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Chapter 1

Labor Market Inclusion Through Social Economy in Slovakia

Eva Pongrácz and Hana Poláčková

Additional information is available at the end of the chapter

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Abstract

The social economy becomes an effective and a modern instrument of social market economy, and the importance of this sector is constantly increasing. According to the degree of acceptance of the concept of social economy, the European Union countries are divided into several groups. This business area in Slovakia is currently developing, and it is supported slightly. France, Italy, and Spain are among the leaders, and their experience can serve as inspiration for the establishment of social initiatives in Slovakia. They prefer social objective before making a profit; they are democratically organized and based on the unmet demand of the local community. The social enterprises are often creating sustainable jobs, bringing innovative solutions to social problems, and they have close links to active labor market policies. The chapter focuses on the current situation in the social economy in relation to the labor market, points out the successful path of development, and identifies opportunities for progress in this area in Slovakia with emphasis on the employment of disadvantaged job seekers.

Keywords: social inclusion, social economics, social entrepreneurship, work integration social enterprises (WISE), active labor market policies

1. Introduction

Unemployment is a very serious socioeconomic problem that undermines the existence of individuals and represents a loss of production with unused labor and human capital. The consequence of job loss is an increase risk of social exclusion, poverty, and material deprivation. High unemployment rates are among the most visible effects of the global economic crisis on our economy. Deepening economic and social inequalities, regional disparities are increasing.

Nowadays, among the most serious problems of the economies of the European Union member countries are the negative trend in unemployment, the high proportion of young and jobless elderly persons above 50 years, the long-term unemployment, the regional disparities, and an ever-growing number of the unemployed people with multiple disadvantages. Slovakia is a country with adverse outcomes in this area.

In order to mitigate the mentioned negative situation, various measures are introduced, and new active employment policy instruments are adopted. The social economy and its tools in the form of social enterprises are gaining prominence. Work integration social enterprises (WISE) can contribute significantly to the employment of disadvantaged unemployed. Equally, it is important to place emphasis on the unemployment insurance system as the part of passive measures. It is important that citizens do not have problem to overcome adverse financial period after job loss. The employment policy should be adjusted to be fair and effective with emphasis on motivation of insured persons to seek a new job.

2. The current situation in the Slovak labor market

Employment is a key element of social inclusion, which not only provides income but also contributes to social participation. The labor market in Slovakia has long been in a state of imbalance, and unemployment is one of the most serious problems of society.

We can follow in the development of unemployment in Slovakia an upward trend until 2001 (19.2%), since this indicator began to gradually decline (in 2004 it showed a slight increase). In 2008 there were about 3,445,000 less unemployed than in 2007, which represents an annual decrease in the number of unemployed by 11.8%. The average level of the unemployment rate was the lowest since 1999, reaching a value of 9.6%. Decrease in the number of jobs caused by the economic recession was reflected in the development of unemployment in 2009 (12.1%), and this trend had remained in 2010 (14.4%).

In 2011 it followed by a slight improvement in the state, but the rate of registered unemployment continued to rise, and the value of both methodologies in 2013 oscillated around 14%. In 2014 it fell by 1–1.3% points and reached 13%, respectively, 12.8%, which was still a high number of unemployed persons. In 2015 it was registered in the SR average of 354,582 job seekers; it is a drop compared to 2014 about 31,079 persons. The registered unemployment rate declined gradually during the year, and the average for 2015 reached 11.50%. Based on the methodology of the Statistical Office of the Slovak Republic, in 2016 the unemployment rate decreased to 9.7%, and still 266,000 were jobless.

The unfavorable development in recent years was due to the global economic crisis, but the Slovak labor market has long been struggling with structural problems, which are mainly:

- Large regional disparities in unemployment
- High unemployment among young people aged 15–24 years
- High proportion of long-term unemployment

- High number of job seekers with low education
- Shortage of skilled labor in some sectors [1]

The highest unemployment rate in 2015 remained in Banská Bystrica, Košice, and Prešov Self-Governing Regions. The difference in unemployment rates between regions is high, while in the Bratislava region, the unemployment rate is 5.85%; in the Prešov Region, it amounts to 16.51% (a difference of 10.66% points), which is almost three times the Bratislava region. There is an alarming state of unemployment in districts of Rimavská Sobota, Revúca, Kežmarok, Rožňava, Poltár, Vranov, Sabinov, and Svidník, with the highest unemployment rate recorded in the district of Rimavská Sobota (up 27%) [2].

Another serious problem of the labor market is the continuing high share of long-term unemployment called "hard core" that still reaches more than 60%. This is a significant number to multiply disadvantaged job seekers, who have become accustomed to low social status, poverty, and living on social benefits, but also with some reluctance to work. In 2015 the Central Office of Labour, Social Affairs and Family registered 191,055 long-term unemployed persons.

The next largest group of disadvantaged job seekers, besides the long-term unemployed ones, is the group of people over 50 years. In 2015 was the share of them in the register 90,242 people which means 24.43% of the total number of job seekers.

In 2015 their share in the registry was 90,242 people which meant 24.43 percent of the total number of jobseekers.

Each subcategory has specific problems that hinder them in the labor market. A hard core of long-term unemployment is the group people with low education and no education.

Long-term unemployment in addition to the gradual loss of working habits often faced with multiple disadvantages (in particular the absence of education, Roma ethnic minority nationality, health condition, age, etc.). In the case of an unemployed person over 50 years, the problem may be a lack of flexibility and less ability to adapt to the requirements of the employer (foreign language skills, information technology, etc.). Graduates do not yet have after continual professional training in a full-time study a work experience required skills, which is a handicap compared to experienced job seekers. The big problem is proving to be the young people who are not in education or are not economically active (NEET).

3. The employment policy

Employment policy can be generally defined as a set of measures forming the conditions for dynamic equilibrium on the labor market and the efficient use of labor. This policy is usually the result of efforts of the state, employers, businesses, employees, and unions. In recent years, this policy is increasingly generated depending on the measures taken within the EU aimed at achieving the highest possible employment. Employment policy seeks to harmonize supply and demand in the labor market and on more flexible working arrangements between them. At present in developed countries, it has an irreplaceable position.

Employment policy is primarily focused on the following activities:

- On infrastructure development of the labor market. Through a network of specialized institutions (offices, employment agencies), it provides intermediary services, information, and advisory services. Thus, it creates a more perfect information about job vacancies (their structure, complexity, etc.) and also about the job seekers (their qualifications, requirements, etc.).
- It supports the creation of new jobs and work activities. For example, it provides for employers and starting entrepreneurs financial support for new job places, it promotes community service, and it facilitates the employment of minors and handicapped citizens.
- It aims to increase the workforce adaptability. The growth of structural unemployment requires adaptability and mobility very categorically. A significant role in this respect falls on the school system. Employment policy contributes to it with organization and supports various retraining programs.
- It contributes to ensure the welfare of those who have become temporarily unemployed, in the form of supports and unemployment benefits.

The first three groups of activities are aimed at supporting active behavior of workers in the labor market and therefore tend to be collectively referred to as an active employment policy. Activities related to ensuring the unemployed are referred to as passive employment policy, and their purpose is to compensate unemployed transitional period and to some extent the loss of labor income and so allow them to find job opportunities that will be in line with economic needs and aspirations of the economy.

3.1. The employment policy tools

Employment policy tools are the active measures, which aim to maintain or gain employment. There are the direct tools and measures implemented in the labor market through the authorities of the employment services, such as education and training for the labor market, training, measures to support specific groups (minors, the disabled, women, etc.), financial and other measures stimulating job creation, public works, provision of specialized services designed to facilitate and accelerate the return to work etc.

Furthermore, there are indirect instruments, usually referred to as macroeconomic interventions (measures)—directly addressed to other market segments. There are several types of legal or organizational measures, for example, in tax, fiscal, wage, and other policies, to support the growth in demand for labor or reduce its bid.

