 1d) and relative terms (Hypothesis 1e). Finally, Sweden spends significantly more on measures providing work experience than on training measures for young people (Hypothesis 2c). Against this background, the aim of this chapter is to test whether this spending pattern can be explained by the theorised mechanisms [A,B,C,D,Y] and [Z].

The evidence for Sweden is more mixed than in the cases of Germany and the United Kingdom. Employer organisations did, in some cases, support spending on training measures for young people to fight skills shortages [B], and in one case actively helped the government to develop and implement a training programme [A]. However, there were strict limits to what employers saw as effective use of labour market training programmes, and for most of the observed period, business lobbied for reducing active labour market policy expenditure. Swedish policymakers used subsidy programmes for young people as a way to provide work experience, and more importantly, to answer employers' demands for lower employment costs in the context of high minimum wages. However, in contrast to what was theorised in mechanism [D], employer groups did not lobby for subsidies. Instead, the decision to subsidise the employment of young people was taken by policymakers, who wanted to lower employment costs without interfering with the collective bargaining system. Regarding the implementation of jointly-produced measures, the evidence reveals that the largest employer group informs its members about new measures, as theorised by mechanism [C], and that no subsidy or firm-based training programme had to be stopped due to a lack of employer participation. However, it is unclear whether the information provided by this group indeed increased companies' willingness to participate in the implementation of jointly-produced measures. Lastly, there is strong evidence that employers influenced the choice between training measures and subsidies through their realised structural power [Z]: negative evaluations of training measures, coupled with high budgetary pressures, resulted in a reorientation of Swedish active labour market policies for young people from the mid-1990s onwards, from a strong focus on training to an equal focus on training measures and subsidies. In contrast, there is no evidence that employer groups used their instrumental power to significantly influence the choice between training and work experience programmes [Y].

In line with the last two chapters, the first section of this chapter describes Sweden's principal employers' organisation and the Swedish training system. The second section

provides a brief historical overview of designated youth measures in Sweden, and then proceeds to analyse the use of youth measures under the social democratic Person administration from 1996 to 2006. The third section analyses the use of active labour market policies for young people under the conservative ‘Alliance’ government which was in power from 2006 to 2014. The fourth section analyses the use of active labour market policies as a means to fight skilled labour shortages, and the fifth section discusses whether the observed use of active labour market policies for young people in Sweden can be explained by the theorised mechanisms. A short conclusion ends the chapter.

8.1 Employers’ associations and training in Sweden

Sweden is a country with strong and centralised corporatist employer groups. However, the organisation of these employer groups changed over the course of the analysed period. In 2001, the primary Swedish employer group *Svenska Arbetsgivareföreningen* (SAF) merged with the Federation of Swedish Industries (*Sveriges Industriförbund*) to form a new umbrella organisation called the Confederation of Swedish Enterprise (*Svenskt Näringsliv*). According to their own numbers, the Confederation is Sweden’s “largest and most influential” business federation, representing 49 member organizations and 60,000 member companies with over 1.6 million employees (Svenskt Näringsliv 2021) – about one third of the Swedish labour force. The second important employers’ organisation is the Swedish Association of Local Authorities and Regions (*Sveriges Kommuner och Regioner – SKR*), SALAR. Taken together, Sweden’s 290 municipalities and 20 regions employ more than one million people (Swedish Association of Local Authorities and Regions 2021). This makes them not only Sweden’s largest employer but, considering the country has a population of only 9.9 million, this association also has significant means to influence the overall labour market situation. Overall, employer density in Sweden is very high. Between 1995 and 2010, 83-86% of companies were members of an employer organisation (Svensson 2016).¹ The involvement of employer groups in Swedish labour market policies has also changed over time. In the post-war period, Swedish employer groups have supported expenditure on active labour market policies to fight skills shortages (Hall and Soskice 2001; Swenson 1991, 2002). During this period, the boards of most government agencies including the National Labour Market Board – the governing body of the public employment service AMS (known as *Arbetsförmedling* since 2008) – were composed of the relevant stakeholder groups, predominantly representatives of the Swedish trade unions and the SAF. The influence of unions and employers’ organisations on policy-making was substantial, and employment policy was “totally dominated” by these groups (Svensson and Öberg 2002, p.297). This changed in 1990 when the SAF unilaterally withdrew from all agency boards, including the public employment service (Svensson 2016, p.617). The reason for the withdrawal was that employers’ felt captured by the existing institutions and believed that they could pursue their interests more effectively via lobbying outside the corporatist arrangements. Moreover, they felt that the existing system gave the unions too much influence (J. Johansson 2005). In response to

¹See also chapters 4 and 5

this unilateral withdrawal, the unions were also excluded from the governance boards and, in 1992, the formerly widespread practice of including labour organisations on the boards of government agencies was officially abolished (Svensson and Öberg 2002). However, while the involvement of unions and employers' organisations is today reduced, they still exert considerable influence over labour market policy through the lobbying of politicians and informal contacts with public officials (Öberg 2016).

With respect to training, Sweden has a well-developed system of school-based and publicly-financed vocational training (Busemeyer 2015; Busemeyer and Schlicht-Schmälzle 2014; Busemeyer and Trampusch 2011). Even though vocational training takes place in schools and is financed by the state, employer groups play a more important role in vocational education and in the creation of training policy than in, for example, the United Kingdom. Trade unions and employer groups influence the content of training via advisory committees. In addition, on the sectoral level they are involved in the certification of qualifications in many areas (CEDEFOP 2009, p.26). Firm-based training, in contrast, is very limited in Sweden (Lundahl and Olofsson 2014, p.26). The statist character of Swedish VET can be traced back to reforms in the early 1970s (Busemeyer 2015, p.90). Until the 1960s, firm-based and school-based vocational training existed alongside each other. In 1969, the governing social democrats fully integrated all types of VET into the regular education system. This move was championed by the social democrats, but also enjoyed support from trade unions and employers (Busemeyer 2009a). For the political left and the unions, the goal was to make the stratifying Swedish educational system more egalitarian and to ensure that apprentices were not exploited as cheap labour (Busemeyer 2015, p.82-83). Employers, on the other hand, saw the reform as a way to make vocational training more attractive for young people (Lundahl 1997, p.95).

8.2 Youth ALMPs in bad times I: Social democratic governments

The effect of employers on the use of active labour market policies for young people from 1998 onwards, can be better understood by considering the history of labour market policy in Sweden. The country is regarded by many to be the birthplace of active labour market policy (Bonoli 2010, p.71). Moreover, Sweden was the first country to introduce youth guarantee programmes (Mascherini 2012) in the form of a promise of some form of support or policy intervention for young people that are unemployed for a certain duration. However, active labour market policies traditionally targeted the working population as whole, and dedicated youth measures are a more recent phenomenon. The first measures targeted specifically at young people were introduced in the 1980s and were limited in scope (Forsslund and Skans 2006). This changed in the early 1990s, when Sweden was hit by a severe financial crisis: GDP shrank by 5% and unemployment skyrocketed. General unemployment jumped from 1.9% in 1990, peaking at 9.4% in 1994, and again at 9.9% in 1997. Similarly, youth unemployment soared from 4.4% in 1990 to 22% in 1994. By 1997, the rate had declined only slightly to 20.6%. It was in this context that the first large scale youth programme, Youth Practice (*Ungdomsprak-*

tik), was introduced in July 1992 by a conservative government under prime minister Carl Bildt. Youth Practice was a subsidy programme targeted at the both the public and private sector (Larsson 2000, p.7). The programme was quickly implemented and occupied a vast number of young people. By January 1993 about 60,000 people aged 20-24 participated in Youth Practice – about 10% of the entire Swedish population in this age group (Larsson 2003, p.897). Other programmes were also expanded. In particular, Labour Market Training (*Arbetsmarknadsutbildning*) was expanded significantly, seeing participant numbers double compared to the 1980s (Dahlberg and Forslund 2005). In 1994, more than 5% of the entire Swedish labour force was participating in active labour market policies, and public expenditure for these programmes amounted to 3% of GDP (Calmfors, Forslund, and Hemström 2001, p.64). At the same time, public debt ballooned, doubling between 1990 and 1994 from 41% of GDP to 73%.

The high cost of active labour market policies initiated a debate on, and reconsideration of the size and role of these measures. In November 1993, a public inquiry into Swedish labour market policy was initiated (Blanchflower, Jackman, and Saint-Paul 1995). In 1994, the conservative Bildt lost the general election and was succeeded by Gösta Ingvar Carlsson, a social democrat. Against the background of high public debt, the Carlsson administration terminated the Youth Practice in 1995 (Larsson 2003, p.897) and replaced it with a new programme for young people called the Municipal Youth Programme. In 1996, Carlsson resigned as prime minister and was replaced by his minister of finance, Göran Persson, who was also a social democrat. The Persson administration continued to struggle with intense budgetary pressure and youth unemployment rates that stubbornly remained above pre-crisis levels. In an effort to strengthen the evidence base for the use of (active) labour market policies, the Persson administration established the Institute for Evaluation of Labour Market and Education Policy (*Institutet för arbetsmarknads- och utbildningspolitisk utvärdering – IFAU*) in 1997.² In addition, the Persson administration developed new active labour market policies and terminated old ones. The combined effect of the reforms was that expenditure on active labour market policies for young people decreased sharply, and that the share of expenditure on training relative to subsidies decreased significantly. From 1998 to 2000, annual expenditure on active labour market policies for young people per unemployed person was around 25% of per capita GDP. This number dropped to around 17% in 2001 and 2002, and below 10% by 2005.³ Training measures were cut most. This resulted in a reorientation spending from a focus on training and towards subsidies (see also (Köhler, Thorén, and Ulmestig 2008)). In 1998, the first year for which data is available, the share of training measures among Swedish youth ALMP expenditure was 61% compared to 21% on employment incentives. This changed to 43% versus 37% in 1999, and to 37% versus 40% in 2000. From that year until the end of the observed period in 2014, expenditure on youth training measures never again exceeded expenditure on employment incentives for young people.⁴

²Förordning (1996:1426) med instruktion för Institutet för arbetsmarknadspolitisk utvärdering

³Own calculations based on Eurostat data. See chapter 5.

⁴Calculations based on Eurostat data. See chapter 5 for details.

The reduction and reorientation of youth ALMP expenditure during this period can be explained by a combination of budgetary pressures, the results of the public inquiry and other evaluations, and lobbying by employer groups.

8.2.1 Public inquiry into the use of ALMPs

The commission tasked by the Bildt administration with carrying out the public inquiry into the use of labour market policies was constituted of members of parliament and policy experts from academia and the public administration. Delegating important policy questions to commissions composed of policy experts and stakeholders is a common practice in Sweden. The country has a long tradition of “rational politics” and of involving social partners in the development of public policies, especially on labour market issues (Öberg 2016; Petersson 2016; Svensson and Öberg 2002). Public inquiries are used to address important policy questions and while employers’ organisations and trade unions used to be strongly represented in the commissions carrying out the inquiries, this changed in the 1990s. Since then, an increasing number of commissions have been headed by policy experts, rather than a wide range of stakeholders (Öberg 2016). This was also true for the inquiry into the use of active labour market policies. In a break from tradition, but in line with the earlier-described employer-led retreat of social partners from formal corporatist institutions in the 1990s, this commission did not include representatives of the trade unions or employer organisations (Svensson 2016). Instead, trade unions and employers’ organisations participated only by sending policy experts to serve on the commission, rather than having full representatives of their respective organisations directly involved in the inquiry. In addition to the commission, an international group of policy experts was tasked with providing an outside view. The results of the public inquiry were published in two reports. A first report by the international expert group was published in March 1995 (Blanchflower, Jackman, and Saint-Paul 1995). The second and final report by the Swedish commission itself was published in 1996 (Arbetsmarknadspolitiska kommittén 1996a).

Fiscal constraints and focus on efficiency

The two reports agreed largely in their analysis of the main problems of the Swedish labour market. Both reports agreed that the labour market for young people was hit disproportionately hard – much more so than the labour market in general (Arbetsmarknadspolitiska kommittén 1996a; Blanchflower, Jackman, and Saint-Paul 1995). Furthermore, they found that one major reason for the increase in youth unemployment was a sharp drop in youth employment. In 1989, the employment rate among 15-19-year-olds was 50.2%. By 1993, this rate had nearly halved and stood at only 29.9% (Blanchflower, Jackman, and Saint-Paul 1995, p.13). The final report by the Swedish commission hence concluded that the “the great decline of young people from Swedish working life appears to be one of the most overwhelming results of the economic cri-

sis”(Arbetsmarknadspolitiska kommittén 1996a, p.32).⁵ As such, helping the young unemployed was seen as an important priority. Both reports, however, also hinted at significant limitations to what active labour market policy, in the way it was being used at the time, could do to improve the labour market. First of all, there was agreement that besides addressing the economic and labour market crisis, it was also important to bring public debt under control. As described before, labour market related expenditure had contributed significantly to massive public debt (Arbetsmarknadspolitiska kommittén 1996a, p.90) and it was feared that if public finances were allowed to deteriorate further unchecked, this could potentially lead to state bankruptcy, capital flight and massive inflation (Blanchflower, Jackman, and Saint-Paul 1995). Secondly, the report questioned the cost-effectiveness of active labour market policy at the current level of expenditure. According to the commission analysis, active labour market policies had been misused as a form of counter cyclical expenditure programme. In doing so, measures intended to address structural problems had been used as macro-economic stabilisation tools to a point that the public employment service was no longer able to implement active labour market policies with “reasonable efficiency” (Arbetsmarknadspolitiska kommittén 1996a, p.103). Stuck between high unemployment, an over-expanded labour market service, measures with often questionable effects and severe budget constraints, the commission thus recommended that the evaluation of existing measures should become more widespread (Arbetsmarknadspolitiska kommittén 1996a, p.287). The group of external experts went even further arguing that ineffective measures should be replaced or terminated right away (Blanchflower, Jackman, and Saint-Paul 1995, p.135).

The relative effectiveness of ALMPs and training in different policy areas

While the use of active labour market policies as a macro-economic policy was seen as problematic in general, the external experts criticised the widespread use of training in particular. Labour market training is not only very expensive – the average costs per participant and year between 1998 and 2000 in the biggest training measure were 20,600€ compared to 12,812€ in the biggest subsidy scheme⁶ – the external experts also pointed out that labour market training programmes experienced decreasing returns: the effectiveness of training measures at integrating the unemployed into jobs had declined significantly due to participant numbers ballooning and employment opportunities becoming more scarce. While in the 1980s, usually between 60% and 70% of the participants in labour market training programmes were in employment 6 months after graduating from the programme, this number declined to 51% in 1991, 28% in 1992 and 25% in 1993 (Blanchflower, Jackman, and Saint-Paul 1995, p.124). Several studies published around this time, and cited by the reports, further reiterated the questionable efficiency of active labour market policies, in particular the low success rates of training measures during periods of high unemployment (Calmfors 1994; Robinson 1995).

⁵ *Det stora bortfallet av ungdomar från svenskt arbetsliv framstår som ett av den ekonomiska krisens mest omvälvande resultat.*

⁶ Own calculations based on the Eurostat data for the programmes *Arbetsmarknadsutbildning* and *Lönebidrag*.

In light of this evidence, the report written by the international experts recommended terminating the labour market training programmes, including those for young people (Blanchflower, Jackman, and Saint-Paul 1995, p.135).

The final report by the full commission did not specifically target labour market training programmes for criticism. Instead, it pointed out that the effectiveness of different active labour market policies depends strongly on the varying regional and economic contexts where they are applied, as well as on the individual persons assisted (Arbetsmarknadspolitiska kommittén 1996a, p.147). However, the commission's hesitation to openly criticise active labour market policies was in turn addressed in strong terms by one of members of the inquiry, labour market expert Lars Calmfors, in a dissenting opinion to the report (Arbetsmarknadspolitiska kommittén 1996a, pp.380-385). In it, Calmfors criticised the inquiry for paying insufficient attention to the costs and the effectiveness of active labour market policies. Furthermore, the scope of the review had, in his view, been too narrowly focussed on active labour market policies, while other relevant policy areas were not taken into consideration. In his view, the report had failed to

“address the issue of priorities between labour market training and other types of training. With scarce resources, it is necessary to form an opinion on where the socio-economic returns are highest. There is strong evidence that basic schooling for young people and in-company training for the most motivated employees can make a much greater contribution to growth than labour market training for the unemployed.”⁷

In other words, Calmfors recommended that providing education and training through the regular education system, or further vocational training within companies would be significantly more cost-effective than providing training through active labour market policies.

One reason for the relatively high costs of labour market training in Sweden is that participants of labour market training programmes are entitled to a participation allowance equal to unemployment benefits (DG Employment, Social Affairs and Inclusion 2021). In addition, several authors have pointed out that labour market training was often used in the early 1990s to extend unemployed individuals' benefits (Richardson and Berg 2006). Subsequent evaluations by influential Swedish labour market experts supported the specific criticism of active labour market policies that are training measures. For example, Laura Larsson from the newly founded Institute for Labour Market Policy Evaluation (IFAU) found that the two programmes with the highest participation numbers among young people – the employment subsidy Youth Practice and the training programme Labour Market Training – had zero or negative short term effects

⁷ *Betänkandet tar inte heller upp frågan om prioriteringarna mellan arbetsmarknadsutbildning och andra typer av utbildning. Med knappa resurser är det nödvändigt att bilda sig en uppfattning om var den samhällsekonomiska avkastningen är högst. Det finns mycket som talar för att grundläggande skolutbildning av ungdomar och utbildning i företagen av de anställda som är mest motiverade kan bidra betydligt mer till tillväxten än arbetsmarknadsutbildning av arbetslösa.* (Arbetsmarknadspolitiska kommittén 1996a, p.381) Own translation.

on earnings, employment probability, and the likelihood of re-entering regular education, and neutral or slightly positive long-term effects. However, the subsidy programme Youth Practice was found to be more effective, or at least less harmful than the training programme (Larsson 2000). Similarly, a large scale evaluation by Lars Calmfors – the same person who had participated in the inquiry and co-authored its final report – and colleagues found that subsidy programmes were more effective than training measures in integrating the unemployed into jobs (Calmfors, Forslund, and Hemström 2001).

The perceived benefits of subsidies

What then were the (expected) benefits of employment subsidies? The reports by the commission show that while education, in particular completed secondary education, was seen as crucial for the individuals' long-term labour market prospects (Arbetsmarknadspolitiska kommittén 1996a, pp.185-194), high minimum wages (Blanchflower, Jackman, and Saint-Paul 1995, p.19) and a lack of work experience were considered as highly detrimental to young people seeking employment. Regarding the latter, as part of the inquiry into the use of active labour market policies, a survey conducted among Swedish employers' on their hiring behaviour found that 62.5% decided against job applicants because they lacked work experience. Next to a lack of the right qualifications (55.8%), insufficient work experience was the most cited reason by employers for not hiring a person (Arbetsmarknadspolitiska kommittén 1996b, p.15). The final report by the Swedish commission thus concluded that the lack of labour market experience made it difficult for young people to enter the labour market, especially in the context of the limited wage differentials between young and older workers (Arbetsmarknadspolitiska kommittén 1996a, p.194).

It is important to note, however, that the identified problems did not necessarily have to be addressed through employment subsidies. In fact, the report by the international group of experts did not include subsidies for labour market entrants in its proposed solutions. Instead, the group recommended that young people's wages should be lowered by encouraging trade unions and employers' organisations to exempt young people from collective agreements. In addition, "due to the significant uncertainty about young people's productivity and attitudes towards work" the group recommended decreasing the level of employment protection for young people to encourage their employment (Blanchflower, Jackman, and Saint-Paul 1995, p.127).

8.2.2 The position of employers

The principal Swedish employer organisation, the SAF (the predecessor of the Confederation of Swedish Enterprises), was strongly opposed to the expansive use of active labour market policies in the 1990s, to the extent that the organisation boycotted corporatist policymaking procedures like the earlier-described public inquiry. While the SAF had been considered a champion of the expansion of training measures to fight skills shortages in the 1950s and 1960s (Swenson 1991, 2002), its position had changed significantly in the 1990s, when employers advocated liberal policies that were "fundamentally at odds with

the idea of large government programmes for worker retraining and relocation” (Lindvall and Sebring 2005, p.1062). In the view of employers, the training programmes in the early 1990s had resulted in massive crowding out effects. In addition, in the early 1990s, labour market training programmes were often used to allow participants to extend their entitlement to unemployment benefits (Richardson and Berg 2006). Against this background, employers felt that the social democrats and unions had used active labour market policies for redistributive purposes, not for the original policy goal of supporting labour market integration and economic growth (Lindvall and Sebring 2005).

The Swedish employers also saw little room for compromise on their opposition to the state of Swedish labour market policy during this period. As one advisor to the Confederation explained: “When they [the politicians and unions] accept our ideas, then, of course, it is great to have consensus, but I think this will be difficult”. Indeed, I “cannot think of any case, any issue in which we would be willing to back down on what we had said” (Lindvall and Sebring 2005, p.1063). Against this background, the abstention of SAF from the public inquiry into the use of active labour market policies, like their earlier retreat from the board of the public employment service, can be seen as a conscious choice and a public statement against the extensive use of ALMPs during this period.

8.2.3 The Persson administration policies

The Persson administration largely followed the recommendations of the public inquiry and evaluations, and the demands of employer groups by turning mostly to employment subsidies to support the labour market integration of young people. Labour market training programmes, in contrast, were cut back. Furthermore, in line with the earlier cited argument by Lars Calmfors, one of the experts participating in public inquiry, that the regular education system is more (cost)effective in improving young people’s qualifications, the remaining training programmes aimed at reintegrating young people into schools.

The concrete policies used were as follows. The Persson administration continued the Municipal Youth Programme (*Kommunala ungdomsprogrammet*), which the Carlsson administration had introduced in 1995 to replace the bloated Youth Practice programme. The programme offered municipalities the opportunity to take responsibility for the labour market situation of 18 and 19-year-olds by offering activation measures (Forslund and Skans 2006). In return, the central government reimbursed the participating municipalities for their services through lump sum payments. In terms of measures, the municipalities could choose between work experience, and where deemed appropriate, training. Education or training had to improve participants’ labour market prospects or facilitate a return to the education system (Forslund and Skans 2006, p.7). The focus, however, was supposed to be on work experience rather than training (Eurostat 2001, p.27). Next to the Municipal Youth Programme, a new measure called the Youth Guarantee (*Ungdomsgarantin*) was introduced in 1998, which followed a similar approach. It provide municipalities central government funds to also offer measures to young people aged 20 to 24 who had been unemployed for 90 days (Eurostat 2001, p.28). Again,

the municipalities were largely left the freedom to decide what types of training, work experience or other activities they would offer, but the main emphasis was on work experience (Eurostat 2001, p.28). Accordingly, both the Municipal Youth Programme and the Youth Guarantee were classified as employment incentives by Eurostat (Eurostat 2001).⁸

In August 2000, the Persson administration ended the biggest training measure, Labour Market Training (*Arbetsmarknadsutbildning*), and replaced it with two, more limited measures called Preparatory Training Courses (*Förberedande eller orienterande utbildning*) and Employment Training (*Arbetsmarknadsutbildning*).⁹ The goal of Labour Market Training was to support the unemployed, and people at risk of unemployment through training to move into industries with a high demand for workers. Thereby, the programme was supposed to “prevent bottlenecks in labour supply and ease processes of structural change in the economy” (Eurostat 1998, p.10). Similarly, the declared goal of Employment Training was to help unemployment the unemployed find work and counteract labour shortages. Both programmes provided vocational education and training at all levels, including tertiary education. The focus, however, was on upper secondary education (Eurostat 1998, 2001). Preparatory Training Courses aimed at preparing the unemployed or the at-risk employed for participation in other programmes like Employment Training through pre-vocational training (Eurostat 2001). The training within all three programmes was not provided by public employment service itself. Instead, the public employment service purchased specific courses from private and public training providers (Eurostat 1998, 2001).

None of the three programmes was specifically targeted at school-leavers. In fact, eligibility was limited to the unemployed or those individuals at risk of unemployment aged 20 or older (DG Employment, Social Affairs and Inclusion 2018). Nevertheless, a significant number of unemployed young people still qualified. As such, the three programmes accounted for a substantial share of Swedish youth ALMP expenditure during the analysed period, and hence deserve attention.¹⁰ The reform essentially split the existing labour market training programme, which had covered all types of education and training, into the two more targeted categories of pre-vocational training and vocational

⁸Both programmes ran until 2008. The Municipal Youth Programme accounted for 2.6% of total Swedish youth ALMP expenditure between 1998 and 2014 and the Youth Guarantee for 6.8% (see also table 3 in the Appendix). Two other subsidy programmes which accounted for large share of spending on active labour market policies for young people are called Wage Subsidies (*Lönebidrag*) and Work Experience (*Arbetspraktik*). The Wage Subsidies programme was introduced in 1980 and supports the employment of people with disabilities in all age groups. It accounted for 5.7% of Swedish youth ALMP expenditure between 1998 and 2014. The Work Experience programme was introduced in 1999 and accounted for 3.9% of Swedish youth ALMP expenditure over the same period. While both programmes are large in terms of expenditure, neither is focussed specifically at young people. For this reason, the focus is here on the Municipal Youth Programme and the Youth Guarantee.

⁹The Swedish name of the programme remained the same although the nature of the measure changed significantly.

¹⁰Despite being in force only during the first three years of the 16 years under observation, Labour Market Training accounted for 5.5% of public expenditure on active labour market policies for young people over the whole period. Employment Training and Preparatory Training Courses accounted for 7.7% and 5.0% respectively.