According to another breakdown, we distinguish active and passive instrument of employment policy instruments. Active policy aims to promote individual employability and job creation. Despite the growth in spending for the active labor market policy of the Slovak Republic, it belongs to the countries with lower investment in this area.

Passive employment policy measures are essentially those which solve arising consequence—the loss of jobs—by providing support or unemployment allowance. In terms of cost, it also

includes all other costs which ensure the implementation of passive measures (e.g., postal charges related to the payment of the aid, other payments to insurance funds for recipients of unemployment benefits, etc.).

The ratio of active measures (tools) to passive in various countries differs from each other, though mostly predominates passive over active.

3.1.1. Active and passive employment policy

The Employment Services Act defines the employment services such as a system of institutions and instruments of support and assistance to participants of the labor market in job searching and changing, filling a vacancies, and implementation of active labor market measures, with a particular focus on employment of disadvantaged job seekers.

According to the Act on Employment Services, employment services in the Slovak Republic provide:

- Centre of Labour, Social Affairs and Family of the Slovak Republic
- Central Office of Labour, Social Affairs and Family
- Legal and natural persons that carry out recruitment, provide professional advisory services, and implement active labor market measures on the basis of written agreement by the competent authority or on the basis of written agreement within the partnership
- Legal entities and natural persons that carry out paid recruitment
- Temporary Employment Agency
- Supported Employment Agency

The authority is establishing a Committee for Employment within their respective territory in order to address fundamental questions of employment and assessment of applications of legal entities or natural persons of the contribution, for which there is no legal entitlement. The Committee has 11 members, including 3 representatives of the authority, 2 regional representatives, 2 representatives of cities and municipalities, 2 representatives of employers, and 2 trade union representatives.

3.1.2. Employment services provided by legal entities and individuals

Paid recruitment can be performed by a legal or natural person under the conditions provided by law, if they have a license issued by the Centre of Labour, Social Affairs and Family of the Slovak Republic.

The amount of payment for the recruitment is negotiated by an agent with legal entity or natural person, to whom he mediates the employee.

Temporary Employment Agency is a legal or natural person employing a citizen for temporary assignment to the user employer. The Temporary Employment Agency can collect from the user employer agreed fee for the temporary assignment of a temporary employee; but

from temporary employee, temporary assignment fee is not collected. The center issues for an indefinite period of the authorization to operate the Temporary Employment Agency.

Supported Employment Agency is a legal entity or natural person that provides services to people with disabilities, long-term unemployed persons, and employers aimed at facilitating to obtain employment or to maintain employment or to facilitate to obtain employees from among citizens with disabilities and long-term unemployed persons. Supported Employment Agency has the following activities:

- The provision of expert advice to support and help in obtaining and retaining a job, employment, and financial advice in resolving claims of persons with disabilities resulting from their disability and expert advice in obtaining and retaining a job for long-term unemployed persons
- The detection of capabilities and professional skills of people with disabilities and long-term unemployed citizens with respect to labor market demands
- The search and meditation of suitable employment for people with disabilities and long-term unemployed persons
- The provision of expert advice to the employer in employees recruiting among citizens with disabilities or long-term unemployed persons to solve problems during their employment
- The selection-making of the appropriate disabled person or a suitable long-term unemployed person to the job based on the requirements and demands of the employer
- The provision of expert advice to the employer when adjusting job and working conditions for a particular disabled citizens' employment

The Supported Employment Agency performs their activities for the job seeker who is a citizen with disabilities or for seeker who is long-term unemployed on the basis of written agreement with the competent office.

3.2. The forms of implementation of labor market policy

Employment Services Act (No. 5/2004 Coll., as amended) establishes the conditions and legal framework for those active labor market measures:

- Information and advisory services
- Professional consulting services
- Education and training for the labor market of job seekers and for interested in employment
- Education and training for the labor market of employee
- Contribution to self-employment
- Contribution to employment support of disadvantaged job seekers
- Integration of disadvantaged job seekers in work integration social enterprise
- Contribution to support the development of local and regional employment

- Contribution to support job retention
- Contribution for graduate practice
- Contribution to support of job creation in the first regularly paid employment
- Activation allowance in the form of small community services for the municipality or through small services to the self-governing region
- Activation allowance in the form of voluntary service
- Contribution for commuting to work
- Contribution to promoting labor mobility
- Contribution for transportation to work
- Contribution to new job creation
- Financial support for encouraging the maintenance of employment in small enterprises and medium-sized enterprise
- Projects and programs
- The promotion of employment for people with disabilities:
  - Sheltered workshop and sheltered workplace
  - Contribution to the establishment of a sheltered workshop or sheltered workplace
  - Contribution to keeping citizens with disabilities in employment
  - Contribution to self-employment of persons with disabilities
  - Contribution to the activity of a work assistant
  - Contribution to cover the operating costs of a sheltered workshop or sheltered workplace and transport allowance of employees [3]

Generally, it should be stressed that the level of contributions and the length of their provision on the different tools are not the same in all districts of Slovakia. These depend on the affiliation of the district to the type of region in terms of the proportion of gross domestic product (GDP) per capita in GDP per capita of the European Union (75% of the EU average) averaged over the preceding 3 years measured in purchasing power parity.

It also depends on the height of the average rate of registered employment in the region compared to the national average unemployment rate for the previous calendar year, and for some tools, it depends on whether the created jobs are filled by disadvantaged job seekers. An important factor for the application of a particular tool is the length of the line of job applicants in the register at the labor office.

Despite the spending growth on active labor market policy of the Slovak Republic, it is among the countries with lower investment in this area. In the system of unemployed support, there are also less efficient tools that do not improve dramatically the chances of job seekers. On the other hand, it should be said that there is a very low proportion of educational programs.

On January 1, 2004, the Social Insurance Act, which has become part of the unemployment insurance, came to the force. Unemployment insurance is insurance against loss of income as a result of unemployment. The unemployment benefits are provided from unemployment insurance. The insured person is entitled to unemployment benefits if they were covered by unemployment insurance for at least 3 years of the last 4 years before they were registered as unemployed job seekers.

All employees are compulsory insured for unemployment. Voluntary insurance for unemployment can be a person older than 16 years, who have permanent residence or permit for temporary or permanent residence in Slovak Republic.

Currently, entitlement to unemployment benefit arises to the insured from the date of the registration as unemployed and expires after 6 months. Unemployment benefit is provided for calendar days, and the amount is 50% of the daily assessment base (previous daily gross income). The daily assessment base is calculated from the 3 years before receiving unemployment benefits. The basic requirement for entitlement to benefits is 730 days of insurance in the previous period.

Entitlement to unemployment benefit shall expire always:

- On the date of removal from the register of job seekers
- On the date of expiration of the support period (6 months)
- On the date of death of the individual

The insured person again becomes entitled to unemployment benefits no sooner than 2 years after the expiration of the earlier entitlement to unemployment benefit.

If the insured person will be reinstated in the register of job seekers in less than 2 years from the commencement performance of activities by the employee, then he is entitled to payment of unemployment benefits from the date of re-inclusion in this evidence for the remaining part of the support period of unemployment and in the amount he was paid in the previous unemployment benefits.

An insured person who has been removed from the register of job seekers due to the commencement of employee activities during the period of receiving the unemployment benefits and period of receiving the unemployment benefits lasted at least 3 months is entitled to a one-time payment of 50% of unemployment benefits for the remaining part of the support period, if he applies in writing for the payment. After the one-time payment of unemployment benefit the insured person will not be entitled to the next unemployment benefit for a period of two years.

The insured person to claim the unemployment benefit shall apply by submitting the application for unemployment benefits, which is considered to be the decision on inclusion of the insured person in the register of unemployed persons [4].

4. Social economy and social entrepreneurship

The social economy and its tools in the form of social entrepreneurship contribute to solving social problems, and they form a cohesive community; moreover, they are creating stable

jobs. Based on the experience of developed economies, we can conclude that this is a new area of effective business activities that would have rightly deserved greater support and attention in Slovak conditions.

The social economy is becoming an effective and a modern instrument of social policy and often brings innovative solutions to social problems. The European Union countries are divided into several groups according to the degree of acceptance of the concept of social economy. This business area in Slovakia is currently developing, and it is slightly supported. France, Italy, and Spain are among the leaders, and their experience can serve as an inspiration for the establishment of social initiatives in Slovakia.

There are many discussions at the global level about the social economy concept. The concept of social economy in Europe arose in connection with the cooperative movement. This concept was first accepted and supported by France, later, in 1989 recognized by the European Union too.

Social entrepreneurship appears to be an effective tool of social market economy, and the importance of this sector continues to grow. Nowadays, we include in the social economy 10% of the total number of enterprises in a European area, which employ more than 11 million people and account for 6% of the total employment.

Social economy is defined as the scientific discipline that studies the motives and methods of decision-making of society entities about the use of scarce resources for production of goods and services and their allocation between individuals and social groups while upholding the principles of social solidarity and social justice in relation to equal opportunities [5].

We are now in a specific situation where practice precedes the theory. There is not enough attention devoted to the social economy, and research is progressing at a slower pace, while we implement various tools of the social economy in practice in the form of social entrepreneurship.

Social economy was established in reaction to the unfavorable situation in the social area, which is caused mainly by rising unemployment, an aging population, social marginalization, and social exclusion. As a result of the global financial and economic crisis, the problems deepened and led to the search of innovative practices to tackle them. The social economy is perceived as part of the economy that includes entity with primary social objective. In this area, there are social enterprises that expense profits in favor of disadvantaged people employment or provide goods and services to vulnerable and socially disadvantaged persons or communities.

For today's economic environment, unfortunately, it is not characteristic that it is aware of social values created by social enterprises or that is affirming their important role in ratifying the key elements of civil society. Those elements are creating responsibility, social innovation, new forms of partnerships, and authentic business activities [6]. The reason for this situation may be the lack of legislative background in the EU member states, the absence of criteria for including subjects in the social economy sector, and insufficient support.

The primary role of social enterprise is to ensure the fulfillment of social or societal objectives, and its profits are reinvested exclusively to meeting the needs of the company or the community. Thus, its activity is not governed by the need to maximize profits for shareholders and owners. Social objective is fulfilled by:

- The provision of goods or services for socially disadvantaged or marginalized groups
- The employment of persons who prior to recruitment were disadvantaged candidates on the labor market [5]

Consequently, the second group is formed by work integration social enterprises (WISE). Their aim is to help mainly low-skilled unemployed people who are at risk of permanent exclusion from the labor market.

According to the process integration, we distinguish four main models of work integration social enterprise (WISE):

- Temporary job
- Permanent job creation with self-funding
- Work integration through ongoing public subsidies
- Socialization based on productive activity [7]

4.1. Temporary job

The aims of the temporary job are to provide to the target group work experience (temporary employment) and the acquisition of skills and thereby achieve their further placement on the open labor market. This is a short-term job during which the employee may undergo theoretical and practical training, various training courses aimed at improving personal, social, and professional competencies (e.g., in Belgium and Portugal).

4.2. Permanent job creation with self-funding

It is a stable and economically sustainable social enterprise, which employs disadvantaged job seekers. Due to the expected reduced labor productivity of these persons, these enterprises are subsidized by public funds in the initial stage of the WISE (these models are successful in Germany, France, and Great Britain).

4.3. Work integration through ongoing public subsidies

WISE model is expanded in many countries of the European Union (i.e., Portugal, Sweden, Ireland, and Belgium). They provide jobs for job seekers with disabilities (the disabled, social handicap) who are not a precondition of employment on the open labor market. For this reason, these protected jobs or sheltered workplaces and workshops are supported by public funds.

4.4. Socialization based on productive activity

The aim of this model is not working integration in the open labor market, although this is not excluded, but rather socialization and resocialization through social contacts. It is designed for people with serious social problems (alcoholics, drug addicts, the homeless,

severely disabled release from prison, etc.). This type of WISE operates successfully in France, Belgium, and Spain.

5. The social economy in Slovakia

The advanced economies of the European Union support and are developing the social economy and social entrepreneurship that contributes to build a competitiveness and performance of the landscape. The concept of social economy is not perceived uniformly in all member states. France is considered to be the cradle of the development of the social economy, where the concept of social economy is enshrined in national legislation. For example, in Italy, Spain, and Belgium, this area of business is fully accepted in public administration, academia, and science. Another group forms an economy that recognizes the concept of social economy along with other concepts such as nonprofit sector and voluntary sector (Cyprus, Denmark, Finland). Moreover, the three countries, Austria, Germany, and the Netherlands, became members of the EU in the enlargement in 2005. In these countries there is little or no knowledge about the development of this area.

At the present time, Slovakia operates a number of initiatives which can be considered as effective tools of social economy. These entities operate in the area of the third sector, and they can adopt various legal forms. These entities are civic associations, nonprofit organizations, foundations, and non-investment funds. The drawback is the lack of a comprehensive legislative background of the social economy, which often causes problems in defining these entities.

An important moment for the development of social economy was the adoption of an amendment to Act No. 5/2004 Coll. Employment Services in 2008, when social enterprises such as work integration social enterprises (WISE), gained legal legitimacy as a tool of active labor market policy.

By this time operating activities based on the principles of social economy developed in the context of various projects supported from the European Union, in particular through the European Social Fund.

At the present, the meaning of the Employment Services Act for the entity of the social economy can be considered a legal or natural person, who:

(a) As his primary social objective places to achieve measurable positive social impacts and provides goods or services to vulnerable, marginalized, disadvantaged, excluded persons, or uses a method of production of the goods and services.

(b) To achieve his primary social objective, he will use every year at least 50% of the funds raised from the income of the activities, which remain after the reimbursement of all the expenses of the business for the relevant tax period under the tax return.

(c) Is managed in an accountable by a transparent way.

For work integration social enterprise, it can be regarded that a legal or natural person who:

- A minimum of 30% of the total number of its staff are citizens who, before admission to employment, were disadvantaged job seekers
- Is helping these workers to find employment in the open labor market
- At least 30% of income, after deducting all expenses for business activity, will be used to create new jobs or to improve working conditions.
- Is registered in the register of social enterprises

Observance of these criteria must be demonstrated on a regular basis, once a year for reporting the results of its activities to the Central Office of Labour, Social Affairs and Family.

The Central Office of Labour, Social Affairs and Family can recognize the status of a social enterprise on the basis of the application of legal or natural person and after fulfillment of the criteria. These entities are then maintained in the register of social enterprises.

Currently, a separate law on the social economy in order to promote the development of this sector is in the progress of preparation. This separate law will identify the entity criteria and the financial and the nonfinancial support in this area.

5.1. Space for the development of social economy in agriculture

In Slovakia, we can see a large space for development of social economy in agriculture.

Whereas food articles meet the basic needs of man, our civilization would not survive without developed agriculture with constant intensification of production. Due to intensification of agriculture, development of industrial production, and international trade, the agriculture has ceased to be the main driver of economic development. In some countries there has been a shift away from traditional industries, and the economy began to produce manufactured goods with high added value, regardless of technological unemployment and food security.

Slovakia is among the countries which have started to give priority to the production of luxury goods mainly from the electrical and automotive industries, and the share of these industries in GDP has grown steadily. Currently compromising about a quarter of GDP, agriculture, forestry, and fishing contribute about 4% of GDP.

Despite the efforts of rural development by the state and support of the common agricultural policy, there has been a sharp fall of agricultural products in the trading network of the SR. While in 2002 the share of Slovak food products in commercial network was 72.8%, 10 years later it has been reduced to 48.9%. We are now at around 55%.

Ďuričová [8] notes that the Slovak agriculture with their economic production results is in most indicators not only under the average of the original EU-15 but also below the average of the states brought together EU-27, as well as below the V4 states, which joined to EU in the same period as Slovakia.