8.3 Youth ALMPs in bad times II: The Alliance for Sweden

training. Moreover, the reform significantly reduced the amount of training participants were allowed to receive. Under the old programme, training was limited to 40 weeks for education and training at the tertiary (university) level. For training below the tertiary level, there was no time limit. Training in both new programmes, in contrast, was limited to 6 months (26 weeks) and could only be extended under special circumstances (DG Employment, Social Affairs and Inclusion 2018). This resulted in a substantial reduction of expenditure on youth training measures. In 1998 and 1999, 175€ million and 160€ million were allocated to the training of young people via the Labour Market Training programme. By the time Preparatory Training and Employment Training had fully replaced the old programme in 2001, their combined annual expenditure on young people was only 82€ million – i.e. about half of the earlier sum.¹¹

The Persson administration hence largely followed the recommendations of the public inquiry, which were mostly in line with the demands of employer groups. One recommendation by the international expert group contributing to the inquiry, however, was not followed. Namely, Persson and his social democratic government were not willing to pressure social partners to exempt young people from collective agreements to lower their wages. As one social democratic labour market politician explained: “We don’t have this tradition here in Sweden that politicians are involved in wages or salaries. We just have collective agreements” (Interview SE-SAP). Instead, the Persson administration used subsidy programmes within the described Municipal Youth Programme and the Youth Guarantee to lower the employment costs for young people without interfering with the wages negotiated by the social partners.

As the next section will show, Sweden saw a change in government in 2006. However, the use of active labour market policies for young people continued along the same trajectory as set by Persson and the social democrats.

8.3 Youth ALMPs in bad times II: The Alliance for Sweden

In 2006, Sweden elected a new parliament and with it, a new government. By the time of the 2006 election, Sweden’s public debt had declined from a peak of 74% of GDP in 1995 to 41%. The Swedish economy had also grown substantially, as the country experienced an average real growth rate of close to 3.5% between 1998 and 2006. However, the labour market remained a politically contested issue. The unemployment rate had fallen slightly from its peak of around 10%, but remained at the historically high level of about 7%. Unemployment rates for young people had fallen to 10.5% by the year 2000, but had then begun to increase steadily again, reaching 21.5% in 2006. Against this background, the social democrats lost the election against a centre-right coalition of four conservative and liberal parties – the Moderates, the Centre, the Christian Democrats and the Liberals – called the “Alliance for Sweden”. Fredrik Reinfeldt of the Moderates became the new prime minister and governed the country until October 2014. Leading up to the election, conservative parties and employer groups had criticised the social democrats for what they saw as a range of measures used to hide the true extent of joblessness in the

¹¹Own calculations based on Eurostat data.

country, in particular among young people (Allians for Sverige 2006; Näringsliv 2006). The Confederation of Swedish Enterprise argued that in addition to the official number of 270,000 unemployed individuals, 640,000 people were in “concealed” unemployment. Through labour market programmes, falsely categorising the unemployed as disabled, and early retirement programmes, the employer group argued, the Persson administration had massaged the statistics (Näringsliv 2006, p.22). Similarly, an employer-aligned think tank called Timbro criticised the Carlsson administration for using active labour market policies to mask the true extent of youth unemployment (Munkhammar and Sanandaji 2006, p.14). The lack of jobs was regarded as a major concern by business. The Confederation thus asked the new government to enact policies and reforms to create 500,000 new jobs over five years (Näringsliv 2006, p.9).

The Alliance shared employers’ concerns about concealed unemployment and what its politicians saw as a long period of jobless growth since the crisis in the early 1990s (Interview SE-MS 2). The group’s election manifesto entitled “More in work – more to share” (*Fler i arbete – mer att dela på*) treated labour market policy and an increase in employment as central issues (Allians for Sverige 2006). Regarding young people, the manifesto promised the Alliance would increase youth employment by reducing the cost of employing young people, by providing opportunities for training and work experience, and by offering more pathways within the education system, including increased opportunities for vocational training (Allians for Sverige 2006). Upon taking office, the Reinfeldt administration and its minister for employment, Sven Otto Littorin, followed through on their promises and launched several reforms. However, as will be shown in the next sections, despite the Alliance’s criticism of the Persson administration’s labour market policy, the use of active labour market policies for young people did not change much. Instead, the Alliance government continued to rely mostly on subsidies, while continuing the trend of limiting the amount of training provided to young people within the realm of labour market policy.

8.3.1 New (old) measures

The first reform promised in the electoral manifesto of the Alliance was the termination of the Municipal Youth Programme and the Youth Guarantee, and their replacement by a single programme, the Youth Job Programme (*Jobbgaranti för ungdomar*), for all young people aged 16 to 24 (Eurostat 2010b). The Youth Job Programme was launched in 2007 and the two old programmes ended in 2008. In contrast to the Municipal Youth Programme and the Youth Guarantee, the Youth Job Programme was implemented by the national public employment service, not the municipalities. The stated goal of the programme was to enable participants to “get a job or return to education as soon as possible” (Arbetsförmedlingen 2014, p.12). To this end, the programme offered young people registered as unemployment for 90 days or more a range of different support measures including job search assistance, work experience in the form of subsidised employment, institutional training, and employment rehabilitation, as well as support for entrepreneurial activities. Thereby, the biggest focus was put on job search assistance,

followed by work experience and training.¹² Besides the job search assistance service, the measure that dealt with the largest number of participants was that of subsidised employment. The annual stock of participants in this option increased steadily over time from 931 in 2008 to a peak of 8,174 in 2013. Between 2008 and 2014, more than twice as many people were in subsidised employment than in the institutional training option.¹³

The extent of training that could be provided through the Job Guarantee was limited by law. The regulation establishing the Youth Job Programme specified that training provided through the programme had to be of short duration and either provide vocational skills improving the beneficiary's access to the labour market, or theoretical knowledge to support the beneficiary's return to the regular education and training system.¹⁴ In 2009, a new training option called the Study Motivation Course was added to the Youth Job Programme (Government of Sweden 2014). The goal of the courses was to motivate young people without primary or upper secondary school-leaving diplomas to return to school and continue their education. The courses were financed by the public employment service, and took place in folk high school' (*folkhögskola*), adult education institutions that are run by private organisations like NGOs, as well as counties and regions. From 2011 onwards, the Study Motivation Courses were offered to all unemployed young people from the first day of their unemployment, thus increasing the number of people eligible for this option (Government of Sweden 2014).

A second labour market policy introduced by the Alliance government in 2007 was a subsidy programme called New Start Jobs (*Nystartsjobb*). New Start Jobs was an employment incentive programme aimed at integrating the long-term unemployed into the labour market. The programme offered financial incentives to employers who hire a person that had been out of the labour force for at least six months. The subsidy was not limited to young people, but eligibility requirements for people aged 21-25 were less strict than those for those aged 26 or older.¹⁵ Like the subsidy within the Youth Job Programme, the implementation of the New Start Jobs did not experience any significant problems. The annual stock of young people participating increased from 1,491 in 2007 to a peak of 4,763 in 2014. The total number of participants (including older workers) rose from 8,566 to 45,288 over the same period.¹⁶ The programme was available to both private and public sector employers and between 2007 and 2016, 13% of all participants were employed by public sector companies (Engdahl and Forslund 2019). In addition, New Start Jobs has been described as more business friendly than earlier programmes. Whereas the largest subsidy schemes under the social democrats had clear requirements for employers and narrow eligibility criteria for employees (Cronert 2018a, p.11), the

¹²In total, the Youth Job Programme accounted for 6.7% of all spending on active labour market policies for young people in Sweden between 1998 and 2014. The share of total spending on each of the programmes components was as follows: Assisted Jobseekers Activities (2.8%), Work Experience (2.3%), Training (1.5%), Employment Rehabilitation (0.1%) and support for young people trying to start their own company (0.03%).

¹³Own calculations based on Eurostat data.

¹⁴§8, Förordning (2007:813) om jobbgaranti för ungdomar.

¹⁵Spending on New Start Jobs accounted for 2.7% of Swedish youth ALMP expenditure between 1998 and 2014.

¹⁶Own calculations based on Eurostat data.

New Start Jobs subsidies were granted automatically to employers hiring a person who had been unemployed for six months or more (Cronert 2018a).

Next to the introduction of the New Start Jobs programme and the Youth Job Programme, the Alliance drastically reduced the payroll tax for young people. In 2007, the tax was reduced by 11 percentage points for people aged 18 to 24. From 2009, the tax was reduced by a further 6 percentage points and was applied to all young people who were under 26 at the beginning of the year (Egebark and Kaunitz 2013, p.2). Payroll taxes in Sweden are paid only by the employer. As such, the lowering of this tax amounted to a significant reduction in the cost of employing young people, especially relative to older workers.

Finally, while the Alliance government introduced new wage subsidies benefiting young people through the Youth Job Programme and New Start Jobs, it reduced young people's access to labour market training measures by changing the eligibility criteria of the largest training measures, Labour Market Training and Preparatory Training Courses. While the Persson government had shortened the duration of training provided by both measures, the Alliance government increased the minimum participation age from 20 to 25 in 2008 (DG Employment, Social Affairs and Inclusion 2021). People below the age of 25 were only eligible if they had a disability or received unemployment benefits. This significantly reduced the number of young people participating in both measures: the number of young participants in Labour Market Training fell from 2,402 in 2006 to 197 in 2008. Participation in Preparatory Training Courses declined from around 2,000 young people per year between 2001 and 2007, to 626 in 2008. At the same time, however, the Alliance government aimed to reform education policies, and in particular vocational training, with the goal of strengthening youth employment. Specifically, in 2009 the government launched a reform of the upper secondary education system to increase the employability of graduates and ease their transitions from school to work (M. Krueger A. B. L. 2009; Lundahl and Olofsson 2014).

8.3.2 Perceived problems, solution and constraints

What then was the rationale behind these reforms and policies? Against the background of “hidden” unemployment and a growing economy, the declared goal of the Alliance government was to boost employment as promised in its electoral manifesto (Allians for Sverige 2006). In contrast, a low level of short-term youth unemployment was considered to be normal and not problematic as long as it did not result in long-term unemployment for individuals.¹⁷ The context changed quickly after the 2007-2009 global financial and economic crisis hit the Swedish economy. The youth unemployment rate increased steadily from 13.9% in 2006 to 21.3% in 2011. Against this background, reducing youth unemployment once again became a key policy goal (Interview SE-Littorin).

The Alliance politicians identified two main problems preventing the employment

¹⁷ “[W]e looked at youth unemployment specifically. What we did see was that the mean time in unemployment for people under 26 was 30 or 32 days. That is a fairly short time. So we said it seems like these young people, even though they are registered as unemployed, they tend to get in really quickly” (Interview SE-Littorin).

of young people. First, like the public inquiry in the 1990s (Arbetsmarknadspolitiska kommittén 1996a), they saw a problem with the high minimum wages for labour market entrants with no work experience (Interview SE-Littorin, SE-Moderates). Sven Otto Littorin, the minister of employment from 2006 to 2010 explained his analysis thus:

“They [the social partners] have pushed up entry wages quite a bit compared to other countries. [...] So it is quite difficult for someone young with no experience from the labour market and no connections to get in and get the job” (Interview SE-Littorin)

To address the situation, some parties in the governing four-party Alliance demanded a reduction in the minimum wage for young people. This idea, however, was not supported by the largest party of the coalition government, the Moderates (Lundahl and Olofsson 2014, p.27). Like the Persson’s social democrats, the Moderates were unwilling to interfere with the collective bargaining system. Instead, the government and its minister for labour looked for a way to compensate for young people’s lower productivity without interfering with the wage formation model. The reduction of payroll tax for young people was the first measure to address this problem.¹⁸ In addition, employment subsidies like those introduced through the Youth Job Programme and the New Start Jobs were used as a way to further reduce the cost of employing young people in need of additional support, again without directly involving the government in wage setting, an area which is traditional prerogative of social partners in Sweden.

In the view of the Alliance, the second cause of youth unemployment was a lack of education, especially opportunities for vocational education (Allians for Sverige 2006) (Interview SE-Littorin, SE-Moderates). At the same time, however, Alliance politicians were very sceptical of the cost-effectiveness of labour market training programmes. Firstly, labour market training programmes were viewed as very expensive, and secondly, they were criticised for not always improving participants’ skills and labour market prospects. For example, one Moderate party parliamentarian argued that these programmes are “to a very large extent not in line with what the labour market is looking for” (Interview SE-Moderates). Furthermore, there was an understanding that labour market training should not be used as an alternative to upper secondary (vocational) education (Sohlman et al. 2007, p.80). Thus, they considered that the best way to improve the qualifications of young job seekers was not to increase spending on labour market training measures, but to guide young people back into the regular education system. Labour market training should hence be used only to motivate young people to return to education or to provide them with training of limited duration that was relevant for a specific employment opportunity. To again quote Littorin at length, the best way to improve young people’s skills was in his view to

¹⁸“We said to ourselves, is there a way of – without getting into the wage formation model, because we did not want to do that – but still compensate for their [the young peoples] lower productivity? Yes, there was. The good news of course is if you have high taxes, you have some things [to work with]. So we did this deferral of the payment of payroll taxes” (Interview - SE Littorin).

“motivate [them] to go back to school. Then, at a later stage, you would have things like specific short-term education programmes. [...] The thinking there again was that the public employment service could do the short-term extra education for up to maybe a year. But [for] longer educations, go back to school. They are much better equipped to handle long-term education problems” (Interview SE-Littorin)

In other words, the exclusion of young people from Sweden’s largest labour market training programmes was not motivated by a disregard for education in the context of employment policy. Instead, like the shortening of labour market training programmes by the Persson administration in 2000, the reform of labour market training by the Alliance can be seen as a scaling back of measures viewed as overly expensive and inefficient.

8.3.3 The position of Swedish employers

The Confederation of Swedish Enterprises largely agreed with the Alliance’s analysis of the Swedish youth labour market. As mentioned before, the Confederation was greatly concerned about what they considered to be social democrat labour-shedding policies. As such, the declared focus of the Alliance on employment creation was in line with Confederation’s position.

The Confederation also considered the same factors as hampering the employment of young people: relatively high employment costs and a lack of qualifications (Näringsliv 2006). In terms of concrete policy recommendations, the Confederation demanded the abolition of “excessive national insurance contributions”, more individual wage setting, and more liberal employment protection legislation (Näringsliv 2006, p.17). As such, the reduction of payroll tax for young people carried out by the Alliance was in line with confederation demands. In contrast, the Confederation did not lobby for subsidy programmes to reduce employment costs, like the subsidy programme within the Youth Jobs Programme, or the New Start Jobs. Nevertheless, representatives of the Confederation interviewed for this book were supportive of the New Start Jobs programme (Interviews SE-SN 1, SN 2). Furthermore, even though employer groups had not lobbied for the development and launch of this measures, they opposed reforms to it once it was in place (Cronert 2018a).

Regarding qualifications, representatives of the Confederation interviewed for this book cited the “failure of the education system”, especially at the primary and upper secondary level as a primary cause for high youth unemployment in Sweden (Interview SE-SN 1). However, the Confederation placed only limited trust in the effectiveness of training measures to remedy the situation (Interviews SE-SN 1, SN 2). As the next section will show in more detail, the Confederation did not believe that labour market training was generally well-suited to producing the types of skills demanded by business.

8.4 Youth ALMPs to fight skills shortages?

Having discussed the use of active labour market policies for young people in periods dominated by high youth unemployment, the chapter now turns to the question of whether the same measures were used to fight shortages of skilled labour, and whether Swedish employer groups supported increased expenditure on active labour market policies as they did in the 1950s and 1960s (Swenson 1991, 2002). There is evidence that Swedish employers experienced skills shortages between 1998 and 2014, and that they engaged with trade unions and the state to develop and implement training programmes to address this problem. However, training within the realm of active labour market policy was regarded by representatives of the Confederation of Swedish Enterprise to be useful only in very limited cases.

One example of an institutional training programme developed in cooperation with employer groups in the field of labour market policies is the Swedish national IT training programme (SwIT) (*Nationellt program för IT-utbildning*). The programme was founded in 1997 after the Federation of Swedish Industries contacted the central government over concerns about a lack of skilled employees working at the interface between customers and IT specialists (P. Johansson and Martinson 2000). As a result of this initiative, with funding from the federal government, the Federation of Swedish Industries, together with the Federation of IT-companies started SwIT, and set up a training foundation under the same name. The foundation received a total of 1.3bn Swedish Krona (approximately 130€ million) between 1997 and 1999 (Martinson 1999, p.5), and was tasked with providing training to 11,000 individuals. To ensure that the project contributed to social inclusion, 75% of participants had to be unemployed. The remaining 25% could be employed, but had to be at risk of unemployment.

SwIT differed from traditional labour market training programmes due to its closeness to industry, and the direct involvement of employers in determining training content (P. Johansson and Martinson 2000, p.5). Traditionally, labour market training programmes were procured based on needs assessments of County Labour Boards – tripartite organisations on the local level which conducted surveys and had dedicated staff to liaise with local employers. Based on these assessments, the public employment service provided its own training courses, or commissioned training from outside providers. In contrast, SwIT was implemented directly by the SwIT foundation in cooperation with employers in the IT industry. The SwIT foundation hired supervisors who were responsible for identifying companies and their specific skill needs. Based on these needs, the supervisors matched individual SwIT programme participants with individual companies, and developed specific training courses for each participant. Those courses were then certified and procured by the central SwIT secretariat. Hence, while the courses were taught in a school-based setting, employers and employer groups were closely involved in the development and certification of training content. The programme was very effective in helping participants find employment. An evaluation found that the 8,230 SwIT participants were 20% more likely to find employment after completing the training than participants of comparable programmes offered by the public employment service (P. Johansson and Martinson 2000). Furthermore, the same evaluation found that the active

involvement of employers in SwIT likely contributed to the programme’s effectiveness (P. Johansson and Martinson 2000). Like other Swedish training measures, however, participation in SwIT was limited to people *older* than 20 (P. Johansson and Martinson 2000, p.4). Of the 8,230 participants, only 1,689 participants were below the age of 25. Hence, only one fifth of the expenditure on SwIT benefited young people.¹⁹ The overall effect of this measure on spending on active labour market policies targeted at young people is hence very low, representing only 0.28% of total Swedish youth ALMP expenditure between 1998 and 2014.

Employers in the metal industry also experienced skills shortages starting in the early to mid-2000s, and worked with unions and the state to overcome them through the introduction of Technical Colleges (*Teknikcollege*) (Busemeyer and Katheleen Thelen 2022; Persson and Hermelin 2018). However, in contrast to the SwIT programme, the Teknikcolleges initiative was launched within the field of education policy, not labour market policy. Hence, the Technical Colleges are not considered to be part of active labour market policy. “Teknikcollege” is a certification for upper secondary schools that provides local employers with influence over technical education within a national framework. The initiative for the certification scheme was started by *Teknikföretagen* and *IF Metall* – the principal employers’ organisation, and engineering trade union (Busemeyer and Katheleen Thelen 2022; Persson and Hermelin 2018). The aim of the initiative was to render technical training more attractive, and teach young people the skills demanded by employers in the metal industry. Upper secondary schools in the technical field can apply for certification as Technical College, and to qualify, must fulfil a set of criteria developed by the social partners together with municipalities. Technical Colleges teach standard core upper-secondary education curricula, supplemented by a set of technical specialisations, with details of the specialisations negotiated between schools and local employers (Busemeyer and Katheleen Thelen 2022). The first *Teknikcollege* was certified in 2004. Since then, the programme has expanded and is now active in most Swedish regions. Government estimates from 2015 suggest that about 16,000 students are enrolled in Technical Colleges and that about 2,000 companies have cooperated with them (Busemeyer and Katheleen Thelen 2022, p.34). However, this number still only accounts for approximately 5% of all students in upper-secondary education.

Lastly, interviews with representatives of the Confederation of Swedish Enterprises show that employer groups do see some role for the labour market training policy to address skills shortages (Interview SE-SN 1, SN 2): specifically, driving lessons for the unemployed to enable them to become bus drivers were mentioned. In general, however, representatives of the Confederation are very sceptical of the effectiveness of labour market training programmes:

“The general picture unfortunately is that the effectiveness of training schemes for unemployed are a bit low. But, when the training schemes are very concrete – for example drivers licenses for buses – we see that the effectiveness is better. That is an example where it works quite good.” (Interview SE-SN 1)

¹⁹Calculation based on the method outlined in Chapter 5.

In sum, both representatives of the Confederation of Swedish Enterprise interviewed for this book agreed that there are some labour market training programmes that are valuable. Overall, however, they were very sceptical of the (cost) effectiveness of these programmes. Moreover, both interviewees suggested that reforms in the education system – improving primary and secondary education, preventing students dropping out, strengthening vocational education – are more important for reducing youth unemployment and preventing skills shortages than labour market training measures (Interview SE-SN 1, SN 2).

8.5 Discussion: Do the mechanisms work as expected?

After describing the use of active labour market policies for young people in Sweden between 1998 and 2014, the chapter now turns to discussing whether the mechanisms theorised to influence the use of these policies in a country with corporatist employer groups and no collective training system were indeed at work. As in the previous chapters, each mechanism will be discussed individually.

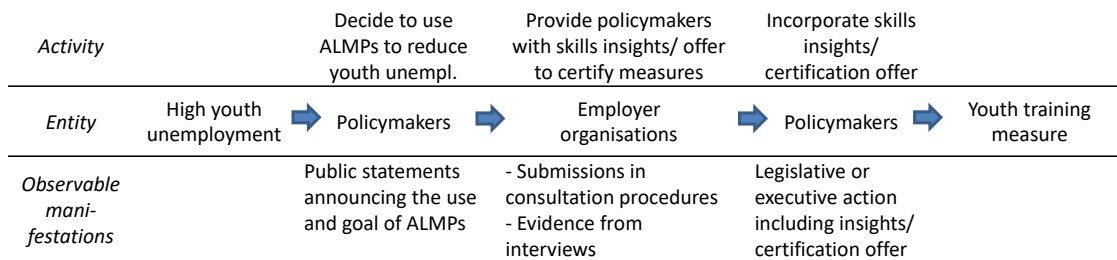
8.5.1 [A]: Skills insights and certification

Mechanism [A] outlined in figure 8.1 described how corporatist employer groups can facilitate governments' use of training measures by providing insights into employers' skill needs and mechanisms to certify qualifications: the initial impetus for this mechanism is high youth unemployment. Against this background, policymakers decide to take action to help unemployed young people re-enter employment. In a next step, employers' associations help the government by providing skills insights and certification mechanisms. Finally, policymakers launch a training programme that teaches skills in line with the needs communicated by employer groups, and which uses the certification mechanisms offered by them.

The case of the SwIT training programme provides one clear example of a training measure developed and implemented in this way. The Federation of Swedish Industries and the Federation of IT-Enterprises helped set up the training content and supported the certification of qualifications through a centralised procedure organised by the SwIT foundation. Furthermore, the programme's comparative success at getting participants into jobs (P. Johansson and Martinson 2000) suggests that the skills taught were in line with companies' needs. The only difference between the mechanisms outlined in figure 8.1 and the development of the SwIT programme is that the initiative for the programme did not originate with the government. Instead, the driving force behind the programme were the social partners in the IT industry, who were concerned about labour shortages.

The SwIT programme is important because it shows that Sweden's corporatist employer groups are indeed able to provide reliable insights into companies' skill needs, as well as trusted mechanisms to certify qualifications. This ability was also visible in the development and implementation of the Technical Colleges. Here, the social partners in the engineering industry help set up curricula and certification mechanisms for courses taught in upper-secondary schools. However, the SwIT programme was very small in

Figure 8.1: Skills insights & certification from corporatist employer groups [A]



terms of expenditure, and the Technical Colleges are outside the realm of active labour market policy. As such, the skills insights and certification mechanisms provided by employer groups in those two examples contributed only very little to expenditure on training ALMPs for young people.

Of course, employer groups may also provide skills insights that influence the procurement of training measures through channels other than the development of specific programmes. In particular, it seems likely that employers and employer groups influence the types of courses purchased by the public employment service in the context of the largest labour market training programmes Labour Market Training and Employment Training. Considering that both programmes are aimed at helping the unemployed *and* counteracting labour shortages, the employment service is mandated to procure training in areas where it identifies current or future skills shortages. However, as described earlier, the Confederation of Swedish Enterprise deliberately reduced its engagement with the public employment service: it unilaterally withdrew from the board of the agency in 1990 (Svensson 2016), and did not participate in the public inquiry into the use of active labour market policies in the mid 1990s (Öberg 2016).

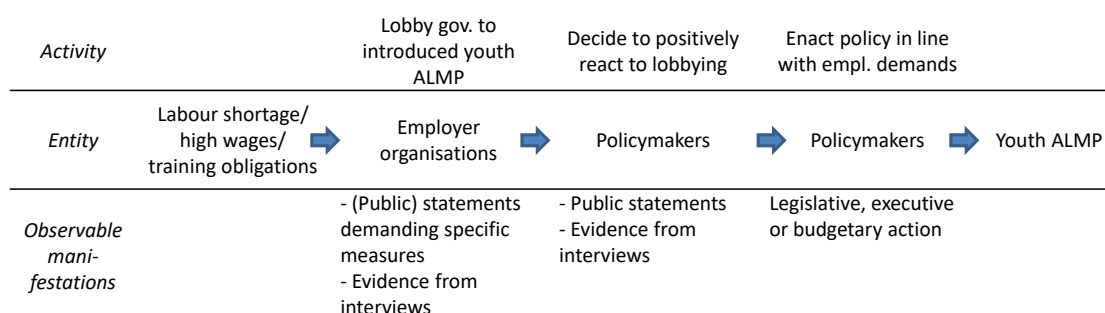
In sum, the evidence shows that while Swedish employer groups are certainly capable of providing skills insights and certification mechanisms to develop training measures within the field of active labour market policy, they do not seem to be eager to do so. Hence, while there is evidence for mechanism [A], this mechanism did not significantly contribute to spending on training measures and youth ALMPs in general in Sweden.

8.5.2 [B,D]: Employers as policy protagonists?

The second and third mechanisms the chapter set out to investigate concern the role of employer groups acting as policy protagonists lobbying for more spending on active labour market policies for young people. Specifically, Sweden's corporatist employer groups were expected to lobby for more spending on training measures when facing shortages of skilled labour [B], and they were expected to lobby for more spending on subsidies and training

8.5 Discussion: Do the mechanisms work as expected?

Figure 8.2: Instrumental power and policy protagonists [B,D]



measures to increase the productivity- and reduce the employment costs of labour market entrants in a context of high minimum wages [D]. In both cases, the mechanism by which employer groups were expected to influence the use of active labour market policies for young people would follow the steps outlined in figure 8.2: labour shortages or high minimum wages cause one or several employer groups to lobby the government and demand more spending on specific types active labour market policies for young people. In the next steps, the government responds to employer group demands, launching new measures, or increasing expenditure on existing active labour market policies for young people.

This chapter found some evidence for mechanism [B] in the form of the SwIT programme. In this case, two employer groups, the Federation of Swedish Industries and the Federation of IT-Enterprises, successfully lobbied for funding for a labour market training programme to help companies within the IT industry meet their demand for skilled workers. In other words, these groups acted as policy protagonists lobbying for a new training programme in the way outlined in figure 8.2. However, this case was clearly an exception. While employer groups saw labour market training in some limited cases as useful for increasing the supply of skilled labour (Interviews SE-SN 1, SN 2), they were generally very sceptical of the usefulness and cost-effectiveness of most labour market training programmes, and hence of spending on this type of measure (Lindvall and Sebring 2005).

No evidence was found for mechanism [D], i.e. for employer groups lobbying for training measures to increase young people's productivity, or subsidies to reduce their employment costs. While, as described above, employer groups sometimes supported spending on training measures, they only did so in limited instances in order to address very specific labour shortages. If the goal of these employer groups was to increase the productivity of young people to bring it in line with high minimum wages, one could have expected to see them support broader measures targeting a wide range of young people, which they did not. Nevertheless, this chapter provided some evidence that Sweden's collective wage bargaining system created a context in which both progressive

and conservative policymakers resorted to the use of subsidies. An important difference between mechanism [D] and the way Swedish policymakers used subsidies to lower the employment costs of labour market entrants is that mechanism [D] assumes that employer groups act as policy *protagonists*, i.e. that they take on an active role in lobbying for subsidies. This was not the case. The Confederation of Swedish Enterprise did argue that collective bargaining agreements contributed to excessive wages for young people, and that those wages prevented employment (Näringsliv 2006) (Interview SE-SN 1) – a conclusion that was also reached by the public inquiry in the 1990s (Arbetsmarknadspolitiska kommittén 1996a). However, Swedish employers did not demand subsidies to lower employment costs. Instead, the Confederation of Swedish Enterprise demanded the deregulation of employment protection legislation, reductions in social contributions, and “more individual wage setting with reasonable minimum wages” (Näringsliv 2006, p.17).²⁰ The decision to subsidise the employment of labour market entrants was then taken by politicians from both the progressive social democrats and the conservative moderates (*Moderaterna*) who wanted to improve the employment chances of young people without interfering in wage negotiations between the social partners. In short, the Swedish case shows that collective wage bargaining by corporatist groups can be linked to the use of subsidies for young people, but through a different mechanism than theorised: together with the trade unions, employer groups contributed to a situation of relatively high minimum wages, which politicians on both ends of the spectrum were unable – or at least unwilling – to change directly. Instead, they used subsidies to reduce young people’s employment costs without changing their wages.

8.5.3 [C]: Cognitive effects of corporatist employer groups

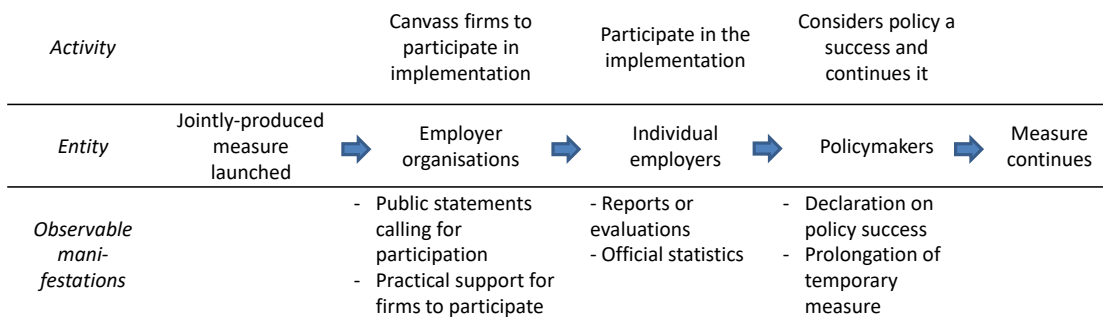
Mechanism [C], operationalised in figure 8.3, describes how Sweden’s corporatist employer groups were expected to support the implementation of jointly-produced active labour market policies for young people, and thereby contribute to the total and relative amount of spending on those measures. The individual steps of the mechanism are as follows: first, the government launches a jointly-produced measure like firm-based training or a subsidy. In the next step, employer groups advertise this measure to individual companies and encourage them to participate in it. Companies then follow the recommendation of the employer group and participate in the measure in large numbers. In the last step, the high participation rates lead policymakers to consider the measure a success and ensure its continuation.

The data on the use of employment subsidies shows that Swedish employers are quite open to participation in jointly-produced measures. One of the most extreme examples is the Youth Practice programme of the early 1990s, which managed to put 60,000 young people into subsidised employment within less than a year of its launch. This fast and

²⁰This is not to say that the Confederation of Swedish Enterprise did not appreciate the existence of some subsidy programmes after they were introduced. In particular, the Confederation was supportive of the New Start Jobs programme (Interviews SE-SN 1, SN 2) and opposed later attempts to reform it (Cronert 2018a). However, the defence of an existing programme in its employer-friendly form is not the same as employer groups acting as protagonist for the introduction of a new programme.

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Figure 8.3: The cognitive effects of employers' organisations [C]



massive expansion stands in stark contrast to the implementation problems observed in the United Kingdom. By way of comparison, the Swedish population of about 8.5 million in the 1990s was less than one sixth of the UK population of around 59 million (1998) and 63 million (2011) when the New Deal for Young People and the Youth Contract were launched. Thus, to reach a comparable number of participants, the UK subsidy programmes would have had to reach annual participant numbers of more than 360,000 – a volume against which the NDYP Employment Option with its peak participation numbers of 16,610 in 2000 appears minuscule, not to mention the 4,690 participants in the failed Youth Contract subsidy in the first year of its implementation. Other Swedish subsidy programmes like the New Start Jobs Programme and the subsidy within the Youth Jobs Programme did not achieve the same high participant numbers as the Youth Practice. However, in contrast to events in the United Kingdom, participant number in Swedish subsidy programmes increased over time and no programme was ended because of a lack of employer participation.

According to mechanism [C], this implementation success should be linked to the promotion of the subsidy programmes by employer groups, which in turn, increase the willingness of individual companies to hire subsidised workers. Evidence that this occurred in Sweden is limited, and does not allow for clear cut conclusions. Regarding the first step – employer groups canvassing companies to participate in the programmes – there is evidence that the Confederation of Swedish Enterprise informed its members about the New Start Jobs programme and the subsidies within the different youth programmes as part of a long standing practice of informing companies about new active labour market policies. According to interviews with representatives from the public employment service, the ministry for employment, and the Confederation of Swedish Enterprise, the public employment service actively cooperates with employers' organisations to inform companies about new policies. In particular, policy officers at the ministry of employment and at the public employment service reach out to employers and employers' organisations to collect information on companies' needs and to promote new measures (Interviews SE-Min.Empl., AF). The Confederation of Swedish Enterprise,

in turn, informs its members about new labour market programmes. To this end, the Confederation has a standardised form which they send out to their 49 member organisations and all of their member companies (Interviews SE-SN 1). In other words, there is an established process through which employers' organisations work to disseminate information on active labour market policies, which is valued and supported by the public employment service. However, there is no evidence that the Confederation of Swedish Enterprise or other employer groups actively *urged* companies to participate in the subsidy schemes studied here, as was the case with the New Deal for Young People and the Youth Contract in the United Kingdom, nor was there evidence that they opposed the implementation of these schemes, as German employer groups had opposed the Training Bonus. Instead, the attitude of the Confederation of Swedish Enterprise towards the various subsidy programmes appears to have been rather neutral. Furthermore, it is not clear whether the information provided by the Confederation of Swedish Enterprise increased companies' willingness to hire subsidised workers, i.e. whether the employer group had a *cognitive effect* on its members, because there is no data for the Swedish case on the individual preferences of companies, and how those may have changed based on the information they received from the confederation. In short, there is some evidence for the first step of mechanism [C], employer groups informing their members about new measures, and the last step, subsidy programmes being deemed successful and hence continued due to the ongoing interest of companies. However, there is no robust evidence for or against the full mechanism [C] occurring and influencing the total or relative amount of spending on jointly-produced measures for young people in Sweden.

The role of trade unions and the public sector

When it comes to the implementation of jointly-produced programmes, the Swedish case produced two additional findings on the roles of trade unions and of municipalities. In contrast to the German case, representatives of the public employment service and the employment ministry stressed that the trade unions and SALAR, the organisation representing the Swedish municipalities, were equally important for the implementation of jointly-produced measures (Interviews SE-Min. Empl., AF). The importance of the trade unions derives from the fact that most Swedish subsidy programmes provide unions with strong influence over labour market policies implemented in the workplace. Specifically, the public employment service is required to consult with the relevant trade unions before placing job-seekers into labour market programmes implemented within companies (Arbetsförmedlingen 2014, p.12). For most subsidies programmes, this means that the tasks of the subsidised worker have to be specified ex-ante in a joint agreement between the public employment service, the employer, and the relevant union (Anxo 2014). This finding suggests that while the cooperation of employers is necessary for the implementation of jointly-produced measures, strong corporatist institutions can provide trade unions with de-facto veto power on the hiring of subsidised workers - a power that was assumed to be unique to companies.

The municipalities, on the other hand, were described as an important partner because together, the 290 municipalities are the country's largest employer, and in this role, also

8.5 Discussion: Do the mechanisms work as expected?

hire individuals subsidised through active labour market policies. Unfortunately, the Eurostat data used in this book does not specify whether individuals participating in subsidy programmes are hired by private or by public employers. However, national data suggests that public employers hire significant numbers of subsidy programme participants. Between 2007 and 2016, about 13% of New Start Jobs programme participants were employed in the public sector, and the share of public sector employment in other programmes was even higher, reaching up to 36.8% in one case (Engdahl and Forslund 2019, p.30). In other words, the Swedish municipalities have the ability to play a significant role in the implementation of subsidy programmes and other firm-based measures. Moreover, interviews with Swedish politicians confirmed that, at least the social democrats, deliberately use the employment capacity of the municipalities to complement other forms of labour market policy. The social democratic head of the parliamentary committee for employment, Raimo Pärssinen, explained his party's relationship with the municipalities thus:

“[T]he municipalities are our core actor for the welfare state. [...] [W]e have always – as social democrats – used the municipalities and the jobs in the municipalities as some kind of regulator.” (Interview SE-SAP)

In sum, this suggests that Swedish policymakers have an alternative mechanism to support the implementation of jointly-produced measures which makes them less reliant on private companies and employer groups: public employment through the municipalities.

8.5.4 [Y,Z]: Employers' preferences for training and work experience

Finally, in the absence of a collective training system, Swedish employers were expected to have a stronger preference for work experience relative to qualifications in young job applicants than their peers in countries where firm-based training is the norm. The relative preference for work experience was then expected to influence the use of active labour market policies for young people through the instrumental power of employer groups [Y], and the perceived and realised structural power of individual companies [Z].

The evidence presented in this chapter paints a complex picture of employers' preferences with respect to the skills, work experience and employment costs of young people. On the one hand, Swedish employers consider a lack of (the right) education and skills to be one of the most important causes of unemployment among young people (Interview SE-SN 1). This view is widely shared by politicians from both sides of the political spectrum (Interviews SE-SAP, MS, Littorin), the trade unions (Interviews SE-LO, TCO, SACO), and academic experts.²¹ In this regard, despite their country not having a collective training system, Swedish employers are similar to their German peers. In contrast to Germany, however, a lack of work experience and high employment costs were also

²¹(For example, Lundahl and Olofsson write “it is essential to have upper-secondary education to get a job” (Lundahl and Olofsson 2014, p.21)

seen as important factors preventing companies from hiring young people (Interviews SE-SN 1, SN 2) (Arbetsmarknadspolitiska kommittén 1996b).

The chapter also showed a shift of spending from training to subsidies from 1998 onwards. While there is little evidence of employer groups actively lobbying for this development, there is strong evidence of employers' realised structural power contributing to it. In addition, the Swedish case showed that the availability of similar measures in other policy areas, or the lack thereof, can influence the use of active labour market policies.

Instrumental power [Y]

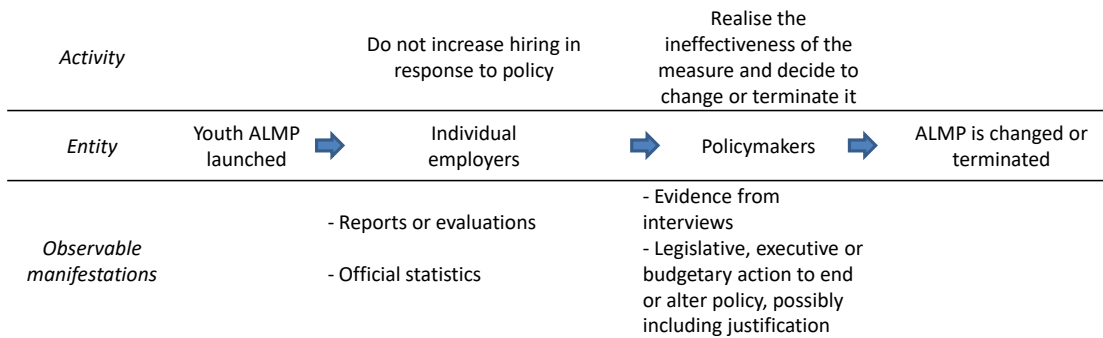
Even though employer groups saw many obstacles to the employment of young people, which at least in theory, could be addressed through active labour market policies, they rarely advocated for more spending on those measures. As described earlier, in the discussion of mechanisms [A], [B], and [D], with few exceptions, employer groups were sceptical of the (cost) effectiveness of active labour market policies (Interviews SE-SN 1, SN-2). As such, they were opposed to the types of large scale active labour market policies that had existed in the early to mid 1990s (Lindvall and Sebring 2005). The most radical action by employer groups against the use of active labour market policies can be seen in their retreat from the board of public employment service in the 1990s (J. Johansson 2005; Lindvall and Sebring 2005). However, the sceptical attitude of employers towards active labour market policies was not strongly biased towards labour market training or programmes providing work experience, like subsidies. On the one hand, Lindvall and Sebring report that the position of Swedish employer groups in the 2000s was "fundamentally at odds with the idea of large government programmes for worker retraining and relocation" (Lindvall and Sebring 2005, p.1062), and representatives of employer groups interviewed for this book cited the New Start Jobs Programme, a subsidy, as a programme they are particularly supportive of (Interviews SE-SN 1, SN 2). On the other hand, the employer groups did not actively lobby for subsidy programmes for young people. Furthermore, the same interviewees did see some training measures as useful for teaching the unemployed skills needed by the economy (Interviews SE-SN 1, SN 2). As such, there is no clear cut evidence that employer groups used their instrumental power to steer the use of active labour market policies for young people towards either group of measures.

Realised structural power [Z]

The realised structural power of business, in contrast, arguably had a significant effect on the reorientation of active labour market policies for young people. The termination and downsizing of labour market training measures under the social democrats in the 1990s very much follows the steps outlined in causal mechanism 8.4: after evaluations showed that employers were less and less willing to offer jobs to ALMP training graduates, the main training programme, Labour Market Training, was replaced by measures with shorter training periods and about half the funds of the original programme. This

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Figure 8.4: Realised structural power at the evaluation stage [Z]



trend was then continued by the conservative Alliance, which changed the eligibility requirements of the biggest labour market training programmes to exclude young people. In contrast, evaluations also revealed the better labour market outcomes of subsidy programmes. In line with these findings, new subsidy programmes like the Municipal Youth Programme, the Youth Guarantee, or the New Start Jobs were introduced, and if they were replaced, it was with similar types of measures.

Of course, arguing that one form of programme is superior to another raises the question of why seemingly ineffective measures were used in the first place. To answer this question, it is important to understand the historical context. First, labour market training measures were used on an unprecedented scale in 1990s Sweden. As such, it has been suggested that measures that are effective in integrating a small number of the unemployed into jobs become less effective once the number of participants becomes too large (Blanchflower, Jackman, and Saint-Paul 1995). Hence, policies that were effective in the past may have become less so during this period. Second, the question of policy effectiveness had not received much attention in Sweden until the mid-1990s. This was pointed out, for example, by Forslund and Krueger, who wrote in 1994 that “[i]n view of the large amount of resources devoted to job retraining in Sweden, one would expect to find a vast microeconomic literature on the effectiveness of training programs. This is not the case” (Forslund and A. Krueger 1994, p.19). This changed with the public inquiry into the use of active labour market policies in the 1990s, which was conducted against the background of high public debt, and which among other things, recommended evaluating different types of measures on their effectiveness (Arbetsmarknadspolitiska kommittén 1996a). The call for more evaluations was followed by the establishment of the Institute for Labour Market Policy Evaluation (IFAU) in January 1997.²² Thereafter, studies carried out at this institution provided further evidence that subsidy programmes were more effective in integrating young people into employment than training measures (Calmfors, Forslund, and Hemström 2001; Larsson 2000). Against this background, the

²² Förordning (1996:1426) med instruktion för Institutet för arbetsmarknadspolitisk utvärdering.

Swedish economic and public debt crisis in the 1990s can be seen as the beginning of the period of “permanent austerity” (Pierson 1996), which brought with it the imperative to justify expenditure on a cost-benefit level. In the field of active labour market policies, where measures are primarily evaluated based on their success in the integration of the unemployed or inactive into work, this requirement strengthened employers’ structural power because it made the success of measures directly dependent on companies’ hiring decisions.

The role of policy alternatives

In addition to the described mechanisms, this chapter showed that policymakers’ willingness to use alternative tools in other policy areas can influence the amount of spending on subsidies and training measures for young people. With respect to the former, the discussion of mechanism [D] showed that one reason why both progressive and conservative politicians subsidised the employment of labour market entrants was their unwillingness to interfere with the collective bargaining system. In other words, if Swedish policymakers had been willing or able to reduce the collectively negotiated minimum wage for young people, there would have been less need for public expenditure on subsidies for young people.

Regarding training, the opposite appears to be the case. Here, employers, politicians from different parties, and academic experts became increasingly convinced that training for young people within the realm of labour market policies was more costly and of lower quality than education and training provided by the regular education system. This argument was made by Calmfors in his minority opinion in the public inquiry in the 1990s (Arbetsmarknadspolitiska kommittén 1996a), and has since become official policy (see also (Olofsson and Wadensjö 2012)). For example, the idea that the education system is better equipped to provide qualifications to young people informed the labour market policy of the Alliance government from 2007 to 2014 (Interview SE-Littorin). One of the clearest manifestations of this approach can be found in the introduction of the Study Motivation Courses within the Youth Job Programme in 2009. Instead of providing education and training directly, this programme focused on helping those in need of additional qualifications to return to the education system. Furthermore, a 2014 publication by the Swedish public employment service stated that labour market policies are not supposed to duplicate the efforts of, or act in competition with the general education system (Arbetsförmedlingen 2014). Against this background, it can be expected that if Swedish politicians had been unwilling or unable to use the regular education system to train unemployed young people, spending on training ALMPs for this age group would have been higher.

8.6 Conclusion

This chapter set out to test whether the pattern of public expenditure on active labour market policies for young people in Sweden can be explained by six distinct causal mechanisms [A,B,C,D,Y,Z] linking the existence of corporatist employer groups and the

absence of a collective training system to the use of those measures. Specifically, it investigated whether there is a causal connection between Sweden's corporatist employer groups and the relatively high level of expenditure on active labour market policies for young people in general (Hypothesis 1a), on training measures (Hypothesis 1b), and subsidies targeted at young people (Hypothesis 1c), as well as on total and relative spending on jointly-produced measures (Hypotheses 1d and 1e). Furthermore, the chapter investigated whether there is a causal relationship between the absence of a collective training system in Sweden and the country's comparatively high spending on measures providing work experience relative to training measures (Hypothesis 2c).

The findings of the analysis paint a complex picture. As theorised in mechanism [A], Swedish employer groups did, in one instance, provide skills insights and skill certification mechanisms to policymakers to develop a training programme, SwIT. Sweden's corporatist employer groups also acted as policy protagonists in this case, promoting a new training programme to increase the supply of skilled labour, as expected by mechanism [B]. Furthermore, representatives of Sweden's principal employer group, the Confederation of Swedish Enterprise agree that some active labour market policy training programmes are useful in producing the types of skilled workers companies need. However, they also saw training within the realm of active labour market policy as useful only in a very limited number of cases. Thus, neither mechanism [A] or [B] should be expected to have strongly contributed to an increase in spending on training measures for young people (Hypothesis 1b), or total youth ALMP expenditure (Hypothesis 1a).

There was no evidence for mechanism [D]; the political economic effect of corporatist employer groups causing employer organisations to lobby for spending on training measures and subsidies to increase young people's productivity and decrease their employment costs in a context of high minimum wages. While Swedish employer groups in some instances supported spending on training measures, this support was limited to specific instances in which there was a clear lack of skilled workers. In contrast, there was no support for a broad use of training ALMPs to raise young people's general productivity. The use of subsidies was not opposed by the Confederation of Swedish Enterprise, and representatives of this organisation argued that one large subsidy programme, New Start Jobs, worked very well in their opinion. However, the organisation never acted as a policy protagonist demanding more spending on subsidy programmes. Hence, mechanism [D] cannot explain the relatively high spending on subsidies in Sweden during the observed period (Hypothesis 1c). However, the chapter also presented an alternative mechanism through which collectively negotiated minimum wages can result in high spending on subsidies. Namely, that *policymakers* use subsidies to lower young people's employment costs without interfering in the collective wage bargaining process. The difference between this mechanism and mechanism [D] is that employer groups do not act as policy protagonists. Instead, they demand the cost of employing young people be lowered through alternative measures, like exemptions for young people in collective agreements, and cuts to payroll taxes and social insurance contributions. The decision to use subsidies is then taken by politicians, who see subsidies as a better policy than directly influencing wages. This mechanism can help explain why, despite the lack of evidence for mechanism [D], spending on subsidies (Hypothesis 1c) and total

youth ALMP expenditure (Hypothesis 1a) in Sweden was comparatively high.

The findings regarding mechanism [C], the cognitive effect of corporatist employer groups on the use of jointly-produced measures, remain inconclusive. On the one hand, there is evidence that politicians and public officials see the Confederation of Swedish Enterprise as an important partner for promoting firm-based active labour market policies among companies. Moreover, the confederation willingly informs its members about new measures through a standardised procedure, and none of the jointly-produced measures analysed during this period had to be ended because of a lack of employer participation. On the other hand, the Confederation of Swedish Enterprise neither actively *promoted* any of those measures. Instead, it informed its members about existing measures in a neutral fashion. Furthermore, due to a lack of data, it was not possible to ascertain whether the information service provided by the employer group influenced companies' decisions to participate in programmes such as the subsidy measures for young people. Hence, it is unclear whether mechanism [C] contributed to the relatively high total and relative spending on jointly-produced measures for young people in Sweden (Hypotheses 1d and 1e). In addition, the chapter unearthed the important roles of two other actors in the implementation of jointly-produced measures in Sweden: trade unions and municipalities. Strong co-determination rules can allow Swedish trade unions to prevent companies from hiring subsidised workers and hence block the implementation of subsidy programmes. The Swedish municipalities, in contrast, are the country's largest employer, and they also employ a significant number of subsidised workers. Hence, in countries with substantial public employment like Sweden, the public sector may play a significant role in the implementation of jointly-produced active labour market policies. Both, the role of trade unions and the role of the public sector, are hence possible areas for further research into the use of subsidies and other jointly-produced measures.

Regarding the causal mechanisms influencing the choice between measures providing qualifications (training) and work experience (subsidies, direct job creation measures) (Hypothesis 2c), the Swedish case provides evidence for the influence of employers' realised structural power [Z], but not for the instrumental power of employer groups [Y]. While employer groups supported individual training or subsidy programmes, there was no consistent pattern of lobbying for or against either type of measure. However, evaluations in the 1990s and 2000s showed that training programmes were comparatively less cost effective than subsidy programmes in integrating young people into employment. These evaluations contributed to a relative shift of resources from training to subsidies after 1998 along the lines of mechanism [Z].

Finally, the chapter showed that even, in a country with corporatist employer groups capable of developing effective training programmes, demand for highly qualified workers does not necessarily translate into employer support for training ALMPs, or high public expenditure on such measures. Specifically, the Swedish case showed that the relative shift in spending on training measures was not based on a change in demand for skilled workers, or a political decision to grow a low-wage low-skill sector. Instead, it was largely motivated by a belief shared among most political actors that the regular education system is better equipped and more cost effective than training in the field of ALMPs in teaching young people the skills they need to succeed in the labour market. Hence,

while this chapter did not analyse Swedish education policy in detail, the decline in training ALMP expenditure for young people from the beginning of the analysed period may not have represented a total reduction in public expenditure on the education and training of young people, but in fact a shift of resources and people from one policy area (active labour market policy) to another (education policy). A different but similar analysis has been presented by (Olofsson 2006). Writing in 2006, Olofsson argued that the extensive use of labour market training programmes in the 1990s was caused reforms in the education system which were misguided in the first place. In other words, he views the rise of labour market training as a consequence of bad educational policy. Against this background, the huge youth training programmes of the 1990s can be interpreted as an historical anomaly, and the shift of responsibility and resources for training young people from labour market policy to education as a return to an earlier status quo. In any case, the case of Sweden shows that education policy and active labour market policy for young people can strongly influence each other. This interplay between the two policy areas is another topic worthy of further analysis.