The situation corresponds to the number of people employed in agriculture. In 1993, the agricultural sector employed 173,711 permanent employees in enterprises with 20 or more

employees. In 2013, the number dropped to 28,231 people on permanent contracts and 15,528 people who agreed on work performance.

In view of the above and a large volume of imports of the recoverable agricultural and food products, we see an area for social economy in agriculture or in the development called green jobs. This would be the solution of several important macroeconomic issues—state food insecurity, supply large quantities of high-quality food products to the Slovak domestic sales network, unemployment, and the state of the environment.

Therefore, we can agree with Darmo [9], who states "Green jobs are a region of interest of the environmental economics, as well as the leaders and the employment policymakers. They are the result of horizontal principles of environmental sustainability, which are reflected in all economic sectors. They also support the principle of inclusive economy and consequently the social sustainability, the mitigation of social inequality and they create preconditions for employment of low-skilled and disadvantaged labour force."

6. Conclusion

Impaired social conditions bring many problems; a lot of people and families are at the risk of poverty, social exclusion, and without jobs. Solutions are searched to mitigate the said negative situation; various instruments of active labor market policies are implemented, but yet they do not bring the desired results.

Given the most serious problems of the Slovak labor market and high unemployment of certain risk groups, we can conclude that unemployment in Slovakia must deal with a strong emphasis on reducing long-term unemployment. These are often people without experience, with low education, and multiple handicaps. It would be desirable to connect more targeted demands of the labor market and the education system, to place greater emphasis on lifelong learning, to give an individual approach for unemployed at labor offices, and to introduce more effective instruments of active labor market policy.

The solution may be to promote the social economy sector with emphasis on the development of work integration social enterprises. Taking into account the needs of Slovakia, its regions, and especially those at risk of social exclusion, in the long term, the introduction of the social economy with priority of employing people rather than profit-making would improve the economic conditions and prospects of the rural population in particular. It also would reduce the pressure on the social system and may favorably affect the trade balance by reducing the amount of imported agricultural commodities.

The disposable production and employment potential of Slovakia would be used more efficiently. A positive factor also would be to increase the food security of the state and the resistance to certain types of economic crisis. The focus could be municipal enterprises managing municipal property. The social economy in agriculture could dampen lifestyle change and move younger population in search of better job opportunities in cities and also would maintain the skills and knowledge of older generations for future generations and reduce the alarming number of long-term unemployed in Slovak Republic.

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Author details

Eva Pongrácz* and Hana Poláčková

*Address all correspondence to: eva.pongracz@euba.sk

University of Economics in Bratislava, Bratislava, Slovakia

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Chapter 2

Ageing Issue in Activation Labour Policies: The 'Intergenerational Approach' to Tackle Unemployment

Barbara Barabaschi

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Abstract

Starting from the theoretical-political paradigm of activation, the chapter analyses welfare reforms (focusing on pension and labour policies) in two European countries: France and Italy. Special attention is given to the intergenerational approach implemented in recent years, following international agencies' recommendations. First evaluations of the devices put in practice to face employment problems affecting young and mature workers allow to develop some considerations on the ambiguity that characterize activation paradigm in the context of the global crisis, having produced a severe employment reduction and putting into question the validity of this widespread paradigm. In this context, the implementation of intergenerational measures seems to reveal little effects on unemployment rates for both young and older workers and on the availability of new jobs into the labour market. Nevertheless, they tend to improve the quality of work, reducing fixed-term contracts and allowing public finance savings. A cultural implication is also cited, referring to the change of perspective these measures may foster to overlap age discriminations in workplaces, as in public debate.

Keywords: activation paradigm, intergenerational approach, labour policies, youth unemployment, senior employment

1. Introduction: a look at demography and labour market dynamics

Last decades have been characterized by important demographic changes in Europe that will continue to produce effects for many times. The main change processes are: continuous population ageing, as a result of improvements in research on health care and in quality of life; persistent low birth rate, in consequence of difficulties in finding a job for young people; cost of

housing; older age of parents at the birth of first child; and lengthening studies. The decrease in the number of young people that, for its size, has led experts to talk about the phenomenon of 'deyouthing' [1].

These trends are also visible in the structure of the projected population. In particular, the proportion of young people (aged 0–14) is projected to remain constant in the EU-28 area, declining from 15.6% of the total population in 2011 to 14.3% in 2060. The proportion of young people is projected to range between 11.6 and 18.1% in 2060. People aged from 15 to 64 years will represent a substantially smaller share, with a projected decline from 66.9 to 56.2% in the EU-28 area. The working age share of the total population is projected to remain below 60% in 2060. Furthermore, a similar increase is projected for the proportion of persons aged 65 and over. With the share of the elderly projected to rise from 17.5 to 29.5% of the population, they will represent almost one third of citizens by 2060 [2].

The worsening of labour market structure in consequence of the global recent crisis has doubled the negative impact of demographic issues. In fact, low employment levels and high unemployment rate, in the short run, increase the risk of poverty for affected workers, while in the middle or long run, they weaken the level of contributions for the social security systems and pay-as-you-go pension systems, even if the number of pensioners remains constant. This is why international agencies recommend national governments to promote economic activity among persons of a working age, both the younger, the most fragile group into the labour market, and the older ones, whose life expectancy has substantially increased. Experts suggest to pay attention to some synthetic indicators allowing to better understand demographic trend implications into the labour market.

A relevant index used to study demographic trends in relations to employment is the 'total-age-dependency ratio'. It reveals the level of support given to younger (aged 0–14 years old) and/or older persons (aged over 65 years) by the working age population (conventionally aged 15–64 years old) and is expressed in terms of the relative size of younger and/or older populations compared with the working age population. The total-age-dependency ratio is the sum of the 'old-age-dependency ratio' and of the 'young-age-dependency ratio'. The first, for EU-28, was 27.5% in 2013; as such, there were around four persons of working age for every person aged 65 or over. The old-age-dependency ratio ranged across the European member states from a low of 18.4% in Slovakia to a high of 32.7% in Italy. As a result, the old-age-dependency ratio in 2060 for the EU-28 is projected to more than double from its current level that represents an increase of 28.1% by 2060.

In contrast, the 'young-age-dependency' ratio is expected to follow a trajectory of small changes for all countries, either positive or negative. It is not expected to decrease significantly because the working age population—the parents' generation—shrinks as well. Consequently the trajectory of the total-age-dependency ratio is shaped by the prevailing rise in the old-age-dependency ratio for all countries.

The global economic crisis started in 2008 has substantially changed the trends of growth and low level of unemployment having characterized the previous period. In many European countries, it led to a rapid increase of unemployment rates, in particular those of long term. In the European Union, the EU-28 harmonized unemployment rate averaged 4% from 2002 until

2016, reaching an all-time high of 5.30% in the first quarter of 2014 and recently decreased to 3.80% in the third quarter of 2016 [3].

The labour market main indicators confirm the crucial role of age in studying the future dynamics of employment.

In particular, unemployment and employment rates of the younger and the older components of the labour market show a recent improvement if compared with the rates of other years after the crisis. In fact, the EU-28 unemployment rate was 8.1% (19.969 million) in January 2017, down from 8.2% in December 2016 and from 8.9% in January 2016. This is the lowest rate recorded in the EU-28 since January 2009.

In January 2017, 4.017 million young persons under 25 (17.7%) were unemployed in the EU-28. Compared with January 2016, youth unemployment decreased by 357,000 in the EU-28 (19.3%). In January 2017, the lowest rate was observed in Germany (6.5%), while the highest were recorded in Greece (45.7% in November 2016), Spain (42.2%) and Italy (37.9%).

Employment rate of people aged 55–64 in the Europe has grown steadily to reach 51.8% in 2014, compared with 38.4% in 2002. In several cases, it has been the consequence of national reforms having increased retirement age. **Figure 1** shows that the number of senior unemployed remained below the number of junior unemployed, at least until 2015, when mature workers started to experience unemployment at a higher level than the younger. The trend is inverted with regard to long-term unemployment. In this case the number referred to the senior is constantly higher than that of junior workers.