9 Discussion and conclusions

The central aim of this book is to improve our understanding of what causes variation in the use of active labour market policies for young people. Building on a review of the extant literature in chapter 2, it was argued that focussing on the role of employers, different forms of employers' organisations and collective training systems presents the most promising approach to fulfil this aim. Therefore, this book formulated the following four research questions:

- Do individual employers influence the use of youth ALMPs, and if so, how?
- Do employers' organisations influence the use of youth ALMPs, and if so, how?
- Do differences in the form of employers' organisations influence the use of youth ALMPs, and if so, how?
- Does the existence of collective training systems influence the use of youth ALMPs, and if so, how?

To answer these questions, chapter 3 developed a theory on how employers, employers' organisations and collective training system influence the use of different types of active labour market policies and how differences in the form of employer organisations and training systems shape variation in the use of youth ALMPs across countries. Figures 9.1 and 9.2 show the principal elements of this theory.

9.1 To what extent is the theory confirmed?

To test the theory, the book followed the recommendations of Liebermann for mixed-method research and used a nested research design combining quantitative regression analysis with qualitative case studies. Chapter 5 used descriptive statistics and cross-sectional time-series regression analysis to test the quantitative hypotheses implied in the theorised mechanisms (H1a-H2d). The analysis used a novel approach to disaggregate Eurostat data on active labour market policy expenditure by age groups for 27 EU countries and the United Kingdom in the years 1998 to 2014. Based on the results of the quantitative analysis, three countries were selected for further qualitative, process-tracing analysis: Germany, a country with strong collective training systems and corporatist employers' groups; the United Kingdom, which has no collective training systems and pluralist employer groups; and Sweden a country with corporatist employer groups and without collective training systems. Following Liebermann, the case studies were used to understand what caused the macro-level relationships between corporatist

Figure 9.1: The effect of corporatist employers' groups on the use of youth ALMPs

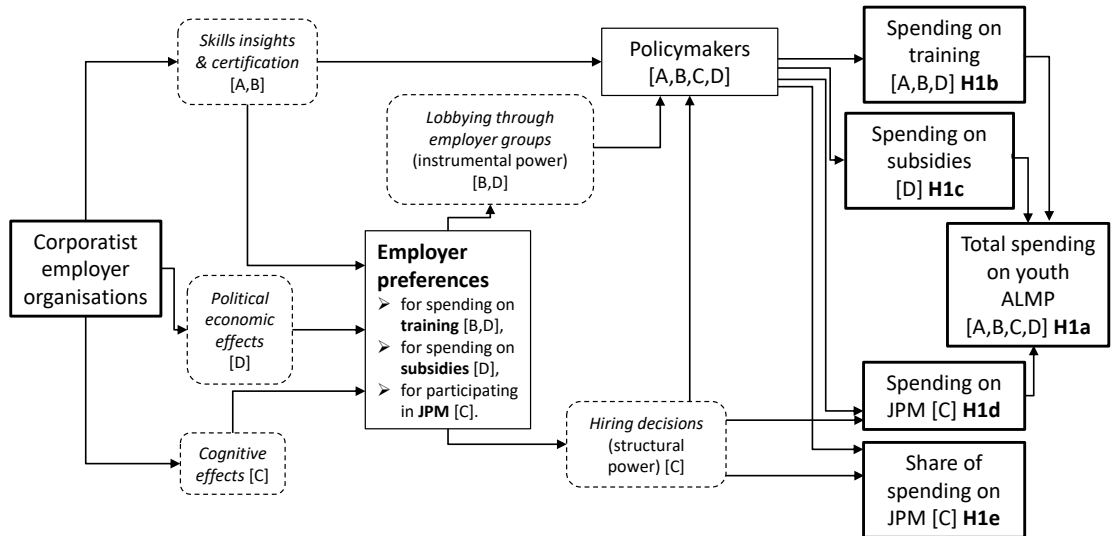
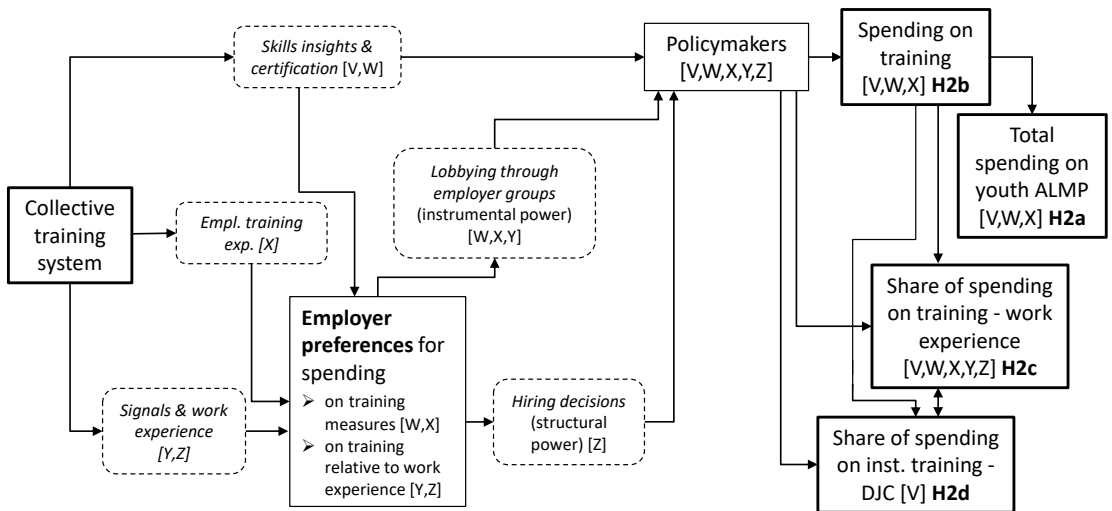


Figure 9.2: The effect of CTS on the use of youth ALMPs



employer groups and collective training systems and the use of active labour market policies for young people observed in the quantitative analysis. If the quantitative analysis confirmed the hypothesised relationship, the case studies were used to analyse if this relationship was caused by the theorised mechanism(s). If the hypothesised relationship was not supported, the case studies were used to analyse how and why the theorised mechanisms did not work as expected.

9.1.1 Skills insights & certification

The theory developed in chapter 3 stated that corporatist employer groups [A] and collective training systems [V] can provide policymakers with insights into employers' skills needs and certification mechanisms ensuring that companies view the qualifications provided as a sign of high productivity. This allows policymakers to develop more effective training measures and incentivises them to spend more on this type of policy. Furthermore, knowing that training measures will be of high quality, corporatist employer groups and employers in countries with collective training systems are more likely to lobby policymakers to increase spending on training ALMPs for young people when faced with shortages of skilled workers. For this reason, the existence of corporatist employers and collective training systems should be associated with more spending on training measures (hypotheses 1b, 2b) and youth ALMPs in general (hypotheses 1a, 2a). Moreover, the skills insights provided by collective training systems were predicted to enable policymakers to develop long-term institutional training measures that can be used instead of direct job creation programmes to reduce open youth unemployment. As a consequence, this mechanism should be associated with a higher spending on institutional training measures relative to direct job creation measures (hypothesis 2c) and, by extension, more spending on training than work experience measures for young people (hypothesis 2d).

...from corporatist employer groups: mechanism [A], hypotheses 1a, 1b

The quantitative analysis found a positive and significant relationship between corporatist employers and total youth ALMP expenditure as well as spending on training ALMPs for young people when using employer density as a measure for the strength of employer coordination and inconclusive results when using Jahn's corporatism index. This finding was interpreted as providing some support for the hypothesised positive effect of corporatist employers on total youth ALMP (hypothesis 1a) and training expenditure (hypothesis 1b) because employer density is regarded as the more meaningful indicator to measure the form of employer organisation. In addition, the Swedish case found one clear example of employers' organisations providing insights into companies' skills needs, and of those organisations supporting the certification of skills gained in training measures. Namely, the Swedish employers' organisations in the IT industry promoted and supported the development of SwIT, a training programme teaching programming skills to unemployed individuals. Thereby, employer groups were involved in designing the training content as well as in certifying the qualifications gained by par-

ticipants. Furthermore, the measure was very effective in integrating young people first into training and later into employment.

In contrast, no such example was found in the United Kingdom, a country with pluralist employer groups. While British employers' organisations supported the New Deal for Young People, which had a significant training component, their support was mostly limited to public endorsements and did not reach the level of technical engagement in policy development or implementation observed in Sweden. These findings show that corporatist employers' organisations can help governments in the development and implementation of effective training measures, and that they are better equipped to do so than pluralist employers' groups. Nevertheless, the effect of this mechanism on the level of training expenditure and total spending on active labour market policies for young people is not clear because the SwIT programme only had a very small budget. Thus, the fact that corporatist employers' groups can help policymakers with developing and certifying training – while important – appears not to explain much of the variation in training expenditure (H1b) and total youth ALMP expenditure (H1a) across countries.

...from collective training systems: mechanism [V], hypotheses 2a, 2b, 2c, 2d

In contrast, the skills insights from collective training systems appear to have a strong effect on spending on youth ALMPs that are training measures. The quantitative analysis showed a strong, positive and significant relationship between the size of collective training systems and training expenditure for young people (H2b), total youth ALMP expenditure (H2a), and the share of spending on institutional training measures relative to direct job creation measures for young people (H2d). In addition, it found a positive and statistically significant relationship between the most important measure of employer involvement in collective training systems, the number of companies employing apprentices, and the share of spending on training relative to work experience measures. The German case showed that the training measures accounting for the biggest share of expenditure are directly related to the training curricular of dual training systems. In particular, long-term institutional training measures to prepare for apprenticeships, and measures providing apprenticeship training in state-financed workshops each accounted for more than 10% of total youth ALMP expenditure in Germany. The content of these programmes is intrinsically linked to the country's collective training system, and, supported by employers, the German government made deliberate efforts to further align the two in the early 2000s. One programme, Vocational Training Outside the Workplace, even allows participants to take the same exams as apprentices in the regular dual training system. Moreover, the programmes were clearly used to prevent open youth unemployment in Germany's labour market crisis in the early to mid-2000s. The training programmes were quickly expanded to absorb unemployed young people in the same way direct job creation measures were used for the same purpose in the United Kingdom. While Germany relied overwhelmingly on institutional training measures to quickly reduce youth unemployment, UK policymakers used direct job creation measures – the Voluntary Sector and Environmental Task Force in the New Deal for Young People and the Future Jobs Fund – for the same purpose. These findings strongly support

the theory that the existence of collective training systems contributes to higher spending on training measures, youth ALMP in general and institutional training measures relative to direct job creation measures by providing policymakers with skills insights and certification mechanisms enabling the development of effective, long-term training programmes for young people.

One issue that remains unclear is the extent to which the differences in use of institutional training relative to direct job creation measures in Germany and the UK are due to differences in skills insights, or due to different employer preferences for training and work experience (see below). The problem with this question is that skills insights and the relative preferences for training and work experience are interconnected: collective training systems have standardised training curricular, which provide insights to policymakers. At the same time, standardised training has high signalling value, which shifts employers' preferences from work experience to training. As such, the exact contribution of each mechanism is difficult to isolate. In any case, however, there is ample evidence that the presence or absence of a strong collective training system affects the use of institutional training and direct job creation measures.

9.1.2 Lobbying for the expansion of youth ALMPs

The existence of corporatist employers' groups and collective training systems was theorised to increase the preferences of employers for specific types of ALMPs for young people and, thereby, the willingness of employer groups to lobby for more spending on these measures.

With regards to corporatist employers' groups it was expected that the skills insights and trusted certification mechanisms provided by these organisations to policymakers increase companies' trust that training measures provide the types of skills they need [B]. When faced with shortages of skilled labour, employers in countries with corporatist groups were therefore expected to lobby for more spending on training measures. For both reasons, policymakers in countries with corporatist groups should spend more on training measures for young people (hypothesis 1b), and by extension, more on active labour market policies targeted at young people in general (hypothesis 1a). In addition, corporatist employers' groups were predicted to have political economic effects (C. J. Martin and Swank 2012) which increase expenditure on training measures, subsidies, and, again by extension, youth ALMP in general [D]. This mechanism is based on the assumption that corporatist employers' groups engage in collective wage bargaining with strong trade unions, which pushes up entry level wages and makes labour market entrants comparatively expensive to employ. In response, employer groups were expected to lobby policymakers to increase expenditure on training measures and subsidies to increase the productivity of young people and reduce the costs associated with employing them. This should result in a positive relationship between the existence of corporatist groups and training expenditure (hypothesis 1b), subsidy expenditure (hypothesis 1c), and total youth ALMP expenditure (hypothesis 1a).

Collective training systems were also predicted to influence the preferences of individual employers. Training apprentices in a collective training system implies substantial

costs for employers, and active labour market policies can be used to shift some of these costs from firms onto the state [W]. Furthermore, because collective training systems provide policymakers with skills insights, employers were expected to trust that training measures are an effective way to improve the supply of the type of labour they demand [X]. For both reasons, employers in countries with this form of training were expected to lobby for the expansion of training measures. This again should result in higher spending on active labour market policies for young people in general (hypothesis 2a), higher total spending on training measures (hypothesis 2b) as well as more spending on training measures relative to work experience measures (hypothesis 2c).

...to reduce skills shortages, increase productivity or lower employment costs: mechanisms [B,D], hypotheses 1a, 1b, 1c

There is little evidence for employers' groups lobbying for the expansion of subsidy programmes to reduce employment costs or for more spending on training measures to increase worker productivity in the context of high wage compression [D]. While the quantitative analysis found some evidence for a positive relationship between corporatist employers' groups and training expenditure (H1b), this was not the case for spending on subsidies (H1c). The case studies also found no evidence of corporatist employers' groups lobbying for training measures or subsidy programmes to compensate for high labour costs. While Sweden does have high minimum wages due to collective agreements, and Swedish employers do criticise those wages for being out of line with worker productivity, they did not lobby to increase spending on active labour market policies as a remedy. When it comes to lobbying for training measures to address skills shortages [B], the evidence is more mixed. Swedish employers' organisations, did support the use of active labour market policies in a few, limited instances. Specifically, they supported the above-mentioned SwIT training programme, and very short term training measures, such as driving lessons for prospective truck drivers. However, both ALMP programmes were very small in terms of expenditure and instead of training measures, Swedish employers generally saw improvements to regular education systems as much more important for increasing young people's productivity levels, and for preventing skills shortages. It would therefore be wrong to attribute Sweden's significant use of subsidy programmes or the comparatively high spending on training measures to Swedish employers acting as policy protagonists who are lobbying for these policies.

Additional and alternative explanations

However, the Swedish case unearthed a possible alternative explanation for how corporatist employers' organisations – and corporatism in general – can be linked to spending on subsidies for young people. Namely, rather than employers *lobbying* for active labour market policies, politicians seem to be using subsidy programmes targeted at young people to reduce employment costs without interfering with collective bargaining processes. This was evidenced by interviews with Swedish politicians and public officials, who acknowledged that entry level wages exceed the productivity of some young people and

9.1 To what extent is the theory confirmed?

that this contributes to youth unemployment. However, neither conservative nor social democratic politicians were willing to interfere in wage setting – a policy area regarded as the prerogative of the social partners. With trade unions unwilling to agree to lower entry wages, and policymakers unwilling to force changes, subsidies for labour market entrants were then a convenient way for Swedish politicians to address youth unemployment without interfering with one of the pillars of corporatism in their country.

Finally, the case study on the United Kingdom produced one more unexpected result. Namely, the Confederation of British Industry lobbied for a subsidy programme, which was later launched as a central component of the Youth Contract. Pluralist employer groups like the Confederation of British Industry were not expected to actively support higher spending on any type of youth ALMP. This action by the CBI is unlikely to have had any significant effect on expenditure as the subsidy failed to attract companies willing to participate in it. However, this case puts into question one important assumption of this book. Namely, that employers' organisations act purely according to a logic of membership based on the first-order preferences of their members. Instead, the case of the Youth Contract subsidy suggests that there are other reasons motivating the actions of employer groups. For example, it is conceivable that pluralist employer groups may support solutions for urgent social problems to gain publicity or the goodwill of policymakers – i.e. act according to a logic of influence (Streeck and Kenworthy 2005) – in order to ensure the relevance and survival of their organisation. For the study of active labour market policies, this means that (pluralist) employers organisations may in fact lobby for policies which will not be implemented due to a lack of cooperation by the companies the organisations claim to represent.

...to reduce skills shortages and shift training costs: mechanisms [W,X], hypotheses 2a, 2b, 2d

In contrast, there is strong evidence that the existence of collective training systems makes employers more likely to lobby for training measures. In addition to the strong quantitative relationship between collective training systems and training expenditure (H2b), the qualitative analysis found several instances of German employers' organisations lobbying for training measures during periods of strong economic growth and relatively low youth unemployment. In particular, German employer groups supported the Initial Qualifications programme, a form of firm-based pre-apprenticeship training, as well as measures providing tutoring and practical support to apprentices and their employers. This evidence supports the theory that employers in countries with collective training systems are more open to using training measures for young people to address skills shortages [W] and to off-load some of the costs of training onto the state [X].

These findings were expected. In addition, the German case produced two unexpected findings that help to further illuminate the relationship between collective training systems and the use of active labour market policies for young people. First, there is evidence suggesting employers' organisations may support or oppose active labour market policies for *strategic* reasons related to the stability of the collective training system. First, while the expansion of the Initial Qualifications programme has been promoted by

employers as a way to tackle skills shortages since the late 2000s, it was first introduced to fend off state interference in the training system, which would have taken the form of a training levy. In other words, employers' organisations initially offered this programme of firm-based pre-apprenticeship training to the government *in exchange* for a continued hands-off approach to the training system. Thus, employers were effectively leveraged into supporting the Initial Qualifications, rather than having a first-order preference for the programme itself.

The second finding relates to the use of subsidies. The theory presented in this book did not foresee any effect of collective training systems on the use of subsidies, but the case of the German Training Bonus suggests that employer groups in countries with collective training systems are very hesitant when it comes to paying companies to train apprentices. As interviews with representatives of German employer groups showed, subsidies were considered problematic because they could result in companies hiring apprentices, not to train future skilled workers, but to profit from the training itself. This, in their view, would undermine the viability of the collective training systems in the long-term. This finding is interesting because it further illuminates the interconnection between collective training systems and active labour market policies for young people. Furthermore, it helps explain why employers' organisations lobbied for training measures instead of direct financial support for firms to reduce the costs of training apprentices.

9.1.3 Cognitive effects to support the implementation of JPM: mechanism [C], hypotheses 1a, 1d, 1e

The evidence on the theorised relationship between corporatist employers' groups and the use of jointly-produced measures – measures like subsidies and firm-based training that are implemented jointly by the state and firms – is mixed. Corporatist employers' organisations were predicted to have *cognitive effects* that increase the willingness of individual firms to participate in the implementation of jointly-produced measures [Y]. Jointly-produced measures tend to be cost-effective. Thus, and when employers are willing to cooperate, policymakers were expected to use these measures more extensively and to allocate a larger share of their youth ALMP budget to jointly- rather than to unilaterally-produced measures. As a result, countries with corporatist employer groups were expected to spend more on jointly-produced ALMPs for young people in total (hypothesis 1d) as well as relative to unilaterally-produced measures (hypothesis 1e). Lastly, higher spending on jointly-produced measures was expected to also increase total youth ALMP expenditure (hypothesis 1a).

The findings of the quantitative analysis did not support this theory. While there is a positive relationship between employer density and total spending on jointly-produced measures for young people, the relationship with Jahn's corporatism index is negative. The hypothesised positive relationship between corporatist employer groups and expenditure on jointly-produced youth measures was therefore not supported. By extension, possible cognitive effects of such groups do not contribute to more spending on youth ALMPs in general. To the contrary, evidence from the German case even suggest that policymakers will gladly substitute unilaterally-produced measures with cheaper and

9.1 To what extent is the theory confirmed?

more effective jointly-produced ALMPs if they are available. If this is the case, the cognitive effects of corporatist employer groups could even result in lower total youth ALMP expenditure. Furthermore, the relationship between both indicators and relative spending on jointly-produced measures is negative. However, the case studies do suggest that employers' organisations with high membership can help implement jointly-produced measures and, more importantly, that the absence of such groups makes it more difficult to convince firms to participate in the implementation process. In Germany, the Initial Qualifications programme again serves as the prime example of a successful jointly-produced active labour market policy, heavily promoted by employers' organisations, notably the Chambers of Industry and Commerce and the Chambers of Skilled Crafts. While it is difficult to assess precisely how many more companies participated in this programme because of the overt political and technical support of the chambers, its fast and widespread implementation was impressive. In contrast, the Training Bonus, which German employers' organisations regarded with scepticism, and which some chambers at the local level declined to advertise, failed, as only 40% of the targeted number of applications were submitted. The comparison between both programmes suggests that Germany's corporatist employers' organisations indeed have cognitive effects that influence the level of participation of firms. Also, interviews showed that policymakers and public officials believe that cooperating with employer groups is important when it comes to promoting new firm-based measures among employers. Sweden – the second country with corporatist groups which was analysed – is highly successful as far as the implementation of jointly-produced measures is concerned and the Swedish Confederation of Enterprise actively cooperates with public officials on informing its members about new active labour market policies. However, it is not entirely clear in how far the information provided by the confederation influenced firms' decision to participate in subsidy programmes. Hence, the findings of the Swedish case do not conclusively support or disprove the theory that corporatist employer groups have cognitive effects.

In contrast, the pluralist employer groups in the United Kingdom clearly did not have cognitive effects. Despite employer groups publicly supporting subsidy programmes like the New Deal for Young People Employment Option and the Youth Contract subsidy, only very few companies were willing to participate in them. This limited the amount of money the government was able to spend on both programmes and resulted in the premature termination of the Youth Contract. Moreover, the failure of employer groups to influence firms' decisions did not seem to come as a surprise to most actors involved: neither policy experts nor representatives of British employers' groups seemed overly convinced that the latter are able to significantly increase employer participation in jointly-produced measures. From this perspective, it appears that corporatist employer groups can influence the level of employer participation in jointly-produced measures and, thereby, influence the amount of money that can be spent on such measures.

Alternative explanations

How then can the discrepancy between the supportive findings of the qualitative analysis and the absence of support in the quantitative analysis be explained? The evidence

collected in this book offers three possible explanations.

The first explanation is based on the Swedish case and relates to the question of who is considered as an employer. One interesting finding from the Swedish case is that policymakers work very closely with the municipalities, which are not only the country's largest employer, but also a major participant in the implementation of jointly-produced active labour market policies. In some subsidy programmes, one in three participants was employed in the public sector. It should be assumed that public employers like the municipalities are more willing to contribute to policy goals like reducing youth unemployment than private companies. Moreover, it can be assumed that there are strong political and bureaucratic networks between Sweden's central government and the municipalities, which reduce transaction costs between them. Against this background, the findings suggest that Swedish policymakers may have an easier pathway to implementing jointly-produced active labour market policies than coordinating with private sector employers and their representatives: convince municipalities to hire subsidised labour.

The second explanation is based on the quantitative analysis and the German case and relates to the question which organisations are analysed to determine the degree of employer coordination. Regarding Germany, it is notable that arguably the most important organisations in promoting jointly-produced measures were the Chambers of Industry and Commerce and the Chambers of Skilled Crafts. Both organisations have mandatory membership for companies in their respective industries and they are central actors in the German training system. However, they do not negotiate wages on behalf of their members, and are therefore not counted as employers' organisations in quantitative statistics on employer density (Visser 2015). This should lead to an underestimation of employer density in Germany, and possibly other countries with similar institutions which would distort the results of the quantitative analysis.

The third explanation relates to the question of expenditure and policy impact. It could very well be that the relationship between corporatist employer groups and spending on jointly-produced measures is the opposite of what has been assumed. Namely, the countries with corporatist employer groups spend *less* on jointly-produced measures because they can implement these policies more efficiently. In short, if support from corporatist employers' groups helps policymakers implement jointly-produced measures by reducing transaction costs between the government and individual companies, they may achieve their policy goals at lower costs. The absence of such cooperation, in contrast, could make it more expensive to convince the same number of employers to participate. Hence, a government that cannot rely on the help of corporatist employer groups must spend more money on outreach to employers and possibly increase the level of subsidies or financial support for firm-based training. This theory was not explicitly tested in this book, but the negative regression coefficients in some of the models suggest that this could be the case.

Additional finding

Finally, the qualitative analysis provided an unexpected finding regarding the influence of *perceived structural power* on the use of jointly- and unilaterally-produced ALMPs.

9.1 To what extent is the theory confirmed?

Policymakers were expected to only use jointly-produced measures if they assume companies to participate in their implementation. This was not the case as the example of the Youth Contract showed. As described above, the expectations regarding the participation of firms in this subsidy programme were very low from the start, but the UK government launched the policy anyway. Therefore, it does not seem to be the case that perceived structural power of business dissuades politicians from trying to implement active labour market policies that require the participation of firms. At the same time, however, the UK case showed that politicians are aware of the structural power of business in this area and deliberately use jointly-produced measures to circumvent it. The New Deal of Young People in the United Kingdom presents an instructive case. Here, two direct job creation measures were deliberately included in the programme as “fall-back options” for individuals unable to find a subsidised employment position. Moreover, policymakers in the UK used another direct job creation programme, the Future Jobs Fund, because they believed such a programme could be implemented and reduce open youth unemployment more quickly than other measures like jointly-produced subsidies. Furthermore, the deliberate use of unilaterally-produced active labour market policies as an effective way to reduce open youth unemployment may not be limited to countries with pluralist employer groups. Corporatist Germany also used unilaterally-produced measures, in this case institutional training, on a large scale from the late 1990s to the mid-2000s. The fact that unilaterally-produced measures were used to reduce open youth unemployment in a pluralist and a corporatist country alike means that the deliberate use of these measures is unlikely to help us understand variation in the use of youth ALMPs across countries. Nevertheless, this finding is interesting because it improves our understanding of why policymakers select certain measures over others.

In sum, the findings of the qualitative analysis suggest that employers and employers’ organisations play an important role in enabling the implementation of jointly-produced measures, and they support the theory that corporatist employer groups are better at convincing their members to participate in jointly-produced measures than pluralist organisations. However, more work needs to be done. In particular, the role of the public sector in using jointly-produced measures, the definition and measurement of employers’ organisations, and the relationship between efficient implementation mechanisms and spending on jointly-produced measures deserve more attention.