These considerations allow to understand that also the older workers may experience difficulties in labour market; especially once expelled from it, they struggle to regain a new contract. Over 55 participation to the labour market is lower than that of the younger. This is particularly true for women, as half of those aged 55–64 are inactive (50.2%, sets against 35.0% of men in the EU-28 in 2015).

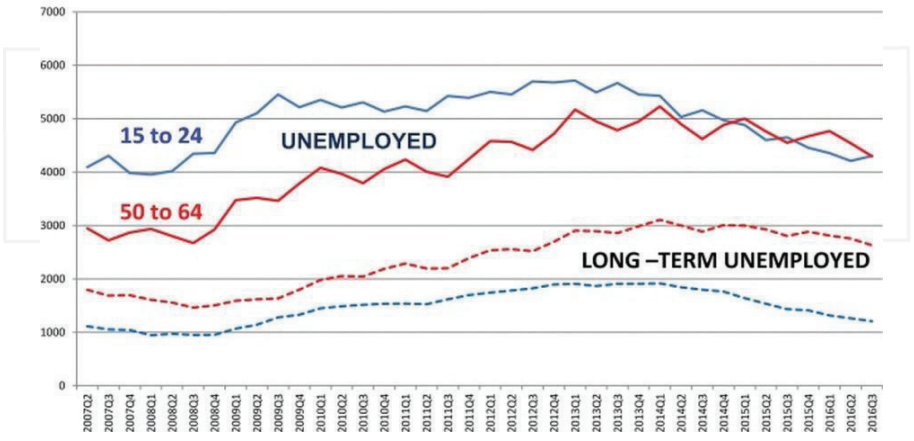

Figure 1. Number of unemployed and long-term unemployed aged 15–24 and 50–64, 2007–2016. Source: Eurofound 2017.

Retirement is the main reason given by men in this age category for being outside the labour market, while the second is illness or disability. For women, also personal or family responsibilities represent a reason for inactivity.

2. Challenges and ambiguity of activation paradigm in welfare reforms

The increased risk of exclusion from labour market for everyone, in consequence of the world crisis, along with the progressive deficit of public finance, stimulates a more wide discussion on how welfare system may face this kind of challenges.

In terms of policies, starting from Lisbon European Council held in 2000, a new paradigm arose in European welfare system reforms, in search of a balance between public and private engagements and resources.

From a theoretical point of view, it has been necessary to rethink categories and values to assume as central in welfare systems, for example, social inclusion, considering all life course phases and not only the last one. This is signified to abandon a passive vision of individuals and a role of mere reparation for the state, which acts a posteriori, in favour of an active vision of individuals and interventions a priori by public actor in order to prevent risks. In this way, resources devoted to the welfare system may be seen as social investment more than an expenditure. An investment in citizens, in the development of their abilities and capabilities (according to Amartya Sen theories), in order to give them the tools to participate in an active way, to the economic, social and political life of the community they belong to, is the essence of the so-called activation paradigm, whose perspective implies that the whole welfare system enhances the role of all actors involved, along with the state: firms, individuals and families and social formations.

The described development, however, does not follow a single logic of retrenchment or retreat of the state in all European countries. Moreover, the changing forms of governance confirm the thesis of welfare state renovation paths characterized by reduced public responsibility for the delivery of labour market services, decreased funds for subsidies and an increased spending for active labour market policies aiming to reinforce employment and citizens' responsibility through the principle of conditionality for having access to public benefits. All together this confirms a change in the function of the state within welfare systems. Now it acts more as a coordinator in networks of different kinds of actors (such as third sector, firms, associations) than as an administrator inspired by the logic of hierarchical intervention in assigning social rights and subsidies [4]. However, moving towards an activation welfare state implies the emergence of an enabling state, able to provide measures and services supporting citizens in the critical transitions of working life. This represents a change in the nature not only of welfare but also of the state itself.

According to the guiding idea of activation, citizenship—to be a guarantee of inclusion, protection and well-being—is a function, first, of an active inclusion in the labour market but also the commitment in answering to the needs, tiered.

Actually, the most common definition of activation paradigm (widely affirmed by European guidelines[1]) is centred on the link between welfare and labour policies, so between social protection and individual paid employment. The great part of European welfare reforms state labour at the centre of citizenship and as a requirement for having access to welfare system services and benefits.

A feature emerging also from the Organization for Economic Cooperation and Development (OECD) definition of activation strategies [5] is described as aiming 'to bring more people into the effective labour force, to counteract the potentially negative effects of unemployment and related benefits on work incentives by enforcing their conditionality on active job search and participation in measures to improve employability, and to manage employment services and other labour market measures so that they effectively promote and assist the return to work'.

OECD and the European Commission encouraged member countries to implement effective activation strategies for the unemployed, since the evidence showed that they would help cut unemployment and boost employment. They also argued that, if suitably modified, it could be the case for adopting activation strategies also to favour other categories of citizens, to promote their working potential, for example, inactive people, or people affected by chronic diseases, disabled, early retired and sole-parent or social assistance recipients.

In particular, a series of OECD and European Commission country reviews of the implementation of the Jobs Study recommendations and the European Employment Guidelines, together with academic research, has stimulated a scientific debate on the definition of activation. A key paper written by Coe and Snower [6], for the first time, makes evidence on the potential for complementarities between policies and institutions in the fight against high and persistent unemployment [7, 8]. The evidence suggests that effective activation regimes work in the sense of assisting the unemployed to get off benefits and into work but also the inactive to find a job. Several empirical studies stressed the complementarity between Active Labour Market Policies (ALMPs) and unemployment insurance and related welfare benefit systems, suggesting a more complex definition of the so-called activation paradigm. It requires the involvement of a plurality of actors (public and private) and their coordination (at central and local level), in order to reach the higher number of people out of the labour market. A much richer view of activation encompassing the interactions between unemployment insurance systems, ALMPs and benefit conditionality insists also on the enlargement of group target for activation policies. This was fully articulated by OECD and taken on board in the later iterations of the European Employment Guidelines [9].

Early successes with activation strategies suggest that they can contribute significantly to mobilize benefit recipients back into employment, which is key both for reducing benefit spending and for shoring up government revenues, now and in the longer term. Comparative studies (see for example [10]) revealed that, in the long run, activation policies are successful in (re)inserting unemployed into the labour market, while less effective results have emerged

[1]For example, in European Employment Strategy defined in 1997, more explicitly in the Strategy "Lisbon 2000", until the more recent Strategy "Europe 2020".

for employed career progression. In most of the OECD countries, population ageing and the associated pressures on public social expenditure make a longer working life a key element of policies aiming to restore the fiscal sustainability of social protection systems.

Activation strategies were primarily developed for people receiving an income-replacement benefit, to enforce a principle of individual responsibility and reduce benefit dependency and long-term unemployment (and opportunistic behaviours sometimes linked to it, such as irregular work) and, finally, to make employment services and social security system less expensive. Elements of these strategies typically originated in countries with universalistic or more generous welfare systems. By contrast, countries with less generous welfare systems tend to invest relatively less in activation measures.

Beyond the outlined general and convergent changes due to the paradigm shift, however, this latter has been traduced into practice in different ways, in countries characterized by different welfare regimes. For example (referring to the countries here analysed), in the conservative welfare state of France and Italy, changes mainly entail a reduction in welfare benefits and a promotion of flexible forms of employment. On the background of still high unemployment rates, it seems that there is not a dominant strategy inspired by activation principle. In Italy, this is closely related to a low capability of reflexive governance, which is due to the contradictory family models followed in different policy fields. In France, integrated active labour market policies are conceived within the rigid normative framework that historically characterizes this country, with limited capacity of work creation.

The economic crisis has given rise to a severe employment reduction, putting into question the same activation paradigm. In particular, 'which kind of activation is possible without job opportunities in labour market?'—a question particularly crucial for some categories of workers considered 'weak', like the younger and the older ones. As said above, although for different reasons, all these groups suffer problems due to age. The questioning of activation paradigm highlights a sort of ambiguity of this kind of policies, synthetizing in three dilemmas [8]:

- The paternalism dilemma: activation in labour market policies constrains individual choice, if the required full employment as a one-fits-all solution ignores individual preferences and choices. This is particularly true for persons with care responsibilities which cannot be completely de-familized (this is particularly evident in Italian familistic welfare, charging of care responsibilities not only women but also old people).
- The structural dilemma: supply-side oriented, strictly individualized activation approaches ignore structural labour market problems and often result in eroding employment standards and low job quality. A consistent industrial policy, aiming to increase the number of job available into the labour market (demand-side policies), needs to be implemented as a complementary to other activation policies.
- The implementation dilemma: activation is a complex and costly policy strategy. Costs depend from the range of beneficiaries, as well as from the level of service personalization and from the integration of activation policies with other ones, for example, those related to families, in order to avoid inconsistent incentive systems. For reasons of cost containment, policy makers usually opt for partial reforms cutting the effectiveness of the same policies.

Another source of tension may emerge from the theoretical framework of activation, for example, concerning the power of social inclusion of work. Activation paradigm is based on two assumptions: unemployment is tantamount to exclusion, but inclusion is equivalent to employment. This latter is not a homogeneous group, and therefore it is not always able to positively contribute to the realization of corporate citizenship; not all the work is employment (just think of the voluntary work, the activities of informal care, the actions of reciprocity inscribed in a community). Inclusion is neither a unique nor a static concept; you can disconnect between autonomy and pursue employment [9], and this is especially true in a context of high flexibility of work.

Furthermore, the experience of the last decade in different territories clearly showed that activation policies are effective in dynamic environments and aimed at full employment. They are thus fragile if not properly integrated with other types of policies, also passive, when these optimal conditions are missing, and this may have significant effects on welfare financial sustainability. In this sense, the international economic crisis and the heavy impact on employment make it quite clear the aporias of the model.

A last consideration concerns the role of training policies. According to the activation paradigm inspired by a social investment perspective, training, lifelong learning and the relative investment in human capital must be considered as priorities. But defining for what purpose (employability vs. empowerment) and for who (target beneficiaries) to design training measures appears rather difficult, because the highly differentiated groups in need are in and out of the labour market.

These tensions and dilemmas are answered in different ways by governments according to path-dependent contextual settings in each country. However, they lead to think that, under some circumstances, citizen activation into the labour market could limit citizen's autonomy than enhancing it and contradicting activation principles and aims. Thinking about how to encourage citizens to participate more actively and to avoid paternalistic treatment requires a more fundamental reform of the policy toolkit. For example, some practices have highlighted the need for more transparency and information policies, mechanisms of participation in implementation and decision-making processes, especially with reference to selected disadvantaged groups of citizens.

Hereinafter the chapter will analyse activation policies addressed to young and mature workers put in practice by two countries, France and Italy. These cases are interesting because of their intergenerational approach to labour policies, proposing common solutions for the two groups (i.e. the *contrat de generation* and the *staffetta intergenerazionale*). Before this, a short reflection on the main criticalities affecting younger and older people in (re)entering and remaining into the labour market is presented. This is especially in order to dispel some stereotypes on age and describe the approach recommended by international agencies.

3. Age as a source of discrimination into the labour market

Political issues concerning the position of young and older workers are often described as the insider-outsider problem. The insider-outsider theory is concerned with the conflict of interest between insiders and outsiders in the labour market. Outsiders are those individuals

who incur a particularly high risk of being in atypical employment or unemployment during their work life. This risk is measured on the basis of specific rates of unemployment and atypical employment of social groups defined by class, gender and age. Considering institutional context, in particular with reference to the social protection system, the said risk is stronger, which spreads in Southern Europe regimes, especially for women and young people, given their male breadwinner tradition [11]. When considering the labour turnover costs (LTCs), the following perspectives are defined: (i) the insiders are workers whose positions are protected by LTCs; (ii) outsiders, who have no imminent prospect of such protection (e.g. the unemployed, workers in the informal sectors and inactive individuals); and (iii) entrants, who hold jobs that may lead to insider status. Following this perspective, as people's duration of employment rises, the labour turnover costs associated with their positions often rise as well. Consequently, the greater their seniority, the more protected their positions become. Similarly, as people's duration of unemployment rises, their connections with their previous colleagues and employers often fade and the more difficult it becomes for them to compete for the available jobs [12].

Since the young have more frequently flexible and insecure labour contracts, they are defined as outsider; on the contrary, older workers are considered the insider. Nevertheless, welfare systems reformed on the basis of activation paradigm expect workers to act more responsibly, to be employable, flexible and mobile. Individuals who have the most difficulty meeting these new expectations (especially those possessing obsolete skills or a low level of expertise) run the highest risk of welfare losses [13]. In this case, the younger may appear as the insider and the older the outsider (respectively, the higher and the lower educated). This consideration reveals the complexity of the problems; age is not the only one feature to define who are the insider and the outsider, but this condition of vulnerability affecting both the two groups of workers, although for different reasons, may become an incentive to 'cooperate', to accept and to try shared solutions [14].

With particular reference to the young, their general condition of weakness in labour market and in society has origins in the evolution of historical, economical and political context where the generation of the current 15–29-year-olds grew up—a context that, unlike the one where their parents (now older workers) lived, presents:

- Greater market instability and less possibility of control for the public actor
- Greater flexibility of labour relations, often accompanied by a lower continuity of employment and contribution payment, as well as lower wage levels
- Poorer distribution of the income and downsizing of welfare systems and social protection
- Increasing tendency to shift the economic-social-insurance risks from companies to workers and from public to private, with more instability in work and social relations
- Lower correspondence between job opportunities and level of attained education
- Higher costs for pension transfer between generations, only partially attenuated by the systematic introduction of immigrants in the labour market

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Young people are one of the most vulnerable groups in the labour market because of the absence or shortage of work experience. For this reason, the passage from school to work may become critical, and if prolonged, it could increase the risk of unemployment. This is an issue that young people in most countries of Europe have in common, where the rate of youth unemployment is systematically higher than that of adult population and tends to reduce with the increase of age. At the same time, the rate of youth unemployment everywhere is greater than the overall unemployment rate; young people are the major holders of fixed-term labour contracts and so the first to lose their jobs during periods of crisis. However, highly diverse situations have arisen from the comparative analysis.

Generally, hardships among the young seem to be more marked in the countries of Southern Europe due to both the deficiencies of the entrepreneurship system and to those of welfare system that (especially in Italy) tends to consider the family as the social structure of the last instance in critical situations. On the one hand, this factor mitigates the consequences of the hardships of the young, but on the other hand, it delays transition towards adult life, promoting an intergenerational transmission of disparities, and especially inequality, in entering into the labour market. People tend to view younger people as energetic and comfortable with technology, in opposition to middle-aged and older workers seen as experienced, family oriented and more reliable than younger workers [15].

At the extreme opposite of professional life, older workers encounter difficulties especially when expelled or when they risk to be expelled from the labour market.

A series of stereotypes are diffused on seniors, concerning, for example, the lower flexibility in the performance of their work (especially for those with experience in highly structured organizational contexts), the greater exposure to a precarious state of health, and also the fact of having less familiarity with the use of new technologies and access to continuing vocational training. Indeed, there is a lesser availability on geographical and occupational mobility, as well as the time constraints, especially if there are minors or impoverished persons to be cared for within the family. Still, older workers are often more expensive owing to pension payouts and particularly seniority wages [16, 17].

Research dealing with the re-employment of older unemployed repeatedly concludes that age has a negative effect on the chance of finding a job [18, 19]. Consequently, older individuals may have to end their career more than once, making the transition from unemployment to retirement [20]. Moreover, several authors agree that older individuals experience considerable wage losses in comparison with the previous job [21].