9.1.4 CTS and the choice between training and work experience: mechanisms [Y,Z], hypothesis 2c

The existence of collective training systems was also theorised to influence employers’ preferences for active labour market policies providing qualifications relative to measures providing work experience for young people. Collective training systems provide apprentices with work experience and with qualifications with high signalling value which leads companies to value qualifications more than experience in their hiring decisions. Based on this preference, employers were expected to use their *structural power* and [Y], through their employer groups, *instrumental power* [Z] to influence the choice of policies towards training measures and away from measures providing work experience.

Structural power is exerted in two ways. Either employers show their preferences by hiring more individuals who participated in training measures than individuals having participated in measures providing work experience (*realised structural power*), or policymakers anticipate employer preferences and therefore prioritise training measures (*perceived structural power*). In sum, this should result in more spending on training measures relative to measures providing work experience. Based on these mechanisms, a positive relationship between collective training systems and the share of youth ALMP expenditure on training measures relative to measures providing work experience was hypothesised (hypothesis 2c).

As mentioned above, the quantitative analysis supported the hypothesised positive relationship between the size of collective training systems and the relative spending on training measures. The results of the qualitative analysis also support the theory that the existence of collective training systems biases employers' preferences towards qualifications over work experience. In Germany, qualifications are paramount to employers. Work experience is also valued, but it is regarded as something young people should gain during apprenticeships. In the United Kingdom, in contrast, work experience is most important. Swedish employers value both. There, a completed upper secondary education is valued highly by employers. However, work experience is also important because the education system is primarily school-based and school-leavers do not receive the kind of on-the-job experience German apprentices do.

Instrumental power [Y]

When it comes to translating employers' relative preferences for qualifications and work experience into policy choices, the case studies found evidence of employers' instrumental [Y] and structural power [Z]. As described above, German employers' groups actively lobbied for the expansion of training measures such as the Initial Qualifications, the Supportive Measures and the Assisted Apprenticeship. In addition, they actively framed the problem of youth unemployment in the early and mid-2000s as one of "insufficiently skilled" school-leavers. Finally, German employers lobbied *against* programmes providing work experience like direct job creation measures and subsidies. Thus, German employers actively intervened in the political process to steer the choice of active labour market policies towards training measures. In Sweden, employer groups did not take a clear general position for or against training or work experience programmes for young people. In the UK, employers' organisations rarely proposed concrete active labour market policies. However, their representatives regularly promoted the importance of work experience and the value for young people of obtaining "that first critical job" in consultations with policymakers. Thus, like their German peers UK employer groups formulated a clear and public position on which measures should be taken to address youth unemployment. Finally, the influence of employers on the use of active labour market policies for young people benefited from the willingness, if not eagerness, of politicians from both sides of the political spectrum to cooperate with, and receive insights from employers' organisations. This was most obvious in the United Kingdom where policymakers openly argued that "businesses are vital for us to get our support

for young people right” (Deputy Prime Minister’s Office 2012). As such, the Labour governments under Tony Blair and Gordon Brown, as well as the coalition government led by David Cameron actively reached out to involve employers’ organisations in their respective policies. Interviews with politicians and public officials in Germany and Sweden showed the same dynamic: policymakers see the value of involving employers in the development of active labour market policies to gain insights into which measures would induce companies to hire more young people. In fact, the Confederation of Swedish Enterprise and the British Chamber of Commerce even suggested that they sometimes receive more requests for policy input than they can (or want) to respond to.

Structural power [Z]

In addition to direct lobbying, there is strong evidence of employers’ *perceived* and *realised* structural power [Z] influencing policy choice. For German policymakers, it was obviously a lack of qualifications preventing young people from being hired, resulting in politicians and public officials barely even considering alternative measures. For their UK counterparts, a lack of work experience was similarly considered the undeniable cause of unemployment among the young. As a consequence, employers’ perceived hiring preferences influenced the choice of active labour market policies arguably at least as much as employers’ lobbying efforts. The influence of *realised* structural power was most visible in the Swedish case. A number of evaluation studies published from the mid-1990s onwards found differences in the effectiveness of training measures and subsidy programmes in integrating young people into jobs. These studies, which focussed on the labour market integration rate, i.e. the share of participants who were hired after leaving the programme, significantly contributed to a strong re-orientation of active labour market policies for young people from training to subsidy programmes. Furthermore, there were no discernible differences between political parties in the use of evaluations and their reactions to them. Both, social democratic and conservative parties used the same assessment criteria and both contributed to the continuous reorientation of Swedish youth ALMPs from the mid 1990s onwards. Finally, there is evidence of an institutionalisation of structural business power in all three countries through mandatory evaluations, which again focus on how participants in active labour market policies are treated by employers. Namely, the dependent variable in evaluations of active labour market policies is either the integration rate into employment (i.e. are graduates of active labour market policies being offered a job by companies?), or in some instances, the wage level (i.e. how much are employers willing to pay ALMP graduates?), or both. This is, in essence, the definition of structural business power: policies are changed in reaction to the behaviour of companies.

In sum, the results of the quantitative and the qualitative analysis show that there is a link between the presence or absence of collective training systems, employers’ relative preferences for measures providing training or work experience, and the effect of these preferences on policy choices through employers’ instrumental power, perceived structural power, and realised structural power.

Additional explanations

The qualitative analysis also found evidence for two factors influencing employer preferences for training measures and subsidies which were not anticipated by the theory. The first is the *compatibility* of active labour market policies with existing corporatist institutions. In Germany, one important reason for employers' organisations to oppose the Training Bonus was the fear that a subsidy for hiring apprentices would create dangerous mis-incentives. Employers' organisations feared that if firms trained individuals in order to earn money rather than to develop skilled workers for their own use, the quality of training would suffer, which could undermine the stability of the training system in the long term. The Swedish case showed that subsidy programmes were used by policymakers to reduce the cost of employing young, presumably less productive, individuals without interfering with the country's corporatist wage-setting mechanism. Both findings suggest that the choice between different active labour market policies is not only motivated by the micro-level preferences of employers, but also by the institutional interests of employers' organisations and the desire of policymakers to maintain certain corporatist arrangements.¹

The second factor is the relationship between labour market training and *other education and training policies*. Tim Vlandas has already suggested that countries with dual training systems spend less on training measures because all necessary training is provided by firms (Vlandas 2013). The evidence shown in this book does not support his suggestion. Instead, the German case showed that collective training systems can create incentives for *more* training measures to facilitate access to apprenticeships and to reduce the burden on employers engaged in training. However, the Swedish case suggests that measures in secondary education can in fact be used to substitute training ALMPs for young people. Motivated by several evaluations, Swedish policymakers made deliberate efforts to shift the responsibility for the training of young people from labour market policy to the regular education system. This means that an analysis of spending on training in the field of active labour market policy for young people may not fully grasp the effect of business on public efforts to improve the skills of (unemployed) young people.

9.2 Answering the research questions

After discussing the evidence on each of the theorised mechanisms, it is time to answer this book's four research questions.

¹For a similar argument focussing on the role of trade unions in influencing the use of training measures in Germany and Austria, and the constraints which corporatist institutions put on the actions of policymakers see (Durazzi and Geyer 2019).

9.2.1 Do individual employers influence the use of youth ALMPs, and if so, how?

The short answer is yes. Even without directly lobbying policymakers (which is a function carried out by employers' organisations), companies influence the use of jointly-produced active labour market policies and the relative use of training and work experience measures through their hiring decisions (*realised structural power*) and their anticipated hiring decisions (*perceived structural power*). This finding supports and expands upon earlier work highlighting the important role of individual employers in implementing jointly-produced measures (Bredgaard 2018; Bredgaard and Halkjaer 2016; Cronert 2018a; Ingold and Stuart 2015; C. J. Martin 2004a; C. J. Martin and Swank 2004).

Employers' structural power in the field of active labour market policies has several consequences for how the influence of business on active labour market policies should be analysed. First, it means that employers may strongly influence the use of active labour market policies, even if they do not actively engage in the political discourse on those measures. In other words, by focussing only on the statements of employers' organisations on active labour market policies, we may underestimate the role of business. This insight is particularly relevant because the Swedish and British case studies showed that active labour market policies are not always a priority for employers' organisations. Second, it shows the importance of distinguishing between the positions of employers' organisations and the preferences of individual firms.² Here again, there may be differences between organisations with high and low membership numbers. In Germany, the interests of collective actors and individual firms appeared to be strongly aligned. For example, the German chambers were able to develop the Initial Qualifications programme, which has survived because of continuing demand by companies for this policy, and because employers are willing to offer regular apprenticeships to graduates from the programme. In contrast, very few employers in the United Kingdom were interested in hiring young people subsidised by the New Deal for Young People or the Youth Contract, despite several employers' organisations having endorsed the measures. Third, the structural power of business in the field of active labour market policies means that in order to fully understand employers' influence, researchers must consider the policy making, policy implementation *and* the policy evaluation phase. In a first stage, employers can influence the decisions of policymakers via lobbying (see below) and via policymakers' perceptions of employer preferences (*perceived structural power*). In the implementation stage, the effect of employers' structural power on jointly-produced measures is directly visible. If companies do not participate, the policy cannot be implemented. However, the success or failure of unilaterally-produced measures like institutional training may not be visible until their effectiveness is assessed through an evaluation. This was notable in the Swedish case, where a shift from training measures to subsidy programmes occurred once evaluations showed that the latter were more cost effective when it came to integrating young people into employment.

²See also (Bonoli and Emmenegger 2020) who come to a similar conclusion regarding the role of employers and employers' organisations using some of the empirical material presented in this book.

9.2.2 Do employers' organisations influence the use of youth ALMPs, and if so, how?

Again, the answer is yes. Specifically, there is evidence that employers' organisations influence the use of active labour market policies for young people through their *instrumental power*; by lobbying policymakers on behalf of the firms the employer groups represent. The case studies showed that employers' organisations used this power to influence the choice between training and work experience measures, the level of spending on training measures to fight skills shortages or to reduce the costs of training apprentices, and that they sought to stop specific policies they deemed problematic. This finding is not surprising. Political representation is an important function of employers' organisations, and employers' instrumental power is arguably the principal mechanism which comes to mind when employers' influence on policy making is discussed.

In addition, the case studies on Germany and the United Kingdom showed that employers' organisations may lobby for or against active labour market policies for young people for reasons other than the first-order preferences of their members. In the German case, the employers' organisations' motives seem to have been mostly strategic and based on the strong desire to ensure the survival of the German training system and maintain their control over it. This finding is in line with recent studies showing employers' strong concern for retaining control over collective training systems (Bonoli and Emmenegger 2020; Carstensen and Ibsen 2019; Durazzi and Geyer 2019). In the United Kingdom, employers' organisations appear to have supported at least some measures to gain favour with politicians, publicity or both. Thus, there appears to be additional reasons why employers' organisations use their instrumental power – or at least signal that they are using their power – in this policy area.

In sum, employers' organisations play an important role as interlocutors for business and politicians from across the political spectrum are eager to involve them in the development and implementation of active labour market policies. However, there are reasons beyond the assumed simple logic of membership which motivate employers' organisations to politically engage with active labour market policies for young people. Thus, more research into the motivations for employer groups to support or oppose individual policies is recommended.

9.2.3 Do differences in the form of employers' organisations influence the use of youth ALMPs, and if so, how?

The answer to this question is more ambiguous. The quantitative analysis found a significant positive relationship between employer density and spending on training ALMPs for young people and total youth ALMP expenditure. It was expected that this relationship could be explained by the fact that corporatist, but not pluralist employer groups, provide *skills insights & certification mechanisms* and have *cognitive* and *political economic* effects. However, the findings of the qualitative analysis presented a mixed picture.

With respect to the first mechanism, the discussion above showed that corporatist em-

ployer groups can provide detailed information on companies' skills needs and implement effective qualification certification procedures, which support the development of effective training measures. This finding is in line with the arguments of Martin and Swank (C. J. Martin and Swank 2012) and the evaluation literature (O'Higgins 2001, 2017) which state that involving (corporatist) social partners in the development of active labour market policies increases their effectiveness. Furthermore, corporatist employer groups were more likely than their pluralist peers to view ALMP as an effective policy to fight shortages of skilled labour and, hence, to support spending on such programmes. However, the discussion also showed that this mechanism is unlikely to have contributed to much youth ALMP expenditure in the analysed case, Sweden. The theory that corporatist employers' groups influence the use of active labour market policies for young people through their *cognitive effects*, is only partially supported. On the one hand, the qualitative analysis found that corporatist, but not pluralist employers' organisations can help convince firms to participate in the implementation of jointly-produced measures. However, the statistical analysis found no significant effect of corporatist employers' groups on either total expenditure on jointly-produced measures, nor on the share of spending on jointly-produced measures relative to unilaterally-produced measures. This stands in contrast to results of earlier studies that found corporatism to increase the level of ALMP expenditure (C. J. Martin and Swank 2004, 2012; Nelson 2013b) or the relative use of jointly-produced measures (Cronert 2018a).

Only partial support was found for the *political economic effect* of corporatist employers' organisations. While high entry level wages resulting from collective agreements lead policymakers to take action, they only used subsidy programmes and not training measures. Furthermore, there was no evidence that employer groups were the driving force behind those measures. Instead, it was politicians who championed subsidies for labour market entrants to bring their productivity in line with employment costs without interfering in the wage setting process. In other words, employers' organisations were consenters, rather than protagonists. Lastly, the quantitative analysis did not find support for the hypothesised positive relationship between corporatist groups and spending on subsidy programmes. In other words, while the results of the Swedish case suggests that the existence of corporatist employer groups could lead to higher spending on subsidies for young people (albeit in a slightly different way than initially theorised), the results of the quantitative analysis suggest that this finding may not be generalised to other countries.

In sum, with regards to the differences between corporatist and pluralist employer groups, the results of the quantitative and qualitative analyses are difficult to reconcile. On the one hand, there are several mechanisms through which corporatist employer groups influence the use of youth ALMPs in ways that pluralist groups do not. However, these mechanisms cannot explain why countries with corporatist groups (as measured by the degree of employer density) spend more on active labour market policies for young people, in particular training measures, than countries with pluralist groups. On the other hand, the qualitative analysis found one mechanism that appears to contribute to higher spending on subsidies, but this finding is not supported by the quantitative analysis.

As discussed above, one possible explanation regarding the effect of corporatist groups on subsidy expenditure may be that more expenditure is not necessarily equated with better results. In short, the lack of a positive correlation between corporatist employers' groups and spending on jointly-produced measures like subsidies may be due to the fact that corporatist groups allow governments to develop more effective policies, which can achieve the same results with lower levels of spending. Another reason for the differences between the results of the qualitative and the quantitative analysis may be that the measurement of "corporatism" is flawed, because it disregards powerful organisations like the German chambers, which seem to have strong cognitive effects, and which can provide significant skills insights and valuable support in certifying qualifications. Lastly, it may be that there are other mechanisms through which high employer density influences spending on youth ALMP and training measures for young people or that the quantitative analysis failed to include a confounder – a variable simultaneously influencing employer density and the public expenditure on active labour market policy for young people.

9.2.4 Does the existence of collective training systems influence the use of youth ALMPs, and if so, how?

Here, the answer is a resounding yes. The role of training systems has so far attracted little attention by the ALMP literature. However, the findings of this book suggest that the presence of a strong firm-based training system may be one of the most important factors influencing the use of active labour market policies targeted at young people. Collective training systems do not only enable policymakers to develop effective training measures through skills insights, they also influence employers' preferences for the expansion of training measures and the use of training measures relative to active labour market policies providing work experience. Those preferences are then translated into policy choices through employers' instrumental and structural power. Importantly, in contrast to the political economic effect discussed above, the evidence from Germany shows that employers in countries with strong collective training systems *do* act as policy protagonists. Specifically, German employer groups demanded the expansion of training measures to increase the supply of skilled labour and to disburden employers who train apprentices. Moreover, the qualitative analysis showed that German employers' organisations used active labour market policies and their ability to influence employers' participation in those measures *strategically* to guard the training system from increased state interference. Specifically, the Initial Qualifications programme of firm-based pre-apprenticeship training was offered by employers' organisations as part of a larger deal to prevent the introduction of a training levy. Similarly, the Training Bonus subsidies were opposed by German employers' organisations, not because they did not welcome the idea of disburdening companies engaged in training in general, but rather because employers' organisations regarded subsidies as a possible threat to the long-term stability of the training system. Therefore, they opposed the measure politically, and by not encouraging their members to participate in it. In short, there is evidence that the existence of collective training systems influences the policy decisions of employers' or-

ganisations in those countries beyond the simple logic of membership theorised in this book.

9.2.5 Limitations

There are at least two important limitations which need to be acknowledged. The first is that the research design and methods employed in this book were not able to fully penetrate the preference formation process of individual employers and employers' organisations. Specifically, the analysis could not always test whether individual employers' preferences for participation in jointly-produced measures are indeed influenced by the existence of corporatist employers' organisations, or whether skills insights and trusted certification mechanisms indeed increase employers' trust in the effectiveness of active labour market policies as a tool to address their own skills needs. Instead, the focus of this study was on the preferences employers and employers' organisations *revealed* through their hiring behaviour and policy positions, and the preferences policymakers *perceived* employers to have. There are good reasons for this. The first is that an analysis of employers' micro-level preferences and the mechanisms leading to those preferences is simply beyond the scope of this book. There is some research in this area, most notably that of Cathie Jo Martin, who surveyed employers in the UK and Denmark to test whether membership in different forms of employers' organisations – pluralist in the UK and corporatist in Denmark – affected employers' views of active labour market policies (C. J. Martin 2004a). However, replicating this analysis for this book would have required surveys, or at least interviews, with a representative set of companies in each of the three countries analysed, which would have been a significant undertaking in its own right. The second reason is that what matters for policy outcomes is arguably not so much what employers' preferences are, but rather how employers act, and how policymakers anticipate those actions. As such, the focus on perceived and revealed preferences is better suited to explaining variation in the use of active labour market policies. Nevertheless, the lack of direct knowledge about employers' individual preferences means that the theory developed in this book could not be tested in its entirety. Furthermore, the limited understanding of the preferences of individual firms makes it difficult to test whether employers' organisations are indeed acting according to a logic of membership, because it is hard to compare employer preferences with the positions taken by employers' organisations without first-hand data on the former. The findings show that the simple logic of membership assumed by this book may not always hold. Employers' organisations may also lobby for policies not supported by their members, as in the case of the Youth Contract, or use active labour market policies for strategic goals, as occurred in the German case where state interference in the dual training system was prevented. However, more research on the micro-level preferences of firms, how these are formed, and the preference formation process of employers' organisations could clearly be used to advance the theory presented in this book.

In addition, the measurement of collective training systems through primarily constant variables, i.e. variables for which only one value is available for the observed period, has its limitations. Specifically, it may hide short-term cyclical interactions between the

training efforts of firms and the use of active labour market policies for young people. The arguments surrounding the relationship between collectively organised firm-based training and labour market measures for young people focus on institutional factors governing the former: skills insights and certification mechanisms, the costs of training, and the effects of training on the qualifications and work experience of apprentices. However, as Niccolo Durazzi and I have argued elsewhere, active labour market policies can also be used to compensate for a decrease in the number of apprenticeship positions offered by firms during cyclical economic downturns (Durazzi and Geyer 2019, 2020). This would imply a *negative*, rather than the observed *positive* relationship between employer engagement in collective training systems and spending on active labour market policies for young people. There is no easy solution to this problem. Of the three variables used to measure employer involvement in collective training systems, two variables have only one data point for the period under investigation, while the third has many missing values and is also rather insensitive to cyclical fluctuations. Nevertheless, when interpreting the results it is important to bear in mind that, in the short-term, an increase in employer engagement in a collective training system does not necessarily increase spending. Conversely, and as will be discussed in more detail below, a decrease in employer engagement may not immediately lower expenditure on active labour market policies for young people.

9.3 The relevance of the findings

What then do these findings mean for research on active labour market policies, for the situation of young people and, on a more general level, for the comparative political economy literature? This section will answer each of those questions in turn.

9.3.1 ...for the study of ALMPs

The core motivation of this book was to understand what drives variation in the use of active labour market policies targeted at young people. A second motivation, however, was that by learning more about active labour market policies for young people, additional insights might be gained into the determinants of active labour market policies in general. In fact, there are at least five lessons we can learn for the study of active labour market policies in general.

Additional factors and mechanisms

A central aim of this book was to help uncovering the under-researched “causal dynamics” specific to the field of active labour market policy (Clasen, Clegg, and Goerne 2016). The book described several mechanisms, all of which will not be repeated here in detail. However, the identification of two factors in particular make important contributions to the literature. First, the strong effect of collective training systems in shaping employers’ preferences for active labour market policies for young people and in enabling policymakers to develop long-term training measures. Second, the effect of employers’

perceived and realised structural power. Structural power, of course, is not a new concept. However, it has not yet been seriously applied in the field of active labour market policy.

The meaning of ALMPs

Another deliberate focus was on the under-researched question of the meaning of different active labour market policies from the perspectives of policymakers and employers (Clasen, Clegg, and Goerne 2016). The findings support the differentiated approach. Policymakers and employers clearly have different perspectives on active labour market policies. One function that mattered for politicians from left-leaning political parties like the German SPD and the British Labour party was their ability to reduce open youth unemployment. In addition, the Swedish and the German case showed that policymakers are open to using active labour market policies to address employers' concerns over skills shortages. The findings that policymakers use active labour market policies to reduce open youth unemployment, especially in electoral contexts, and to respond to employer demands for more or better skilled workers support Bonoli's understanding of active labour market policies as tools for affordable credit claiming (Bonoli 2012a), and Cronert's argument that politicians care about the intended outcomes of active labour market policies in terms of unemployment reduction and improvements in labour supply (Cronert 2017, 2018b). The case studies also showed that for politicians, there is a clear difference between measures which can be produced unilaterally by governments, like direct job creation measures or institutional training, and jointly-produced measures like subsidies or firm-based training. The core advantage of unilaterally-produced ALMPs is that, given sufficient funds, they can be massively scaled up and quickly absorb large numbers of unemployed persons. This finding also has consequences concerning how we think about partisanship and active labour market policies. For example, Vlandas argued that left parties use direct job creation measures to reduce unemployment and thereby drive up wages (Vlandas 2013). The findings of this book suggest that he is right, but that his argument should be extended to other unilaterally-produced measures which change the employment status of participants, such as institutional training measures. Cronert also argued that partisan differences exist with regards to the production of active labour market policies. In his view, conservative parties favour jointly-produced measures because joint production allows companies to extract resources from the state. Left parties, in contrast, support unilateral production because this may bolster public support for government services (Cronert 2018a,b). The findings in this book do not necessarily contradict his account. However, they suggest that in addition to the partisan motivations that Cronert identified, there may be another reason (in line with Cronert's own assumptions) for left parties to prefer unilaterally-produced measures, namely, that left parties may be more inclined to use unilaterally-produced measures which reduce open youth unemployment because these measures can be rapidly expanded by governments.

Furthermore, the disaggregation of measures and the specification of their particular effects from both perspectives – reducing unemployment, providing skills and /or work

experience, or reducing employment costs – makes it easier to consider possible functional equivalents. This is not only true for the similar use of institutional training and direct job creation measures in Germany and the UK respectively, it may also be the case for training ALMPs and secondary education policy, as suggested by the Swedish case. In sum, this book's findings strengthen the argument that the term "active labour market policy" covers various policies which take on different meanings, depending on the perspectives of the different actors that engaged with them as well as on the institutional and policy context within which they are used. As such, this book's findings provide arguments for a differentiated analysis of different types of active labour market policies.

Distinguishing ALMPs according to the targeted age group

In addition to carefully differentiating between types of active labour market policies, the results of this book show that active labour market policies targeted at young people and older people should be treated as distinct categories. There are several reasons for this. First, work experience is more valuable for younger workers. As such, measures providing work experience have a different meaning when targeted at young people. Second, the relationship between education and training systems and active labour market policies is much stronger for youth measures than for measures for older people. As discussed above, collective training systems strongly influence the choice and level of spending on active labour market policies targeted at young people through skills insights and through their influence on employers preferences. Skills insights may also matter for measures for older workers. The German case showed how the chambers and the government developed training modules based on the training curricular of the dual system, which then were used to inform the content of pre-apprenticeship training measures. It is conceivable that a similar process could also be used to inform training measures for older workers. The other mechanisms, however, only apply to younger workers. The effect of collective training systems on employers' preferences for education and work experience is meaningless for older workers, who are assumed to already have ample work experience. Also, since older workers very rarely do firm-based apprenticeships, there are no training costs which employers might seek to shift onto the state via active labour market policies. Furthermore, there is the issue of functional equivalents. As shown by the Swedish case, governments may use the secondary education system to provide courses which, in other countries, are provided through active labour market policies. This should result in lower expenditure on youth training measures. Again, it is unlikely that older workers would participate in courses offered in the regular education system. As such, this substitution effect only exists for measures targeted at young people. Finally, it is important to note that active labour market policies for young people are not a niche policy area. The data analysed for this book showed that across EU countries, about one fifth of all ALMP expenditure benefits young people. In countries like Portugal (41%), Malta (38%), the United Kingdom (37%), Austria (33%) or France (32%) this share is even higher.

In short, active labour market policies targeted at younger people and older workers should be analysed separately because they are influenced by different factors. Given

the large share of youth measures in total ALMP expenditure, a separate analysis of measures for people aged 25 or older may be able to untangle some of the remaining contradictions in the ALMP literature. For example, the data provided in this book shows that among European countries two conservative welfare states with strong collective training systems, Austria and Germany, spend most on training measures for young people. In contrast, three out of the four biggest spenders on training measures for older people are the Nordic welfare states of Denmark, Finland and Sweden. This suggests that while training expenditure for young people is driven by collective training systems, training expenditure for older individuals may instead follow a traditional power resources logic, as suggested by Vlandas and Tepe and Vanhuysse (Tepe and Vanhuysse 2013; Vlandas 2013).