In this sense, if we compare this situation with that of the youth sector, the later prevails, especially when connected to the possibility of drawing up contracts which are more convenient for companies from the tax and economic point of view. Furthermore, in some cases it may prove vital for some mature workers to continue working in order to ensure a decent lifestyle, due to the insufficient income from their pension. Indeed, as already said, many countries have cut pension payments because of the financial crisis of the social security systems, forcing workers to postpone the age of retirement not only for the new generations but also for the 50-year-olds of today.

Considering demographic trends and the lack of public resources, the European Union suggested national governments to adopt an intergenerational approach, and as already said, as a consequence some of them have recently introduced initiatives seeking to foster intergenerational partnerships in the labour market.

4. Intergenerational approach legitimized by international agencies

Although intergenerational policies have been recommended by the European Union since 1993, studies on what has been implemented (number, type and success of programs) are scarce. Projects involving youth and senior are not easy to realize, and the limited understanding of conditions conducive to success further reduces the tendency of governments to adopt initiative favouring intergenerational relations. This is more true considering interactions into the workplaces, where the theme is intended to increase its importance in consequence of ageing processes and national policies rising retirement age. Just think, for the first time ever, four distinct generations share the workplace: the silents (mid-60s and up), baby boomers (mid-40s to mid-60s), Xers (mid-20s to mid-40s) and millennials (the newest workers). As we will see later, government may enable companies to deal with a multi-aged workforce through legislation.

The adoption of an intergenerational approach to deal with the labour market criticalities emerged in European debate more time ago. The 2005 European Green paper 'A New Solidarity between Generations faced with Demographic Changes', for example, recommends to consider the problems related to older workers in strict correlation with those encountered by the young entering the labour market or looking for a stable job. It proposes to interpret ageing not in terms of a trade-off between the insiders-outsiders citing demographic forecast and political economic analysis. In fact, over the next 25 years, in Europe, there will be an annual increase of about 2 million people over 60 years of age, which number was flanked in 2014 by a reduction of about 1.5 million people of working age as a consequence of the decline in the birth rate. In short, the incoming labour workflow from the market will not be sufficient to compensate for the estimated outgoing.

Whereas economists consider the supposed trade-off between young and old workers as a fallacy, because economies are not static and the number of (full-time) jobs is not fixed, economic theories stress the importance of policies aiming to increase the available supply of jobs in the labour market [22]. They tend to recommend to avoid early retirement practices, because they may reduce unemployment in the short run, but in the medium and long periods, they may produce adverse consequences, such as lack of workforce, consumer price growth and reduced aggregate demand. Conversely, increasing the average age of labour market exit may increase the size of the labour force and boost unemployment, also for young workers [23]. Finally, important explanatory factors pertain to general labour market conditions. When the economy is expanding, new jobs are created for both the young and the old; the opposite is true in crisis time [24, 25].

Indeed, European Union experts highlight the benefits deriving from the presence of both groups in the world of work. The decision of seniors to work longer or with less intensity,

for example, can favour the work-life balance of young people. We read, 'It is possible that active young people want more time to dedicate to their children and perhaps they want to work during another stage in their lives. The demographic changes can therefore contribute to a new work organisation that is more adaptable and flexible', promoting the management of career paths differentiated according to age, as well as the number of years worked. In the latter case, tools such as competence balance and career assessment for workers between 40 and 50 years of age have been experimented in a number of European countries with significant results. Furthermore, we see how 'technological developments offer all the groups the possibility of better conciliating the presence of older and younger workers in the workplace, as well as better conciliating family and professional life'. In particular, a crucial role for seniors in the coming years is assumed, as it forms a junction between the generations of active pensioners in significant numbers and in reasonably good health and generations of young people with a (working) present and a (retirement) future with decidedly fewer benefits and guarantees. In this regard, in addition to limiting the cases of early retirement and the extension of pension age, an option of advanced integrated policy aiming at intergenerational solidarity has also been put forward, providing for the renunciation of a part of the pension resources (to the levels where this is possible) in favour of the strengthening of family services, including education and training, together with incentives for pension-work accumulation schemes. Similarly, in the Proposal for the Joint Report on Social Protection and Inclusion 2009, the Council of the European Union states that the national systems should guarantee an adequate minimum income, considering the changing context of the redistribution of income between and within the generations. 'It happens that a large percentage of families consisting of pensioners has a per-capita income which is equal or higher than that of young married couples, both with jobs and with children'. This prompts a more sophisticated reassessment of the problems of distribution of social security than simply increasing the rate of pensions as an end in itself, requiring instead the creation of a complex and global system, based on the consideration of many variables and of the life cycle.

The International Labour Office has also entitled one of its recent analyses 'Young and Older Workers: Two Sides of the Same Coin'. The goal is to underline the need to govern the presence of different generations at work, young workers cannot always easily substitute older workers, and these ones have the right to move to a well-deserved rest when private life and economic or retirement conditions make it possible.

In the specific context of global crisis, international observer as OECD, in 2013, noted that certain groups, most notably low-skilled young men, are doing particularly poorly in the labour market. By contrast, older workers have weathered the crisis better than in previous deep recessions, but this did not come at the expense of youth. Therefore, governments are invited to pursue strategies that will improve employment prospects for both younger and older workers, including through growth-enhancing structural reforms and targeted active labour market measures to help those in both groups with specific problems in entering or staying in employment. In particular, an innovative approach is suggested, aiming to promote intergenerational relations in workplaces. This kind of interventions usually aims to strengthen complementarities between youth and older workers. In particular, the specific goals are to support intergenerational handover (with reference both to the position of company employee

and owner), accompanied by training; to increase youth employment; and to prolong senior working life. Advantages are expected for all parts: the young to enter the labour market more smoothly, the older to exit the labour market gradually, firms to remain competitive (thanks to a more efficient age management) and finally governments to collect and save more tax revenues (paid for young unemployed and early pensioners).

Examples of policies promoted in a similar way, seeking to strengthen complementarities between youth and mature workers, envisage the transfer of competences between older and younger workers or the creation of jobs for youth maintaining older workers in employment. Their success derives from an interplay among actors representing different institutional levels and the convergence of interests. Indeed, advantages are expected for all parts: the young to enter the labour market more smoothly, the older to exit the labour market gradually, firms to remain competitive (thanks to a more efficient age management) and finally governments to collect and save more tax revenues (paid for young unemployed and early pensioners).

While little is known about the effectiveness of these schemes to create jobs for youth and retain older workers in employment, they seem unlikely to have played a major role so far [24]. Even though, as we will say in final remarks, this could be a source of weakness, it is possible to recognize that the main value of such schemes is to foster a culture of greater cooperation across age groups and institutional actors.

This work will cite the cases of France and Italy where welfare reforms (in particular concerning retirement and labour) have provided pacts and programmes cross-generations.

5. Labour policies cross-generations in practice: two attempts

5.1. Intergenerational policies in France

Ageing process is particular evident in France where old-age-dependency ratio[2] was 28 in 2013, and it is projected to increase of 15 points until 2060 [2], along with the economic old-age-dependency ratio[3] (+18). France has seen progress with respect to 'young senior' (55–59 years) employment rate, which has reached 67.1% in 2012, higher than the international averages. By contrast, employment rate of people aged 60–64 (21.7%) remains far below European average (32.2%). Employment rate of workers between 44 and 64 years remains below 40%, far from the European level (46%).

The French case is interesting because the government has developed a regulatory system for enterprises, in order to improve the functioning of the entire labour market, adopting a long-term perspective. The regulatory provisions, inspired by the European Union's recommendations, as it will be better explained hereinafter, are operational and provide precise directions on how to set human resource management policies and tools, aimed at preventing that age represents a factor of discrimination into the labour market and into firms. The approach

[2]Population aged 65 and over as a percentage of the population aged 15–64.
[3]Inactive population aged 65+ as % of employed population 15–64.

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clearly tries to enhance employment opportunities for the younger, while retaining the older into the workforce.