ALMPs to stabilise corporatist institutions

Turning to the relevance for our general understanding of active labour market policies, one interesting finding of the German and Swedish case is that measures for young people are often used as a means to correct specific problems in the labour market or in education systems. Specifically, they appear to be used to correct issues arising from what has been described as the “exhaustion” of corporatist institutions (Busemeyer and Trampusch 2013). Collective training systems like the German dual systems have come under substantial pressure since the 1990s. Deindustrialisation and technological changes have reduced the number of training positions offered by companies, while simultaneously the level of skills expected from apprenticeship seekers have increased (P. D. Culpepper and Finegold 1999; Kathleen Thelen and Busemeyer 2012; Kathleen Thelen and P. C. Culpepper 2007). This has made it more difficult for lower skilled young people to find apprenticeship positions (Busemeyer 2012; Jacob and Solga 2015; Kathleen Thelen 2014). In this context, the expansion of measures like the Initial Qualifications and Vocational Preparation Training – summarily called the “transition system” – has been described as a way of “disburdening” the collective training system through the state which thereby supported the survival of this particular type of corporatist institution. To quote two of the most prominent scholars of collective training systems:

“the rise of the transition system shows how the expansion of the role of the markets can go along with or even require re-regulation. If the state [...] had not set up the various training and labour market measures of the transition system in order to cushion the effects of market decisions, it would have been much harder to sustain the delegation of training to employers, both politically and economically. It is only because state actors were willing to establish a framework of expensive and more or less effective public policies that the delegation of quasi public obligations such as training to market actors remained politically feasible” (Busemeyer and Trampusch 2013, p. 305).

The same argument can be made for the use for the Supportive Measures, and even more so for Assisted Apprenticeships. Both are clear attempts to disburden employers

and thereby increase their commitment to training apprentices. Similarly, other countries have used a range of active labour market policies and other reforms to “bring firms on board” and enable more young people to pursue apprenticeships (Bonoli and Wilson 2019). A similar situation exist in Sweden, where the competitive pressures of a globalised economy have been used by employers to argue for more variation in wage setting and for reduced wage compression (Svenson and Pontusson 2000). Trade unions strongly opposed lowering the wages of labour market entrants, and the case study showed that policymakers were unwilling to directly interfere in the wage setting process. The widespread use of subsidies can then be seen as an effort to integrating young people into the labour market without interfering with collectively negotiated minimum wages – one of the central institutions of Swedish corporatism.

The understanding of active labour market policy as a tool to stabilise corporatist institutions adds complexity and a temporal dimension to the relationship between active labour market policies and corporatist organisations and institutions. On the one hand, corporatist employers’ organisations and collective training systems were found to increase spending on training measures through skills insights and certification. Therefore, an increase in corporatism should be associated with an increase in public spending on active labour market policy – a position supported by several studies (C. J. Martin 2004b; C. J. Martin and Swank 2012; Nelson 2013b). In addition, corporatist employers’ organisations are a precondition for collective training systems (Finegold and Soskice 1988; Hall and Soskice 2001), and a necessary party in centralised wage bargaining. Both institutions can further lead to higher spending on active labour market policies for young people. However, the effects of those institutions on ALMP expenditure appear strongest not when the institutions are strong, but once they are unravelling. The unravelling of corporatist institutions is often caused, or at least accompanied by, a decline in employer coordination. Therefore, we should also expect that a *decrease* in the strength of corporatist employers’ organisations, and a decrease in employer participation in corporatist institutions, is associated with an *increase* in spending on active labour market policies. In short, this approach suggests that it may not be the absolute level corporatism which matters, but rather the direction in which the institutions are evolving. When the institutions are developed and the share of companies participating in collective bargaining or in training systems is increasing, there is little need for supportive active labour market policies. However, if institutions are at risk of unravelling, politicians seem likely to intervene with active labour market policies to prop them up. As a consequence, youth ALMP expenditure should for instance be higher in countries where employer participation in firm-based training has decreased from 60% to 45%, than in a country where participation has increased from 30% to 45% over the same period.

Moreover, the role of active labour market policies in stabilising corporatist institutions may help explain why ALMP expenditure in mature welfare states like those of the “old” Western and Northern European countries is higher than in the formerly socialist countries of Central and Eastern Europe. Most of the latter were heavily liberalised during their transition from socialism to a market economy (King 2007; Noelke and Vliegthart 2009; Ost 2000) and it has only been over the last two decades that they

have tried to slowly (re)develop corporatist institutions like collective training systems (Hancké 2011; Jahn 2016). As a consequence, there are hardly any institutions to stabilise, meaning that one of the drivers of expenditure on active labour market policy in more mature welfare states does not exist in these former socialist countries.

The human capital orientation of ALMPs

Arguably one of the most important findings of this book is the impact of employers, corporatist employers' organisations, and training systems on the use of training measures. This has significant consequences for the contested effect of partisanship on the human capital orientation of active labour market policies (Bonoli 2013; Cronert 2017, 2018b; Nelson 2013a; Tepe and Vanhuyse 2013; Vlandas 2013). While some have argued that support for pro-human capital oriented ALMP like training is in the inherent interest of unions (Tepe and Vanhuyse 2013) or left-leaning political parties (Vlandas 2013), the findings of this book suggest that, at least in the case of young people, structural and institutional factors matter much more than the ideology of the party in government or the strength of labour organisations. Specifically, by providing skills insights and certification mechanisms to policymakers and by increasing employers' demand for training programmes, the existence of collective training systems contributes significantly to more total and relative spending on training measures. Conversely, the absence of a training system and corporatist institutions in the UK has resulted in limited overall spending on active labour market policies for young people, and has steered the choice of measures towards less human-capital-intensive measures. This finding supports Cronert's argument that the effect of partisanship on active labour market policies is indeed "constraint" by structural and institutional factors (Cronert 2018b) in this important area – i.e. that it does not matter for the human capital orientation of youth measures which party is in power.

Similarly, the strong effect of structural and institutional factors on the use of training measures for young people limits the possible effects of policy diffusion (Bonoli 2010, 2013) and other expert-driven processes which are argued to lead to convergence in policy choices across countries (Armingeon 2007). The point here is not that evaluations and policy exchange do not matter. To the contrary, the Swedish case strongly illustrated how evaluations of policy effectiveness can alter the choice of policies. However, when the goal of the policy is to make employers hire certain individuals, evaluations of these policies in effect reflect what employers deem most important when hiring. When employers value work experience, measures providing work experience will be found to be more effective. Where companies put more value on formal qualifications, training measures will show a higher success rate in integrating young people into the labour market. A change in "effectiveness" would presuppose a change in employer preferences for qualifications relative to experience, which may require significant reforms in the education and training system. In short, institutions shape employers' preferences, which in turn influence the effectiveness of policies and the preferences of other actors, and thereby prevent policy convergence. This finding is in line with other recent work on active labour market policies. Notably, Cronert's study on subsidy design finds that

“countries’ institutional legacies are [...] of continued relevance for policies’ design” (Cronert 2019, p.19. See also Fossati 2018). Expert-driven convergence may still occur in other areas where there are no underlying differences in employer preferences, and where skills insights are not required. For example, in the field of labour market services, the use of “one-stop shops” is being promoted as a highly effective approach to addressing youth unemployment (Adams 2017). Similarly, there may be learning and convergence regarding effective forms of entrepreneurship training for the unemployed (Biegelbauer 2019). However, at least when it comes to the choice between training measures and work experience programmes for young people, convergence should be limited.

9.3.2 ...for young people...

What then does it mean that some countries spend more on some types of active labour market policies targeted at young people than others? The normative assumption of this book is that unemployment is bad for young people and that active labour market policies can reduce harm by helping them find jobs, improve their skills and prevent scarring effects (Caliendo, Künn, and Schmidl 2011; Caliendo and Schmidl 2015; Strandh, Nilsson, et al. 2015). Youth unemployment disproportionately affects already disadvantaged groups such as those with lower levels of formal education or young people with a migration background (Dietrich 2012). Although there are several problems with equating expenditure with effectiveness – see the discussion of functional equivalents in the next section – higher spending on active labour market policies targeted at young people is therefore assumed to be conducive to young people’s well-being, and to the integration of disadvantaged groups. In addition, expenditure on training measures is assumed to be preferable to spending on other active labour market policies because it not only increases young people’s chances of finding employment, but also their chances of finding *well-paid* and *high-quality* employment. Against this background, it seems that countries with collective training systems are more inclusive when it comes to their treatment of young people. This is not a new conclusion. Conventional wisdom holds that countries with collective training systems have lower rates of youth unemployment because the employer-organised training reduces skill mismatches and thereby smooths the transition from school to work (Biavaschi et al. 2012; Breen 2005; Gangl 2003; G. Martin 2009). Also, collective training systems have been praised for their ability to integrate young people without tertiary education into stable and well-paying jobs (Busemeyer 2015; Iversen 2005; Soskice 1994). However, the findings of this book indicate that countries which are already very good at integrating young people into employment also spend the most on measures to help the relatively small number of young people who nevertheless become unemployed. In other words, the countries with the least problems make the biggest efforts.

Some of these efforts appear to be aimed at stabilising the status quo. As outlined above, increasing skill requirements and a decline in apprenticeship positions has put pressure on the “social inclusion function” of collective training systems (Jacob and Solga 2015). The effect of collective training systems on active labour market policies

then appears as a counteraction to maintain this function: firms are disburdened to increase the supply of training positions, and alternatives to apprenticeships in the form of institutional training measures are developed for those who still cannot find a regular training position. Against this background, there can be a reasonable debate over whether training measures to counteract a decline in firm-based training should be considered inclusive policies. On the one side of the debate are those who consider regular firm-based training to be the gold standard, and see replacement measures as an inferior alternative. This view has led to the criticism of Germany's training measures as a "transition system" which prolongs young people's passage from school into training and employment (Kohlrausch 2012). Those who have to take a detour through the transition system are often already disadvantaged, and hence – so the argument – the rise of the transition system contributes to the dualisation of labour markets and exacerbates inequalities (Busemeyer and Iversen 2011; Kohlrausch 2012; Kathleen Thelen 2014; Kathleen Thelen and Busemeyer 2012). On the other hand, from the perspective of this book, the same measures appear significantly superior to the policies implemented in countries without collective training systems, which have either no policies, with consequently higher youth unemployment levels, or they use subsidised employment or direct job creation programmes, which provide less in the way of human capital investment. From this perspective, institutions like the German transition system are still preferable because they decrease youth unemployment, and at least somewhat improve young people's future labour market and earnings prospects. The assessment of the training measures then essentially boils down to whether one compares the use of collective training systems combined with supportive training measures to a period in the past when all training was provided by private companies, or whether one compares countries with and without collective training systems in the current period. In today's world, countries with imperfect firm-based training systems still seem to be offering more opportunities and better support for young people in their transition from school into employment than countries without collective training systems.

9.3.3 ...and beyond

At a more general level, the findings of this book suggest that structural forces continue to resist a convergence of capitalist economies towards one liberalised form of market economy with high degrees of inequality. Education and training systems have been at the core of the literature on different forms or varieties of capitalism. Specifically, the German dual system was described as a principal reason why Germany did not become a fully liberalised economy like the United States or the UK, and instead followed a different, more egalitarian economic model described as Rhine-Capitalism (Albert 1992) or Coordinated Market Economy (Hall and Soskice 2001). It was argued that the dual system provides German companies in export-oriented manufacturing sectors with a large pool of highly skilled workers which, in turn, gives German firms a comparative advantage in incremental innovations and allowed them to follow a strategy of diversified quality production (Hall and Soskice 2001; Streeck 1992). However, deindustrialisation and increasing competitive pressure from globalisation have put pressure on collective

training systems and on corporatist institutions in general which has reignited the debate over the convergence of capitalist economies and the egalitarian nature of different systems (Emmenegger, Hausermann, et al. 2012; Kathleen Thelen 2012, 2014).

The findings of this book suggest that differences between capitalist models will persist or even increase. The mechanisms linking collective training systems and corporatist employer groups to the use of youth ALMP suggest that countries which invested heavily in human capital of their workforce in the past will continue to do so in the future. Furthermore, they suggest that corporatist countries will not give up equality enhancing institutions like collective wage bargaining so easily. Granted, it is not entirely clear how well active labour market policies can stabilise or replace corporatist institutions. As mentioned above, critics of the German transition systems interpret its existence as evidence of a dualisation of labour markets in which the full benefits of training are only available to insiders who are able to receive training in the “core” system of traditional firm-based training (Busemeyer and Iversen 2011; Kathleen Thelen 2012, 2014; Kathleen Thelen and Busemeyer 2012). There is certainly some truth to this argument. However, as Niccolo Durazzi and I have argued elsewhere (Durazzi and Geyer 2019, 2021), there are also more inclusive and less stratifying policy options for stabilising collective training systems than the German transition system. Whether countries follow a dualisation trajectory or a more inclusive path of “embedded flexibilisation” is, therefore, not predetermined. In any case, however, the findings concur with Cronert’s assertion that the use of active labour market policies is strongly influenced by “institutional legacies” which stand against convergence (Cronert 2018b). Substantively, both mechanisms indicate that (formerly) corporatist countries, and countries with collective training systems may be better positioned to maintain egalitarian high skill and high wage equilibriums (Finegold and Soskice 1988), at least for parts of their population.

9.4 Where to go from here?

The described limitations and the discussion of the causal mechanisms show that some questions remain open. Most importantly, more research seems necessary to further illuminate the relationship between corporatist employer groups and the use of active labour market policy. One area where this is the case concerns the use of jointly-produced measures. Here, the discussion of the Swedish case suggested that future research into the relationship between employers’ organisations and the use of jointly-produced measures should specifically investigate the role of the public sector in hiring subsidised labour. In addition, alternative (quantitative) measures for the form of employer organisation, which also reflect the important role of employers’ organisations like the German chambers should be considered. These organisations do not engage in wage bargaining, but they can play a crucial role in supporting the implementation of jointly-produced measures or in helping in the development of training measures and the certification of skills. Furthermore, the micro-level preferences of firms and how these are formed is a research area which has received only scant attention. Better data in this area would also help to improve our understanding of how employers’ organisations form their policy positions

and why they may lobby for measures which seem not to be in the interest of the firms they claim to represent. Lastly, short-term changes in the number of training positions offered by firms and spending on active labour market policies for young people deserve attention. In particular, it would be useful to disentangle *structural* from *cyclical* factors. To this end, an analysis which focusses on the relationship between collective training systems and spending on active labour market policies for young people over time *within* countries, rather than *between* countries could be useful for furthering our understanding of the relationship between the two.

Moreover, there are also other aspects of active labour market policies targeted at young people which deserve attention. This book used a x-centred research design and investigated the effects of a limited number of factors on the use of active labour market policies targeted at young people: employers, employers' organisations and collective training systems. In addition, while the quantitative analysis covered all European Union countries, the case studies were limited to three mature welfare states. As a consequence, there remain other measures, as well as other countries and mechanisms to study to gain a fuller picture of the determinants of youth ALMPs.

Other types of ALMPs

Three categories of active labour market policies – services, start-up incentives and sheltered and supported employment and rehabilitation (SSE&R) measures – were excluded from the analysis because it was not expected that (variation) the use of these measures is influenced by employers, employers' organisations or collective training systems. Nevertheless, spending on services and SSE&R measures accounts for a substantial share of expenditure in several countries. For example, in the United Kingdom, Malta and Estonia, services account for more than half of all youth ALMP expenditure. SSE&R measures account for more than one third of expenditure in the Netherlands and over 10% in Germany, Finland and the Czech Republic. Start-up incentives are usually only of minor importance with the exception of Greece and, to a lesser extent, Slovakia, Poland and Spain. Moreover, one of the puzzling findings of the quantitative analysis that deserves further attention was that the effect of corporatist employers' organisations and collective training systems on total youth ALMP expenditure were larger than the sum of the explicitly theorised effects. Specifically, both institutional arrangements have a positive and significant effect on expenditure on youth training measures, but an even stronger effect on total youth ALMP spending. For corporatist employers' organisations, the coefficient on total expenditure is about one-third larger than the coefficient for training expenditure. For collective training systems, the difference is even larger. This suggests that both factors may increase spending on *other* types of active labour market policies for young people.

Other countries and mechanisms

The focus of this book was also limited by its focus on three mature and well-researched welfare states: Germany, the United Kingdom and Sweden. This selection of cases is

justified because it provided the most analytical leverage to investigate the effects of employers, employers' organisations and collective training systems on youth ALMPs. Nevertheless, there are several other countries and welfare state models which deserve attention. The first group are the Mediterranean countries Portugal, Spain, France and Italy, which stand out because of their very high levels of spending on active labour market policies for young people. This is surprising both from the perspective of a traditional power resource approach, as well as from the employer-centred perspective of this book. All four countries tend to be categorised as Southern or Conservative Welfare states, which are not known for extensively using active labour market policies (Esping-Andersen 1990; Ferrera 1998; Rueda 2014). Also, none of the four countries has a well-developed collective training system – the central driver of youth ALMP expenditure identified in this book. In addition, there is evidence that a large part of the expenditure is used to subsidise training and temporary employment, even though the success of these measures is questionable (Eichhorst, Rodríguez-Planas, et al. 2015). Why then are these countries spending more on youth active labour market policies than many conservative and even Nordic welfare states? One possible explanation in line with Bonoli's credit-claiming logic (Bonoli 2012a) and the use of active labour market policies to stabilise existing institutions could be linked to the strong age-based dualisation of their labour markets (Marques and Salavisa 2017). In dualised labour markets, insiders tend to protect their own high levels of job protection at the expense of young people, who are mostly employed on temporary, irregular contracts (Rueda 2007). A common recommendation to improve the labour market integration of the young in dualised markets is to decrease the protection for older workers (The New York Times 2012). However, insider oriented unions and political parties may render this solution politically impossible (Rueda 2005, 2007). For governments who nevertheless want to signal their concern about youth unemployment, active labour market policies targeted at the young – even if they are highly inefficient – may present a way out: they allow politicians to claim credit for addressing the needs of a sympathetic societal group without offending the interests of more powerful constituents.

A second group we know relatively little about are the Central and Eastern European countries which joined the EU in 2004 and 2007. The findings of this book suggest that the low level of spending on active labour market policy in many of these countries may be because they do not have declining corporatist institutions which need to be stabilised. Furthermore, regarding many of the new member states, an analysis focussing on the role of the European Union, and in particular the European Social Fund (ESF) could be promising. ALMP expenditure in most of these countries is below the level of spending in the old EU member states. However, the role of the ESF is much more important. For example, from 2007 to 2013, ESF spending on measures to provide access to employment was more than 70% of national spending on active labour market policy in Bulgaria, Estonia, Latvia, Lithuania, Malta, Romania and Slovakia, and less than 10% in most Nordic and West-European countries (European Commission 2016, p.33). One possible explanation, which builds on the idea of functionally equivalent policies could therefore be that politicians in the new member states substitute active labour market policies with ESF-funded projects. In essence, this would mean that the ESF

crowds out national ALMP expenditure.

Regarding additional mechanisms, the role of other functional equivalents deserves attention because policy decisions are not taken in a vacuum. In the Swedish case, the availability of useful measures in the education system was most likely one of the reasons why policymakers decided to spend less on training ALMPs. Two other policies which may be functionally equivalent to (youth) ALMPs are minimum wages, which discriminate by age, and public sector employment programmes. The Swedish and United Kingdom cases showed that subsidies can be used to align young people's productivity with high minimum wages and to provide young people with work experience. A more straightforward policy to incentivise employers to hire young people is a minimum wage which is lower for young people. Such a structured minimum wage exists for example in the Netherlands (Government of the Netherlands 2020); a country that also had the fifth lowest spending on subsidies for young people in the countries analysed in this book.³ Furthermore, as suggested by Vlandas (Vlandas 2013), regular (temporary) employment in the public sector may be used as a functional equivalent to direct job creation programmes. Here, the Swedish case is instructive. Sweden spends hardly anything on direct job creation measures for young people.⁴ However since 2010, several large municipalities have started offering young people temporary, "real" jobs to help them with their transition into stable employment. These positions usually last for six months, and their aim is allow labour market entrants to develop professional networks and to gain work experience, which then helps them to transition into other, permanent jobs (Lundahl and Olofsson 2014, p. 29). As such, it may be that in Sweden (temporary) public employment is used as a substitute for direct job creation programmes for young people.

The relation between effectiveness and expenditure

Finally, an interesting area for further research is the relationship between policy effect and policy expenditure. Specifically, this concerns whether lower transaction costs and better skills insights and certifications lead to higher, equal, or lower ALMP expenditure, and under which conditions. This book found instances in which skills insights were used to develop effective training measures, and where corporatist employers' organisations enabled spending on jointly produced measures. In the case of the former, this also resulted in an increase in spending on training measures. In the case of the latter, the *enabling environment* (Cronert 2018a) of corporatist employers' groups did not lead to more spending on jointly produced active labour market policies. In fact, some of the regression models even suggested there may be a negative relationship between corporatism and spending on jointly produced measures. Thus, politicians may exploit the opportunity of more *effective measures* to spend more, to maintain spending levels or even to spend less, presumably because they can achieve the same effect with fewer resources. Moreover, the ambiguous relationship between effectiveness and spending also means that it is not entirely clear whether politicians are motivated to reach a specific

³See table 5.5 in chapter 5.

⁴See table 5.5 in chapter 5.

9 Discussion and conclusions

goal (i.e. effect), or whether they are primarily concerned with *signalling* a high level of effort when using active labour market policies. In other words, are policymakers concerned about, for example, lowering youth unemployment numbers, or is their focus more on publicly promising expensive actions against youth unemployment. Both scenarios are conceivable and would be in line with Bonoli's idea of credit claiming (Bonoli 2012a).

What then are the final messages of this book? In short, there is still much to be done to understand the myriad variations in the use of active labour market policies for young people across countries. However, this book made a first step by showing the important role of employers, employer groups and collective training systems and, to a lesser extent, differences in the form of employer organisations. The role of collective training systems in increasing youth ALMP expenditure and gearing the choice of active labour market policies targeted at young people towards human capital intensive training measures is particularly noteworthy. It shows that the countries where youth unemployment is a comparatively small problem are the most active in trying to improve the labour market integration of those young people who nevertheless find themselves without a job or an apprenticeship. This is a positive finding because it shows that a world with low youth unemployment and encompassing political coalitions to support young people's integration into stable and well-paying jobs is possible. Unfortunately, however, it is not clear whether this success can be easily copied. Collective training systems require highly coordinated employers' organisations. Developing both from scratch is a tall order. Nevertheless, for politicians trying to address youth unemployment through active labour markets, strengthening corporatist forms of interest representation, and supporting the development of firm-based training systems seem to be valuable complementary strategies.

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Appendix A: Quantitative analysis

1 Data and variables

1.1 LMP categories

The following measures in the category 1.2. ‘Other activities of the PES’ were not included in the analysis because they do not explicitly deal with active measures or the administration of active measures: 12_CZ14 , 12_DE38_9, 12_DE63_5, 12_DE63_4, 12_DE129, 12_DE121, 12_DE112, 12_IE57_1, 12_IE57_2, 12_ES57, 12_ES58, 12_ES69, 12_FR103, 12_FR73, 12_FR87, 12_HR50_1, 12_HR50_3, 12_IT123, 12_IT148, 12_IT122, 12_IT123, 12_CY9_3, 12_CY9_5, 12_LV17, 12_LT20, 12_LT24, 12_LU35_5, 12_LU35_6, 12_HU1_1, 12_MT23, 12_NL48, 12_NL46_1, 12_NL46_2, 12_NL46_3, 12_NL47, 12_AT55, 12_AT56, 12_AT57, 12_AT58, 12_AT59, 12_AT62, 12_PL40_1, 12_PT95_5, 12_RO30, 12_SI59_1, 12_SI59_3, 12_FI51, 12_SE56, 12_UK41, 12_UK47.

1.2 Data availability

Table [A.1](#) provides an overview on the availability of data on expenditure on youth ALMPs. A "1" means data is available, a "." indicates missing data. Some countries reported spending data on some but not all measures for additional years (e.g. the UK reported expenditure data on the New Deal programmes but not for other measures for the years 1998-2003). However, this data was excluded from the analysis because using incomplete data in this way would have lead to an underestimation of the overall level of spending for these countries. To ensure that the sum of measures included in the analysis provide an accurate picture of the overall expenditure levels, only country-years for which Eurostat reports data on the overall level of ALMP expenditure have been included in the final dataset.

Table [A.2](#) provides an overview on the availability of data for the share of upper secondary education students in vocational training programmes combining school-based education and training at the workplace.

Table A.1: Availability of youth ALMP expenditure data by country and year

Country	Year															
	6	8	9	9	15	23	25	27	27	27	27	27	27	27	27	
Austria	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Belgium	0	0	1	1	0	0	1	1	1	1	1	1	1	1	1	13
Bulgaria	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	11
Cyprus	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	9
Czech Republic	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	13
Germany	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Denmark	0	0	1	1	1	1	1	1	1	1	1	1	1	1	1	15
Estonia	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
Greece	0	0	0	0	0	1	1	1	1	1	1	1	0	1	1	9
Spain	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	11
Finland	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
France	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Croatia	0	0	0	0	0	0	0	0	0	0	0	0	0	1	1	3
Hungary	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
Ireland	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	11
Italy	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	11
Lithuania	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
Luxembourg	0	0	0	1	1	1	1	1	1	1	1	1	1	1	1	14
Latvia	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
Malta	0	0	0	0	0	0	0	1	1	1	1	1	1	1	1	9
Netherlands	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Poland	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	10
Portugal	0	0	0	0	1	1	1	1	1	1	1	1	1	1	1	12
Romania	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	12
Sweden	1	1	1	1	1	1	1	1	1	1	1	1	1	1	1	17
Slovenia	0	0	0	0	0	0	1	1	1	1	1	1	1	1	1	10
Slovakia	0	0	0	0	0	1	1	1	1	1	1	1	1	1	1	11
United Kingdom	0	0	0	0	0	1	1	1	1	1	1	1	0	0	0	7
Total	6	6	8	9	9	15	23	25	27	27	27	27	27	27	27	341

Source: own calculations based on Eurostat data

Table A.2: The share of upper secondary educations students in combined study programmes by country and year

	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14
Austria	34.9	35.8	36.4	36.2	35.8	34.7	33.6	32.7	33.0	34.3	35.0	35.9	34.6	34.8	34.4	33.7	33.3
Belgium	.	.	2.8	2.5	.	.	2.6	3.3	.	3.4	3.2	1.8	3.1	3.1	3.2	3.6	3.5
Bulgaria	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Cyprus	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Czech Republic	.	.	.	.	38.2	37.2	36.2	35.5	34.8	34.0	33.1	32.2	31.9	31.8	31.7	6.5	6.5
Germany	49.1	48.7	48.7	51.2	50.8	49.0	47.0	45.0	44.2	42.2	42.8	45.3	45.5	42.9	41.9	40.9	41.3
Denmark	.	.	54.1	53.5	53.0	53.3	46.1	47.7	47.6	47.2	47.5	46.5	45.3	44.7	44.4	43.1	42.0
Estonia	.	.	.	.	.	.	.	0.0	30.9	31.3	.	0.4	0.3	0.3	0.2	0.2	0.4
Greece	.	.	.	.	.	.	0.0	0.0	5.1	0.0	0.0	0.0	0.0	.	.	.	3.3
Spain	.	.	.	.	.	.	3.8	2.8	2.2	1.9	1.8	1.7	2.2	1.9	1.5	.	0.4
Finland	10.5	14.0	10.7	10.3	10.8	10.9	11.2	10.5	10.9	11.5	13.4	14.7	13.4	11.7	11.0	10.7	10.2
France	11.2	20.2	11.7	12.0	11.8	11.7	11.4	11.3	11.6	12.1	12.4	12.4	12.2	12.0	11.9	11.7	11.0
Croatia	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Hungary	.	.	.	.	.	12.8	12.1	13.2	12.9	13.2	13.9	14.3	15.4	16.6	19.0	19.4	22.8
Ireland	.	.	.	.	.	.	0.0	3.8	2.4	2.2	2.1	1.5	5.0	0.0	0.0	0.0	0.0
Italy	.	.	.	.	.	.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.
Lithuania	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	0.0
Luxembourg	.	.	.	13.5	13.3	13.2	13.9	13.6	13.8	14.0	14.3	14.5	14.5	14.1	14.2	13.9	13.6
Latvia	.	.	.	.	.	.	.	.	.	.	.	.	.	.	0.0	39.0	39.6
Malta	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Netherlands	19.7	0.0	20.4	0.0	23.5	23.6	22.9	20.0	18.3	18.5	20.2	21.5	20.9	.	18.4	.	.
Poland	.	.	.	.	.	.	.	6.5	6.3	6.4	5.5	6.3	6.6	6.6	7.1	7.2	.
Portugal	.	.	.	.	.	.	.	.	.	.	.	0.0	0.0	0.0	0.0	0.0	0.0
Romania	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Sweden	0.0	.	.	.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	.	1.2	1.1
Slovenia	.	.	.	.	.	.	.	3.7	5.4	1.6	.	0.7	0.0	0.1	0.0	0.0	0.0
Slovakia	.	.	.	.	.	.	37.2	31.7	30.9	29.8	28.6	27.8	28.9	29.0	30.4	4.8	5.5
United Kingdom	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.

Source: OECD Education at a Glance 2000-2015

1.3 Dealing with missing participant data

The data on the number of participants used is the average annual number of participants in each measure, i.e. the stock of participants. Unfortunately, participant data is missing for some measures. The following provides a more technical, stepwise explanation of how cases with missing participant data were dealt with. Several steps have been taken based on the following two assumptions. First, the relative share of young (up to 25 years old) and older participants (25 years of age or older) within each measure is stable over time. Second, for measures for which no participant data is available for any years or for which data on participants is available only for total participants but not for young participants, it is assumed that the expenditure from this measure is evenly distributed across all unemployed. Based on these two assumptions, the following steps were taken. **FIRST STEP:** If values were missing within one measure for some years but not others, participant data for young and old was replaced with the average number of participants for those years for which data was available. While the relative share of older to younger participants is assumed to be stable, the total number of participants changes over time as some measures grow or are wound down. Therefore, if participant numbers were missing in one year for youth but not total participants, replacing the missing youth numbers with the mean of youth participants over the duration of the measure could introduced a significant bias for that year. Therefore, in the case that missing youth values were replaced, participant numbers for older participants in that year were replaced by the respective mean value as well. **SECOND STEP:** If participant numbers for both youth and total were '0' in some years, *but not in others*, this could mean that the numbers are in fact missing and incorrectly specified as '0'. If they are indeed 0 because the measure was not used during this time, this is not a problem. In that case, spending data for that year will be '0' or missing. Since participant data is only used to allocate spending data, any participant data which is not matched by spending data for the same measures-year is not be reflected in the analysis. Therefore, in these cases for all years for which *both* participant variables had a value of '0', the participant numbers for *both* variables were replaced by their respective means. **THIRD STEP:** Manual corrections were performed for the case of the United Kingdom and Ireland. For the UK there are many missing values in the participant data. However the most youth programmes are legally only available to people below the age of 25 and these programmes are easily identifiable. Therefore, all programmes which are part of the New Deal for Young People (NDYP) and the Young Persons' Guarantee have been coded as only benefiting young people while all programmes of the NDYP 25+, the NDYP 50+ and work-based training for adults (WBLA) where coded as only benefiting adults. For Ireland, the participants numbers for young and old participants for measure "6_IE23" for the year 1999 appear to have been mistakenly switched. Based on the recommendation of the Eurostat support service, the numbers where switched back manually. **FOURTH STEP:** Based on the second assumption, participant data for the remaining measures for which participant data was missing (i.e. measures for which there was no data on young or older participants for *any* year) was replaced with data on the number of young and older unemployed (Data from Eurostat: lfsa_egan). Again, data was always replaced for both

Table A.3: Share of youth ALMP expenditure calculate in each step by type of measure

LMP category	Total measure-years using only participant data	Added in step 1	Share of total	Added in step 2	Share of total	Total measure- years final
Services	407	167	8.7%	1337	70.0%	1911
Training measures	1882	251	10.0%	371	14.8%	2504
Employment incentives	1770	215	9.1%	372	15.8%	2357
S&SER	500	120	14.4%	215	25.7%	835
DJC	729	79	9.5%	24	2.9%	832
Start-up incentives	361	90	14.0%	190	29.6%	641
Total	5649	922	10.1%	2509	25.3%	9080

Source: own calculations based on Eurostat data

young and older participants, even if only data for one variable was missing. FIFTH STEP: Participant data for the remaining cases for which both participant variables were 0 were replaced with unemployment data. These remaining cases are measures for which no participant data is available for either variable but for which data is not recorded as missing. This can be the case for measures which do not (yet) directly benefit any participant such as expenditure for the administration of active measures (cat. 1.2.1) or measures which are in an early implementation stage. Hence funds are already used to build the infrastructure of the measure (e.g. hire counsellors, rent training facilities) but nobody is yet participating in the measure. Lastly, it can be that measures are simply wrongly recorded as having 0 participants when in fact they should be considered missing. Table A.4 provides an overview on the number of measure-years per country and the number and share measure-years adjusted in steps 1-3 and steps 4-5 by country. Table A.3 shows the same statistics for each category of ALMPs. Lastly, table A.5 shows the average level of youth ALMP expenditure as share of GDP by country if expenditure is disaggregated only using existing participant data, after the first adjustment (replacing missing participant data with participant data from other years (steps 1-3)) and the final data after the second adjustment (steps 4 and 5).

Table A.4: Share of youth ALMP expenditure calculate in each step by country

Country	Total measure-years using only participant data	Added in step 1	Of which services	Share	Added in step 2	Of which services	Share	Total measure- years final
Austria	301	73	19	17.1%	52	34	12.2%	426
Belgium	444	133	48	16.7%	220	63	27.6%	797
Bulgaria	322	25	1	6.4%	42	11	10.8%	389
Cyprus	61	33	0	26.4%	31	18	24.8%	125
Czech Republic	62	23	0	18.1%	42	23	33.1%	127
Germany	593	54	8	6.5%	180	99	21.8%	827
Denmark	138	30	4	16.0%	20	20	10.6%	188
Estonia	99	7	1	5.3%	26	17	19.7%	132
Greece	139	33	2	14.1%	62	26	26.5%	234
Spain	208	77	11	19.5%	110	56	27.8%	395
Finland	275	24	3	5.6%	129	129	30.1%	428
France	428	80	10	10.8%	235	160	31.6%	743
Croatia	75	0	0	0.0%	48	45	39.0%	123
Hungary	124	73	0	32.3%	29	23	12.8%	226
Ireland	166	33	0	12.1%	74	72	27.1%	273
Italy	170	7	0	1.6%	255	67	59.0%	432
Lithuania	105	12	1	6.0%	82	62	41.2%	199
Luxembourg	126	17	0	6.2%	130	42	47.6%	273
Latvia	124	7	2	4.1%	40	32	23.4%	171
Malta	90	7	0	6.0%	19	17	16.4%	116
Netherlands	67	41	11	22.8%	72	24	40.0%	180
Poland	139	6	0	2.1%	139	45	48.9%	284
Portugal	410	32	0	5.9%	97	36	18.0%	539
Romania	129	10	10	4.3%	94	48	40.3%	233
Sweden	425	11	1	2.2%	65	34	13.0%	501
Slovenia	231	17	8	5.7%	51	39	17.1%	299
Slovakia	151	26	10	12.3%	35	28	16.5%	212
United Kingdom	47	31	17	14.9%	130	67	62.5%	208
Total	5649	922	167	10.0%	2509	1337	26.8%	9080

Source: own calculations based on Eurostat data

Table A.5: Average youth ALMP expenditure in percent of GDP calculated for each step by country

Country	Exp. using actual part. data	Share of final	Exp. using actual & imputed part. data	Share of final	Exp. using actual & imputed part. and unempl. data (final)
Austria	0.1543%	81%	0.1779%	94%	0.1900%
Belgium	0.0655%	59%	0.0936%	84%	0.1114%
Bulgaria	0.0326%	79%	0.0329%	79%	0.0414%
Cyprus	0.0116%	56%	0.0136%	65%	0.0208%
Czech Republic	0.0167%	45%	0.0189%	51%	0.0373%
Germany	0.1968%	83%	0.2089%	88%	0.2382%
Denmark	0.1139%	60%	0.1217%	64%	0.1887%
Estonia	0.0114%	50%	0.0119%	53%	0.0227%
Greece	0.0157%	60%	0.0201%	76%	0.0264%
Spain	0.0860%	76%	0.1019%	90%	0.1134%
Finland	0.1328%	77%	0.1418%	82%	0.1722%
France	0.2367%	77%	0.2524%	83%	0.3055%
Croatia	0.0522%	81%	0.0522%	81%	0.0647%
Hungary	0.0729%	76%	0.0839%	88%	0.0955%
Ireland	0.1338%	84%	0.1365%	86%	0.1590%
Italy	0.1046%	84%	0.1046%	84%	0.1243%
Lithuania	0.0345%	77%	0.0347%	78%	0.0447%
Luxembourg	0.0492%	79%	0.0495%	80%	0.0623%
Latvia	0.0317%	92%	0.0319%	92%	0.0345%
Malta	0.0280%	44%	0.0282%	44%	0.0637%
Netherlands	0.0400%	43%	0.0639%	68%	0.0936%
Poland	0.0900%	86%	0.0904%	86%	0.1045%
Portugal	0.2025%	88%	0.2101%	91%	0.2312%
Romania	0.0158%	83%	0.0158%	83%	0.0190%
Sweden	0.0976%	72%	0.0980%	72%	0.1358%
Slovenia	0.0298%	72%	0.0300%	72%	0.0414%
Slovakia	0.0321%	60%	0.0329%	62%	0.0532%
United Kingdom	0.0148%	16%	0.0227%	25%	0.0908%
Unweighted average	0.0842%	70%	0.0916%	76%	0.1144%

Source: own calculations based on Eurostat data

1.4 Variable names, descriptions and sources

Table A.6: Description of dependent variables

Variable name	Description and source
Total youth ALMP exp.	ALMP spending per unemployed aged 15-24 in % of GDP per capita. Source: Own calculation based on Eurostat data (variable names in brackets): Disaggregated data on expenditure per measure (<i>lmp_expme_countrycode</i>), the number of participants per measures (<i>lmp_partme_countrycode</i>), unemployment (<i>lfsa_ugates</i>), population size (<i>demo_gind</i>) and GDP (<i>naida_10_gdp</i>).
Training exp.	ALMP expenditure on training measures per unemployed aged 15-24 in % of GDP per capita. Training measures are all measures within category 2 of the Eurostat classification. Source: Own calculation based on Eurostat data.
Subsidy exp.	ALMP expenditure on subsidies per unemployed aged 15-24 in % of GDP per capita. Training measures are all measures within category 2 of the Eurostat classification. Source: Own calculation based on Eurostat data.
JPM exp.	ALMP expenditure on jointly-produced measures per unemployed aged 15-24 in % of GDP per capita. Jointly-produced measures are all measures coded as workplace training (cat. 2.2), alternate training (cat. 2.3), special support for apprenticeships (cat. 2.4) and all types of employment incentives (cat. 4-4.3). Source: Own calculation based on Eurostat data.
Share JPM	Share of youth ALMP spending on jointly-produced measures out of total youth ALMP expenditure. Source: Own calculation based on Eurostat data.
Share Tr-WE	Expenditure on training measures minus expenditure on measures providing work experience divided by total expenditure. Work-experience measures are all types of employment incentives (cat. 4) and all types of direct job creation measures (cat. 6). Source: Own calculation based on Eurostat data.
Share iTr-DJC	Expenditure on institutional training measures (cat. 2.1) minus expenditure on direct job creation measures (cat. 6) divided by total expenditure. Source: Own calculation based on Eurostat data.

Table A.7: Description of independent variables

Variable name	Description and source
Corporatism (Jahn)	Five-year moving average of the corporatism index developed by (Jahn 2016). The index is based on three categories of corporatism and a total of eight issues outlined in table A.9. The average is based on 4 year-lags and the current year. The final values of the indicator are z-standardised. Source: http://comparativepolitics.uni-greifswald.de/data.html .
Employer density	Employers' organisation density, as a proportion of employees in employment (0-100) = WSEE in firms organised in employers' organisations*100/WSEE (WSEE is wage and salary earners in employment). The data is intrapolated and extrapolate to replace missing values. Source: (Visser 2015).
Firms in IVET	Share of firms with ten or more employees participating in initial vocational training (IVET). Data is used from the 2010 wave from Eurostat. Source: Eurostat CVTS survey (trng_cvts86 replaced by trng_cvt_34s).
BSS-index	Index of employer involvement in collective training systems. The index is based on the responses from an expert survey carried out in 2011 on different aspects of the involvement of employers in the provision and administration of VET. The results of the survey were weighted by a qualitative indicator on the share of upper secondary education students in VET to account for the relevance of VET in the different countries and the final values are z-standardised. Source: (Busemeyer and Schlicht-Schmälzle 2014).
Students in comb. prog.	Share of upper secondary education students in vocational education programmes combining school-based and workplace-based education. In combined school- and work-based programmes, less than 75% of the curriculum is presented in the school environment or through distance education. These programmes can be organised in conjunction with education authorities or institutions and include apprenticeship programmes that involve concurrent school-based and work-based training, and programmes that involve alternating periods of attendance at educational institutions and participation in work-based training (sometimes referred to as "sandwich" programmes). Source: OECD Education at a Glance 2000-2015. (OECD 2014, p.312)

Table A.8: Description of control variables

Variable name	Description and source
Cabinet composition	5-point index on the political orientation of governing parties reaching from 1 (Hegemony of right/centre parties) to 5 (Hegemony of left parties) (Schmidt-Index). Source: Comparative Political Data Set (Armingeon et al. 2016).
Union index	Index of inclusive unionism based on union density and centralisation adopted from (Gordon 2015). The indicator is calculated based on the level of union centralisation (<i>cent</i>) and union density (<i>ud</i>). $tui = (cent + ud)/2 \quad (1)$
δ GDP	The values are first smoothed using the five-year moving average based on 4 year-lags and the current year and then standardised. Data source: Visser Dataset. Growth of real GDP, percent change from previous year. The Comparative Political Data Set (Armingeon et al. 2016).
δ YU ratio	Percent change in the youth unemployment ratio compared to the previous year. Own calculation based on Eurostat (<i>yth_empl_140</i>)
Service sector	Employment in the service sector as a percentage of the working age population. Source: Eurostat(<i>lfsi_grt_a</i>)

Table A.9: Individual components of Jahn's corporatism index

Structure	I	Organizational structure of collective actors
	II	Structure of work council representation
	III	Rights of work councils
Function	IV	Government intervention in wage bargaining
	V	Dominant level of wage bargaining
	VI	Involvement of unions and employers in government decisions
Scope	VII	Coordination of wage bargaining
	VIII	Mandatory extension of collective agreements

2 Additional results

2.1 Overview tables

Table A.10: Average values on the independent variables by country (1998-2014)

Country	Employer density	Corporatism (Jahn)	Firms in IVET	BSS-index	Students in comb. prog.
Austria	100	1.74	47	1.20	35
Belgium	82	1.29	15	-1.01	3
Bulgaria	53	-0.87	6		
Cyprus	63	-0.91	5		
Czech Republic	39	-1.12	4		30
Germany	61	0.49	62	1.62	46
Denmark	65	0.58	51	1.65	48
Estonia	27	-0.59	19		7
Greece	44	0.45	7	-1.13	1
Spain	76	0.48	7		2
Finland	69	1.33	21	-0.28	12
France	75	-0.29	23	-0.20	12
Croatia	32		15		
Hungary	40	-1.12	9		15
Ireland	60	0.39		-1.01	2
Italy	58	0.17	32	-0.96	0
Lithuania	19	-1.37	1		0
Luxembourg	80	0.02	24	0.32	14
Latvia	32	-1.03	5		26
Malta	59	-1.40	16		
Netherlands	85	0.97	34	-0.26	18
Poland	20	-1.47	5		7
Portugal	43	-0.21	12		0
Romania	55	-0.37	3		
Sweden	83	0.68	7	-1.07	0
Slovenia	79	0.97	8		1
Slovakia	30	-0.46	16		26
United Kingdom	36	-1.95	18	-0.20	
Unweighted average	59	-0.00	20	0.00	16

Appendix A: Quantitative analysis

Table A.11: Average ALMP expenditure by age group in percent of GDP by country (1998-2014)*

Country	Expenditure in % of GDP			Ratio (youth/older)
	15-24	25 and older	Total	
France	0.305%	0.656%	0.961%	0.47
Germany	0.238%	0.656%	0.894%	0.36
Portugal	0.231%	0.336%	0.567%	0.70
Austria	0.190%	0.376%	0.566%	0.50
Denmark	0.189%	1.448%	1.637%	0.13
Finland	0.172%	0.702%	0.874%	0.25
Ireland	0.159%	0.511%	0.670%	0.31
Sweden	0.136%	1.058%	1.194%	0.13
Italy	0.124%	0.275%	0.399%	0.45
Spain	0.113%	0.502%	0.615%	0.23
Belgium	0.111%	0.506%	0.618%	0.22
Poland	0.104%	0.343%	0.447%	0.31
Hungary	0.095%	0.366%	0.462%	0.28
Netherlands	0.094%	0.888%	0.981%	0.10
United Kingdom	0.091%	0.142%	0.233%	0.65
Croatia	0.065%	0.167%	0.231%	0.39
Malta	0.064%	0.101%	0.165%	0.63
Luxembourg	0.062%	0.356%	0.418%	0.22
Slovakia	0.053%	0.203%	0.256%	0.26
Lithuania	0.045%	0.180%	0.225%	0.25
Slovenia	0.041%	0.238%	0.279%	0.18
Bulgaria	0.041%	0.258%	0.300%	0.16
Czech Republic	0.037%	0.142%	0.179%	0.28
Latvia	0.034%	0.168%	0.203%	0.23
Greece	0.026%	0.159%	0.186%	0.18
Estonia	0.023%	0.126%	0.148%	0.20
Cyprus	0.021%	0.163%	0.184%	0.15
Romania	0.019%	0.050%	0.069%	0.37
Total	0.114%	0.451%	0.566%	0.30

*Data availability by country: 1998-2014 (AT, DE, DK, EL, ES, FI, FR, IE, LU, NL, SE), 1999-2014 (PT), 2002-2014 (CZ), 2003-2014 (EE, HU, LT, LV, RO), 2004-2014 (BG, SK), 2005-2014 (PL, SL), 2006-2014 (CY), 2012-2014(HR), 2004-2010 (UK), 2000-2001; 2004-2014 (BE)
Source: own calculations based on Eurostat data

2.2 Bivariate regression results

Table A.12: Bivariate regression results (H1a, H1b, H1c)

	Exp: Total	Exp: Total	Exp: Training	Exp: Training	Exp: Subsidies	Exp: Subsidies
Employer density	0.24 (0.03)		0.16 (0.02)		0.00 (0.01)	
Corporatism (Jahn)		4.51 (0.63)		3.44 (0.39)		-0.05 (0.12)
Constant	0.35 (1.72)	14.33 (0.63)	-2.66 (1.09)	6.84 (0.39)	1.95 (0.33)	2.15 (0.12)
Observations	341	338	341	338	341	338
Adjusted R^2	0.177	0.129	0.201	0.184	-0.002	-0.002

Standard errors in parentheses

Table A.13: Bivariate regression results (H1d, H1e)

	Exp: Joint	Exp: Joint	Share: Joint	Share: Joint
Employer density	0.07 (0.01)		-0.12 (0.05)	
Corporatism (Jahn)		0.96 (0.27)		-3.12 (1.17)
Constant	1.36 (0.75)	5.36 (0.27)	45.72 (3.29)	38.44 (1.17)
Observations	341	338	341	338
Adjusted R^2	0.085	0.032	0.012	0.018

Standard errors in parentheses

Appendix A: Quantitative analysis

Table A.14: Bivariate regression results (H2a, H2b)

	Exp: Total	Exp: Total	Exp: Total	Exp: Training	Exp: Training	Exp: Training
Firms prov. IVET	0.54 (0.03)			0.33 (0.02)		
BSS-index		8.17 (0.75)			4.70 (0.53)	
Stud. in comb. prog.			0.39 (0.04)			0.20 (0.03)
Constant	3.55 (0.73)	20.43 (0.75)	10.58 (1.00)	0.12 (0.49)	10.64 (0.53)	5.23 (0.70)
Observations	330	182	248	330	182	248
Adjusted R^2	0.526	0.393	0.243	0.484	0.300	0.142

Standard errors in parentheses

Table A.15: Bivariate regression results (H2c, H2d)

	Share: Tr-WE	Share: Tr-WE	Share: Tr-WE	Share: iTr-DJC	Share: iTr-DJC	Share: iTr-DJC
Firms prov. IVET	1.27 (0.11)			0.62 (0.07)		
BSS-index		6.79 (2.15)			6.06 (1.26)	
Stud. in comb. prog.			0.11 (0.15)			0.30 (0.08)
Constant	-18.57 (2.74)	27.96 (2.15)	14.11 (3.57)	-1.39 (1.73)	19.60 (1.26)	9.86 (1.84)
Observations	330	182	248	330	182	248
Adjusted R^2	0.301	0.047	-0.002	0.202	0.109	0.049

Standard errors in parentheses

2.3 Robustness tests

The following tables show robustness tests for the time-series cross-section (TSCS) analysis carried out in chapter 5. Tables A.16 and A.18 respectively show the effect of collective training systems on total youth ALMP expenditure and expenditure on training measures for young people when Jahn's corporatism index is used as control variable instead of employer density. Tables A.17, A.19, A.20 and A.21 repeat the analyses testing hypotheses 2a, 2b, 2c, and 2d with adjusted samples. Models 1 and 2 in each table show the results for the effect firm involvement in IVET if the sample is restricted to those observations (country-years) for which data is also available on the share of upper secondary education students in combined VET programmes and models 3 and 5 show the results for firm involvement in IVET for those observations for which data is available on the BSS-index on employer involvement. Models 4, 6 and 7 show the effect of the share of students in upper secondary education if the sample is limited to those observations for which data is also available on the BSS-index.

Table A.16: CTS and total expenditure with corporatism control

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	PCSE	PCSE	RE	RE	RE	FE
Firms prov. IVET	0.52*** (0.10)			0.66*** (0.11)			
BSS-index		8.17*** (1.93)			8.44*** (2.03)		
Stud. in comb. prog.			0.14*** (0.05)			0.12 (0.14)	0.04 (0.11)
Corporatism (Jahn)	0.39 (0.80)	-1.23 (1.58)	0.76 (1.07)	-2.78 (1.97)	-5.91** (2.49)	-1.88 (2.23)	-4.28 (2.74)
Union index	-0.49 (1.16)	0.08 (1.90)	1.23 (1.18)	2.75 (2.46)	1.58 (2.88)	4.81* (2.56)	1.47 (4.13)
Cabinet composition	0.47* (0.26)	0.77* (0.45)	0.99*** (0.33)	0.99** (0.50)	1.32* (0.76)	1.20* (0.69)	0.99 (0.66)
Service sector	-0.00 (0.07)	-0.52* (0.31)	0.32** (0.16)	-0.36** (0.17)	-1.57*** (0.53)	-0.35 (0.27)	-1.00** (0.43)
Δ YU ratio			-0.98*** (0.20)			-0.84** (0.33)	-0.74** (0.35)
Δ GDP			-0.05 (0.11)			-0.22* (0.12)	-0.28** (0.12)
Constant	2.49 (4.38)	56.74** (22.70)	-12.22 (10.92)	22.74** (11.44)	135.58*** (40.67)	34.65* (18.79)	85.58*** (30.08)
Observations	326	181	247	326	181	247	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 3-7: Country-level cluster-robust SEs.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

Appendix A: Quantitative analysis

Table A.17: CTS and total expenditure with adj. samples

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	RE	PCSE	PCSE	RE	RE	FE
Firms prov. IVET	0.47*** (0.08)	0.56*** (0.09)	0.47*** (0.08)		0.45*** (0.09)		
Stud. in comb. prog.				0.35*** (0.06)		0.46* (0.24)	0.51 (0.45)
Employer density	0.11*** (0.03)	0.15 (0.11)	0.18*** (0.05)	0.17*** (0.06)	0.32** (0.14)	0.43*** (0.16)	0.67* (0.31)
Cabinet composition	0.86*** (0.32)	1.13* (0.66)	1.04** (0.47)	1.31*** (0.47)	1.40* (0.79)	1.27 (0.82)	1.10 (0.70)
Service sector	-0.12 (0.15)	-0.54 (0.35)	-0.30 (0.26)	-0.50** (0.25)	-1.34** (0.64)	-1.19** (0.50)	-1.30** (0.49)
Δ YU ratio				-1.33*** (0.27)		-1.43*** (0.39)	-1.43*** (0.41)
Δ GDP				-0.06 (0.16)		-0.33** (0.15)	-0.33* (0.17)
Constant	4.37 (9.12)	29.01 (19.66)	12.67 (18.57)	35.71** (16.91)	80.62* (45.33)	67.52** (31.62)	57.04 (41.18)
Observations	236	236	170	164	170	164	164

Standard errors in parentheses

Models 1-2: Combined-sample. Models 3-7: Employer involvement sample.

* p<0.10, ** p<0.05, *** p<0.01

Table A.18: CTS and training expenditure with corporatism control

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	PCSE	PCSE	RE	RE	RE	FE
Firms prov. IVET	0.30*** (0.07)			0.38*** (0.08)			
BSS-index		4.28*** (1.43)			4.43** (1.88)		
Stud. in comb. prog.			0.02 (0.02)			0.01 (0.07)	-0.02 (0.06)
Corporatism (Jahn)	0.75* (0.44)	-0.72 (0.91)	-0.17 (0.73)	-1.77 (1.35)	-3.96** (1.82)	-1.97 (1.67)	-3.09 (1.87)
Union index	0.22 (0.63)	0.39 (1.05)	2.51*** (0.90)	2.91 (1.83)	2.61 (2.09)	5.21** (2.31)	4.48 (3.91)
Cabinet composition	0.15 (0.14)	0.30 (0.23)	0.38** (0.15)	0.34 (0.30)	0.38 (0.52)	0.40 (0.43)	0.31 (0.44)
Service sector	-0.07 (0.04)	-0.61*** (0.18)	0.01 (0.12)	-0.26*** (0.10)	-0.95*** (0.34)	-0.37* (0.20)	-0.60** (0.25)
Δ YU ratio			-0.58*** (0.11)			-0.59** (0.26)	-0.54** (0.25)
Δ GDP			-0.06 (0.06)			-0.18** (0.08)	-0.21*** (0.07)
Employer density							0.04 (0.09)
Constant	4.85* (2.64)	55.10*** (13.23)	4.29 (8.12)	15.83** (7.37)	81.29*** (26.16)	32.36** (14.96)	48.18** (18.02)
Observations	326	181	247	326	181	247	247

Standard errors in parentheses

Models 1-3: Panel-corrected SEs. Models 3-7: Country-level cluster-robust SEs.

* p<0.10, ** p<0.05, *** p<0.01

Appendix A: Quantitative analysis

Table A.19: CTS and training expenditure with adj. samples

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	PCSE	RE	PCSE	PCSE	RE	RE	FE
Firms prov. IVET	0.28*** (0.07)	0.37*** (0.06)	0.25*** (0.07)		0.27*** (0.06)		
Stud. in comb. prog.				0.12*** (0.04)		0.20 (0.14)	0.19 (0.21)
Employer density	0.10*** (0.03)	0.09 (0.07)	0.18*** (0.04)	0.19*** (0.06)	0.20*** (0.07)	0.24** (0.10)	0.28 (0.19)
Cabinet composition	0.32** (0.16)	0.40 (0.42)	0.38 (0.23)	0.50** (0.25)	0.43 (0.52)	0.37 (0.58)	0.34 (0.58)
Service sector	-0.20* (0.12)	-0.47* (0.25)	-0.55*** (0.18)	-0.71*** (0.21)	-0.93** (0.41)	-0.80** (0.34)	-0.80** (0.36)
△ YU ratio				-0.76*** (0.16)		-0.91*** (0.29)	-0.91** (0.30)
△ GDP				-0.05 (0.09)		-0.19* (0.10)	-0.18* (0.10)
Constant	8.25 (7.01)	25.79* (15.51)	30.32** (12.10)	46.44*** (12.85)	56.46* (31.53)	48.89** (23.47)	46.47 (26.99)
Observations	236	236	170	164	170	164	164

Standard errors in parentheses

Models 1-2: Combined-sample. Models 3-7: Employer involvement sample.

* p<0.10, ** p<0.05, *** p<0.01

Table A.20: CTS and exp. share on training - work-experience measures with adj. samples

	(1)	(2)	(3)	(4)	(5)	(6)
	PCSE	RE	PCSE	PCSE	RE	RE
Firms prov. IVET	1.10*** (0.19)	1.19*** (0.34)	0.77*** (0.22)		0.81** (0.33)	
Stud. in comb. prog.				0.04 (0.14)		-0.37 (0.29)
Cabinet composition	-1.48 (1.16)	-1.68 (2.08)	-1.08 (1.05)	-1.03 (1.09)	-1.47 (2.40)	-1.78 (2.25)
Constant	-6.13 (7.56)	-9.71 (12.36)	5.98 (9.38)	29.00*** (6.20)	4.18 (12.73)	40.08*** (12.39)
Observations	236	236	170	164	170	164

Standard errors in parentheses

Models 1-2: Combined-sample. Models 3-6: Employer involvement sample.

* p<0.10, ** p<0.05, *** p<0.01

Table A.21: CTS and exp. share on inst. training - DJC measures with adj. samples

	(1)	(2)	(3)	(4)	(5)	(6)
	PCSE	RE	PCSE	PCSE	RE	RE
Firms prov. IVET	0.46*** (0.12)	0.49*** (0.17)	0.32** (0.16)		0.39** (0.19)	
Stud. in comb. prog.				0.11 (0.08)		0.01 (0.19)
Cabinet composition	-0.46 (0.56)	0.46 (1.82)	-0.54 (0.58)	-0.48 (0.62)	-0.85 (2.02)	-1.39 (1.80)
Constant	6.08 (4.54)	2.36 (8.11)	10.51* (5.76)	19.73*** (2.72)	8.95 (6.02)	22.70*** (6.75)
Observations	236	236	170	164	170	164

Standard errors in parentheses

Models 1-2: Combined-sample. Models 3-6: Employer involvement sample.

* $p < 0.10$, ** $p < 0.05$, *** $p < 0.01$

3 Individual measures by country

Table A.22: Germany: Expenditure share on individual programmes (1998-2014)

Name	Type	Share
Promoting integration of the disabled into working life	52	13.08%
Vocational training outside the workplace	21	10.23%
Support for vocational preparation training measures for young people	21	10.09%
Support for further vocational training	21	7.13%
Interventions to support insertion into vocational training in a sheltered workshop	52	5.69%
Vocational training allowance	24	5.32%
Admin exp. of the PES - Individual case management	11	4.78%
Support for vocational training for those with learning difficulties/social disadvantage	24	4.74%
Training allowance	21	3.00%
Admin exp. of the PES - Information services	11	2.96%
Admin exp. of the PES - Administration of active measures	12	2.95%
Unassigned expenditure on rehabilitative training activities	2	2.39%
Support for job-creation measures (ABMs)	6	2.27%
Integration subsidies	41	1.50%
Allowances during apprenticeship	22	1.43%
Community service jobs - Additional expenditure variant	6	1.43%
Other additional services	11	1.41%
Measures to improve prospects of integration - training measures	21	1.40%
IAPYU ¹ - Qualification and job creation schemes	6	1.36%
IAPYU - Labour cost subsidies, mobility grants	41	1.22%
Measures to improve prospects of integration - Assessment and training	21	1.12%
Independent measures = Incentive measures free eligible	2	1.02%
ArII ² - Familiarisation with the training or labour market	11	0.97%
First integration qualification for young people	24	0.78%
IAPYU - Additional vocational qualifications to supplement lower secondary education (Article 7)	21	0.77%
Transitional subsidy	21	0.74%
IAPYU - Training other than in-house training	24	0.73%
Support for structural adjustment measures	6	0.73%
Start-up subsidy	7	0.70%

*Continued on next page*¹Immediated Action Programme against Youth Unemployment²Activation and re-integration interventions

Table A.22 – Continued from previous page

Name	Type	Share
Community service jobs - Variable payment	41	0.54%
Bridging allowance	7	0.53%
Career entry support programme	21	0.50%
Short-time working allowance - Transfer short-time working allowance	21	0.43%
Individual re-integration budget	11	0.34%
Business start-up subsidy	7	0.31%
Campaign for training places in Eastern Germany 1997	24	0.28%
ArII - Combination	11	0.27%
ArII - Identification, reduction or removal of placement obstacles	11	0.26%
Support for further education of disabled persons - General measures for further education	22	0.25%
Mobility allowances	41	0.24%
Placement by third parties by order of PES	11	0.22%
Personnel Service Agencies	41	0.20%
Incentives for training and the recruitment/employment of the severely disabled - Integration subsidy for disabled persons	51	0.20%
IAPYU - Work and qualification for young people who are not (yet) ready for training (AQJ)	23	0.20%
Integration measures	21	0.19%
Support for vocational training of disabled persons - Training allowance for disabled people	24	0.18%
Bonus for apprenticeship	41	0.18%
Individual qualification in enterprises in the framework of assisted occupation	22	0.17%
ESF PES-programme	2	0.16%
IAPYU - Assistance during employment, social services, projects for establishing joint training systems	11	0.16%
Activation assistance	21	0.16%
Placement voucher	11	0.15%
Jump Plus'	6	0.15%
Language tuition for new re-settlers, persons having right of asylum and quota refugees	21	0.15%
Counselling and placement assistance	11	0.15%
Other rehabilitation related assistance	11	0.15%
Incentives for training and the recruitment/ employment of the severely disabled	51	0.13%
Recruitment subsidy for new businesses	41	0.12%
Incentives for training and the recruitment/employment of the severely disabled - Integration subsidy for disabled persons	51	0.12%

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Table A.22 – *Continued from previous page*

Name	Type	Share
Employer subsidies for rehabilitation - Training allowance for disabled people	24	0.11%
Vocational guidance	11	0.09%
Incentives for training and the recruitment/employment of the severely disabled - In-work training subsidy for disabled persons	22	0.09%
Employer subsidies for rehabilitation - In-work training subsidy for disabled persons	22	0.08%
Income subsidies for people in further vocational training	21	0.07%
Incentives for training and the recruitment/employment of the severely disabled - In-work training subsidy for disabled persons	22	0.07%
Employment assistance scheme for long-term unemployed	41	0.06%
ArII - Placement into insurable employment	11	0.06%
Incentive measures free eligible Social Code II	11	0.04%
ArII - Measures provided by employers	11	0.04%
Employer subsidies for rehabilitation	52	0.03%
Job finders grant - Insured employment	41	0.02%
Employment allowance	41	0.02%
Work trial	52	0.02%
Transfer measures	21	0.02%
Employment generating promotion of infrastructure	6	0.02%
Job finders grant - Self-employed	7	0.01%
Reimbursement of payments for rehabilitation to agencies governed by public law	5	0.01%
Work assistance	51	0.01%
Job Rotation - Employment-training rotation programme	43	0.01%
Transitional assistance	22	0.01%
ESF BA-Programme 2007-2013 short-time working allowance	21	0.01%
Subsidies towards measures included in social plans	21	0.01%
Socio-pedagogical accompaniment	11	0.01%
Model project 'community work'	6	0.01%
Socio-pedagogical services for preparatory training	11	0.01%
Training allowance for younger workers	22	0.01%
Job opportunities	6	0.01%
ArII - Stabilisation after having taking up employment	11	0.00%
Measures to improve prospects of integration - Assessment and training for business start-up	7	0.00%
Subsidies for people with low income - model of Mainz	41	0.00%
ArII - Familiarisation with self-employment	7	0.00%
Promotion of employment contracts	6	0.00%
Work aid for disabled persons	51	0.00%

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Table A.22 – *Continued from previous page*

Name	Type	Share
Involvement of third parties in the placement of unemployment-assistance recipients	11	0.00%
ESF BA-Programme 2007-2013 transfer short-time working allowance	21	0.00%
Benefits for the integration of self-employed persons	7	0.00%
European Globalisation Adjustment Fund	21	0.00%
Integration contract	41	0.00%
Testing of innovative approaches pursuant to section 135 of Book III of the Social Code (SGB III)	22	0.00%
Special programme: 'Work for the long-term unemployed' ('Afl')	6	0.00%

Appendix A: Quantitative analysis

Table A.24: Sweden: Expenditure share on individual programmes (1998-2014)

Name	Type	Share
Individual guidance service	11	18.92%
General placement service	11	10.07%
Employment Training	21	7.70%
Youth guarantee	41	6.81%
Wage subsidies	41	5.66%
Labour market training	21	5.53%
Preparatory Training Courses	21	5.03%
Work Experience	41	3.93%
YJP ⁴ - Assisted jobseekers activities	11	2.80%
New start jobs	41	2.66%
Municipal youth programme	41	2.58%
J&DP ⁵ - Work experience	41	2.36%
YJP - Work experience	41	2.27%
Grants for technical aids, workplace adjustments and work assistants	41	2.08%
Employability rehabilitation programme	52	1.97%
Computer/activity centres	21	1.96%
YJP - Training	21	1.51%
Security Employment	51	1.18%
Special recruitment incentive	41	1.14%
Development Employment	41	1.10%
J&DP - Training	21	1.09%
General recruitment incentive	41	1.09%
Mobility allowance	41	1.01%
Samhall	51	0.99%
Start-up grants	7	0.96%
Individual hiring support	41	0.70%
Plus Jobs	41	0.70%
Workplace introduction	22	0.69%
Study allowance for the unemployed (SVUXA)	21	0.66%
Projects with Employment Policy Orientation	22	0.60%
Entry recruitment incentive	41	0.55%
Public sheltered employment (OSA)	51	0.52%
Work-experience scheme	22	0.44%
Extended recruitment incentive (enrolled 2 years)	41	0.43%
J&DP - Assisted jobseeker activities	11	0.32%
International practice scholarship	22	0.31%
Swedish national IT training programme (SwIT)	21	0.28%

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⁴Youth Job Programme

⁵Job and Development Programme

Table A.24 – *Continued from previous page*

Name	Type	Share
Start-up grants for disabled entrepreneurs	7	0.21%
Introductory activities for certain new arrivals	11	0.19%
YJP - Employability rehabilitation	52	0.18%
Trainee Replacement Scheme	43	0.14%
Resource work	6	0.12%
J&DP - Employability rehabilitation	52	0.11%
Supported employment programme (SIUS)	52	0.08%
Apprentice Jobs	22	0.08%
Career Break	43	0.07%
Trial Opportunity	41	0.06%
Activity Guarantee	11	0.05%
Skill development	41	0.03%
YJP - Start up	7	0.03%
Extended recruitment incentive (enrolled 4 years)	41	0.02%
J&DP - Start-up	7	0.01%
Lift	41	0.01%
Development employment in Samhall	41	0.01%
Vocational introduction to employment	22	0.01%
Project work	23	0.01%
Supported work experience with a supervisor	22	0.00%
Activities within counselling, guidance and placement services	11	0.00%
Cultural heritage lift	41	0.00%
Temporary public employment for older unemployed (OTA)	6	0.00%
Introduction to working life	11	0.00%

Appendix A: Quantitative analysis

Table A.23: UK: Expenditure share on individual programmes (2004-2010)

Name	Type	Share
JobCentre Plus - placement and advisory functions	11	34,48%
Connexions Service	11	15,11%
NDYP ³ - Education and training option	21	6,13%
Entry to Employment	11	5,72%
NDYP - Voluntary sector & Environment Task Force options	6	4,71%
Young Person's Guarantee - Future Job Fund	6	4,45%
NDYP - Gateway	11	4,25%
JobCentre Plus - programme administration	12	4,07%
JobCentre Plus - other programmes	11	3,22%
Remploy - Enterprise Business	51	3,18%
Pathways to Work (Incapacity Benefit Reforms)	11	2,15%
Flexible New Deal	11	2,06%
Employment zones	11	2,02%
Job Grant	41	1,28%
NDYP - Other expenditure	11	0,94%
Remploy - Employment Services business	11	0,84%
NDYP - Employment option	41	0,74%
New Deal for Lone Parents (NDL)	11	0,60%
Workstep	11	0,49%
Residential Training Colleges	52	0,41%
Access to work	41	0,39%
New Deal for Disabled People (NDDP)	11	0,35%
Work Preparation	52	0,34%
Young Person's Guarantee - Community Task Force	6	0,33%
New Deal (NI)	11	0,33%
Action Teams for Jobs	11	0,30%
Training for Work	2	0,24%
Six-Month package - Recruitment Subsidy	41	0,13%
Six-Month package - Self Employment	7	0,12%
Support for Newly Unemployed	11	0,11%
Young Person's Guarantee - Routes into Work and Care First Careers	21	0,11%
Work Choice	11	0,09%
Employment support / Workable (NI)	51	0,07%
Pathways to work (NI)	11	0,05%
Back to work bonus (BTWB)	41	0,05%
Youth enterprise initiative (YEI)	7	0,05%
Access to Work (NI)	41	0,03%
Bridge to Employment (NI)	21	0,03%
Six-Month package - Volunteering	6	0,03%
Backing Young Britain	11	0,01%
New Deal for Partners of Unemployed People (NDPU)	11	0,00%
NDYP - Follow-through	11	0,00%
New Enterprise Allowance	7	0,00%

Appendix B: Qualitative analysis

1 List of interviewees by country

Table B.1: List of interviews by country

Country	Code	Organisation	Date
DE	BA	Federal Employment Agency (Bundesagentur für Arbeit – BA)	May 2017
DE	BMAS	Federal Ministry for Labour and Social Affairs (Bundesministerium für Arbeit und Soziales – BMAS)	May 2017
DE	IAB	Institute for Employment Research (Institute für Arbeitsmarkt und Berufsforschung – IAB)	Mar. 2017
DE	SPD 1	Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)	May 2015
DE	SPD 2	Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)	Apr. 2017
DE	SPD 3	Social Democratic Party of Germany (Sozialdemokratische Partei Deutschlands)	Apr. 2017
DE	CDU	Christian Democratic Union of Germany (Christlich Demokratische Union Deutschlands)	Apr. 2017
DE	BDA	Confederation of German Employers' Associations (Bundesvereinigung der Deutschen Arbeitgeberverbände – BDA)	May 2017
DE	DIHK	Association of German Chambers of Industry and Commerce (Deutscher Industrie- und Handelskammertag – DIHK)	Apr. 2017
DE	ZdH	German Confederation of Skilled Crafts (Zentralverband des deutschen Handwerks – ZdH)	Apr. 2017
DE	DGB	German Trade Union Confederation (Deutsche Gewerkschaftsbund – DGB) (MA)	Apr. 2017

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Table B.1 – *Continued from previous page*

Case	Code	Person/ Organisation	Date
DE	DGB 2	German Trade Union Confederation (Deutsche Gewerkschaftsbund – DGB)	Aug. 2016
DE	DGB Youth	Youth Organisation of the German Trade Union Confederation (DGB Jugend)	Sept. 2015
DE	Ver.di	German United Services Trade Union (Vereinte Dienstleistungsgewerkschaft)	May 2016
DE	IG BCE	Industrial Union for Chemicals and Miners (Industriegewerkschaft Bergbau, Chemie, Energie)	Apr. 2017
UK	Ed Balls	Ed Balls, Labour Party member, Chief Economic Adviser to HM Treasury (1997-2004)	Mar. 2018
UK	Labour	Labour Party member, advisor to HM Treasury	Mar. 2018
UK	Task Force	New Deal Task Force & National Employment Panel	Nov. 2016
UK	Liberals	Stephen Lloyd, MP, Liberal Party	Oct. 2016
UK	BCC	British Chamber of Commerce (BCC)	Oct. 2016
UK	TUC	Trade Union Congress (TUC)	Sept. 2016
UK	DWP	Department of Work and Pensions (DWP)	Oct. 2016
SE	MS	Moderate Party (Moderata samlingspartiet)	Nov. 2017
SE	MS 2	Sven Otto Littorin, Moderate Party and Swedish Minister for Employment (2006-2010)	Nov. 2017
SE	SAP	Swedish Social Democratic Party (Sveriges socialdemokratiska arbetareparti (SAP))	Nov. 2017
SE	Min. Empl	Ministry of Employment (Arbetsmarknadsdepartementet)	Nov. 2017
SE	AF	Swedish Public Employment Service (Arbetsförmedlingen)	Nov. 2017
SE	DUA	Delegation for the Employment of Young People and Newly Arrived Migrants (Dua) (Delegationen för unga och nyanlända)	Nov. 2017
SE	SN 1	Confederation of Swedish Enterprises (Svenskt Näringsliv) (PK)	Nov. 2017

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Table B.1 – *Continued from previous page*

Case	Code	Person/ Organisation	Date
SE	SN 2	Confederation of Swedish Enterprises (Svenskt Näringsliv) (EH)	Nov. 2017
SE	SKL	Swedish Association of Local Authorities and Regions (SKL) (Sveriges Kommuner och Landsting (SALAR))	Nov. 2017
SE	LO	Swedish Trade Union Confederation (Landsorganisationen i Sverige (LO))	Nov. 2017
SE	SACO	Swedish Confederation of Professional Associations (Samlar Sveriges Akademikerförbund (SACO))	Nov. 2017
SE	TCO	Swedish Confederation of Professional Employees (Tjänstemännens Centralorganisation (TCO))	Nov. 2017

2 Interview guidelines

General questions (please feel free to answer them very briefly)

- Do you believe that youth unemployment is an important issue in [your country]?
- What do you think are main causes for youth unemployment in [your country]?
- In the view of [your organisation], what are the best policies to reduce youth unemployment in [your country]?
- Why do you believe some measures are preferable to others? (work experiences, employment incentives, training, etc.)

Questions concerning actors in the development and implementation of policies against youth unemployment

- Is your organisation involved in the development and implementation of labour market policies for young people? Involvement in this respect could mean for example submitting contributions to relevant public consultations or parliamentary hearings.
 - Why do you get/get not involved?
 - If your organisation is involved in the development and implementation of labour market policies for young people, with which actors within the government (e.g. ministries, agencies) do you have the most contact?
- Do you think the employers' organisation(s) can be an important partner in developing and implementing measures against youth unemployment? Why?
- When it comes to choice of policies to address youth unemployment, where do you see differences between the [main political parties]?
- When it comes to choice of policies to address youth unemployment, where do you see differences between the [the main trade unions and employers' organisations]?

Questions concerning specific policies

- Were you involved in the development [policy X]?
 - Why was this policy introduced?
 - Why was this particular policy selected (instead of a different policy)?
 - Why was this *type* of policy selected?
- Were you involved in the implementation of [policy X]?
 - How did the implementation process work?
 - Were there any problems in the implementation process? Which ones?

Concluding questions

- Is there any other person or organisation you would recommend me to talk to learn more about how measures against youth unemployment in [in your country] are developed and implemented?

3 Consent form

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Consent form: Participation in research interview

This consent form informs the interviewee about the purpose of the interview, the usage of the material gained through the interview, the protection of the data and notes the agreement of the interviewee to the same.

Purpose: The interview forms part of Leonard Geyer's Ph.D. research on measures against youth unemployment in different European countries. The principal goal of this research project is to explain cross-country variation in the use of measures against youth unemployment.

Usage: The answers provided by the interviewees will be used to analyse the preferences of different actors for different possible measures against youth unemployment and to analyse the political process which lead to the adoption of individual policies.

Data protection: All data concerning the interview (identity of the interviewee, recordings, transcripts) are exclusively stored on a password protected server at the university of Bamberg.

By signing this form, the interviewee consents to the following (mark the applicable boxes):

- Participation in the interview
- Recording of the interview
- The use of paraphrased and direct citations from the interview in academic publications
- The usage of his/her full name and position as source of the interview (alternatively, the source can be named as "name of the organisation, year of the interview")

Date

Appendix C: Declarations (Erklärungen)

1 Erklärung über die bisher erfolgte Publikation wesentlicher Bestandteile der Arbeit

Ich erkläre hiermit, dass ich die Dissertation im Ganzen noch nicht publiziert habe. Teile von früheren Versionen der Kapitel 1,3,5,6 und 7 sind als Konferenzbeiträge veröffentlicht.

- Geyer, Leonard (2016). *Determinants of the choice of ALMPs for young people in European countries – Arguments for an employer centred approach*. Paper prepared for ECPR Graduate Conference, July 2016, University of Tartu.
- Geyer, Leonard (2017). *Active Labour Market Policies for Young People - What Role for Employers?* Paper prepared for the Council of European Studies (CES) 24th International Conference of Europeanists, July 2017, University of Glasgow.
- Geyer, Leonard (2018). *A case study in the political economy of ALMPs for young people. Employer influence on the choice of and spending on youth ALMPs in Germany*. Paper prepared for the GOVPET Graduate Workshop, February 2018, Swiss Federal Institute for Vocational Education and Training (SFIVET) Zollikofen.
- Geyer, Leonard (2019). *Measuring and Determining the use of Active Labour Market Policies (ALMPs) for Young People*. Presentation at the 3. Forschungskonferenz Sozialpolitik ESPAnet Austria, April 2019, University of Innsbruck.
- Geyer, Leonard (2021). *Defending their advantage? On the relationship between collective training systems and active labour market policies for young people*. Paper presented at the Council of European Studies (CES) Virtual 27th International Conference of Europeanists, June 21-25, 2021.