In the last decade, French government has developed labour reform aiming to face difficulties of different groups of workers due to age.

In 2003, pension reform changed the requirements to qualify for a full pension (from 40 to 41 years and three quarters), from 2009 until 2020. The 2010 reform provided, between 2011 and 2017, the rise of age for pension entitlement (from 60 to 62 years) and access to the full rate (from 65 to 67 years). Public funding for early retirement has been abolished.

In 2006, French government launched the 'National Action Plan for Employment of senior 2006–2010'. This has required that, by the end of 2009, companies with more than 300 employees have to enter into agreements to improve seniors' employment, both increasing their number through targeted recruitment processes and improving their permanence in enterprise through internal management measures by dedicated staff. Firms with 50 employees could, and still can, be limited to adhere to a sectorial agreement.

This last must correspond to a minimum commitment schema, indicating at least three measures (i.e. recruitment of older workers, improvement of working conditions, skills development, transmission of knowledge and promotion of mentoring), accompanied by a quantified objective.

To promote the observance of the device, from 2010 the law also provides a penalty of 1% of the total salary (paid in addition to the contributions of pension provision), for companies with over 300 employees who do not conclude the said agreements. Smaller businesses are exempt, provided they enter into an agreement in the productive sector to which they belong to.

The 2009 law of social security funding, for example, establishes sanctions for companies that do not draw management plans by age, while the law on vocational training reform of the same year introduces the obligation of mid-career professional evaluation, in order to programme the second part of the career, considering ageing of the worker, the principle of equal access to training for all categories of workers, the establishment of tutoring programmes for workers over 55 as well as 'flipped' tutoring in which junior workers transfer skills to the senior.

In 2013,[4] French government introduced the 'contrat de génération', a tool dealing simultaneously with young insertion and older retention in labour market. It is an innovation, part of the government's battle against unemployment and precariousness, particularly that of the youth (in France, one of two workers under 26 has a fix-end contract). The guiding idea is that it is the alliance of generations that will empower French economy and society. Firms risk to lose senior workers' experience and, at the same time, may take advantage from up-to-date young workers' knowledge, especially concerning technologies (hardware and software). Generation contract may create the conditions to improve the skills available for companies, along with the quality of relations in workplaces (at least this is the purpose). By 2020, more than five

[4]Loi n. 2013-185 du 1er Mars 2013.

million active people will be retired, and in parallel, nearly six million young people will make their entry into the French labour market; therefore, anticipating the renewal of skills is a social and economic necessity that the generation contract seeks to ensure. In practice, with this contract, a young person is granted an open-ended contract against a new part-time work contract for a senior worker, thus allowing more sustainable and likely permanence at work and ensuring transmission of knowledge and skills within the company. According to this measure, a contract would be signed between an employer and two employees: a young person under 30 and a senior over 55. The employer would commit to training the young employee, benefiting from the experience of the senior, who would spend part of his time (25 or 30%) training, mentoring and guiding the young employee. The measure would be reserved for young graduates in order to act as an incentive to employment in industry avoiding the demotion of qualifications for young people who have difficulty finding jobs when they graduate.

The French law allows particular ways to apply 'contrat de génération', according to the type and to the size of the company.[5] Firms with more than 300 employees have to sign a specific agreement stating contract conditions and engagements for all actors involved. Penalty is put into action if the terms negotiated are not respected. Medium and small companies can benefit from a tax concession for signing permanent contracts with people under 26 while maintaining a corresponding older employee aged 57 or over in work or hiring one over 55. Government subsidy amounts to 4000 euros a year for 3 years and for medium-sized companies is conditional on having a specific collective agreement, while this is not required for small firms.

The goal is to have 500,000 young workers hired during 5 years in small and medium companies.

Moreover, the 'contrat de génération' had foreseen benefits according to the number of seniors in the company. Benefits will be progressively increased between 2013 and 2016 starting from 180 million euro in 2013 to 920 million euro in 2016.

Evaluation reports [26, 27] allow to reflect on the impact of the generation contract on the target workforce and on the achievement of its goals. Data show about 45,000 contract signed at the end of 2014 (16,705 in 2013, 16,300 in 2014, 12,000 in 2015). About 80% of the assumptions involved young male workers, while senior recruitment occurred mostly in small businesses and in the cases of enterprise ownership, especially in agriculture. On average, the contrat de génération saw the pairing of a young worker already in business (one in two) to a senior with qualified work in the same firm. The sectors more involved have been construction, engineering, trade and agribusiness.

One third of the requests are made by companies with more than 50 employees.

About 21% of the generation contracts signed in 2013 and 23% signed in 2014 were broken in their first year, while 20% of the 2013 contracts were broken in their second year; most often (75%) the departure was of the young worker, especially (55%) to move to another company, while 58% of contract broken by the senior are due to retirement. The report underlies that

[5]These ways are stated in the Accord National Interprofessionnel (ANI) signed in October 2012 by the representatives of trade unions and company unions.

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these breakdown rates are lower than those recorded for ordinary contracts with indefinite duration (for the same cohort, young people from 15 to 24 years).

A study [28] presenting an ex ante simulations of the effects of the 'generation contract' provides interesting conclusions, because it is in line with the first evaluation results. In particular, the study shows that the impact of the contrat de génération is mostly on young people, with 30,000 unemployed people avoided, but also seniors who are kept in employment longer with the measure, with 5000 fewer unemployed and 14% of the unemployed avoided, thanks to the programme.

There is also an effect of decreasing youth unemployment. However, this effect is small, 0.38 points on the order unemployment and 0.03 points on senior unemployment. These effects were not predicted in the impact study, but the ambition of the law suggested a substantial effect. On the other hand, the contrat de génération improves the career path of the beneficiaries in terms of employment (more permanent contracts and fewer fixed-term contracts), which was an ambition of the programme. In addition, the gross cost and the net cost per unemployed person are less than the cost of social benefit systems.

The contrat de génération thus represents one more tool to enhance the age factor in enterprises workforce, balancing the representation of young and old, in a win-win relationship, where everyone can benefit, including the company.

For this reason it is an innovative tool of labour policy saw with interest by other European countries, such as Italy.

5.2. Intergenerational policies in Italy

Italy registers a low level of older worker participation to the labour force, compared with European average. Although it has increased over the time, in 2013, it was 48.4% (56.6% in Europe) [2]. The rapid increase of ageing processes is evident looking at the evolution of old-age-dependency ratio (33 in 2013 and is projected to grow of 20 points until 2060) and of the economic old-age-dependency ratio (57 in 2013 and is projected to grow of 22 points until 2060). The great part of improvements is the result of reforms implemented in the last decade, particularly concerning pension policy.

The promotion of active ageing policies and related employment policies is a relatively new area of intervention in Italy. The majority of actions in favour of mature worker employment have been implemented at regional or provincial level within the context of ESF Regional Operational Programs.

At national level, a 2004 reform has enabled the introduction of a salary bonus to encourage seniors to continue their activity. By 2012, pension reform provided a shift in retirement age from 65 to 66 years, for both men and women and financial disincentives for who choose to retire before the age of 62, early retirement is possible (with reduced benefits) only after accumulating 41 years of social contributions for women, 42 for men. Reform has also established the transition to the contribution system for all workers. Despite these efforts, the employment rate of people aged 55–64 is 10 points lower than the European average.

Concerning the younger component of labour force, in 2011, as in the rest of Europe, a Youth Guarantee Plan has been launched, and agreements with the Ministry of Labour and Social Policy for the transfer of European funds have been signed by some regions. Plan foresees several services aiming to reinforce employability of weaker young people in labour market, and it allows to increase significantly Italian investment on activation policies for this target of people.

As in France, also in Italy, a programme is in place, since 2007, to promote solidarity agreements between generations (Law 296 of 27/12/2006). Thanks to this programme, the reduction of working hours from full time to part time for a worker close to retirement is matched to the employment of a young worker (under 25 or 30 if graduated) with an apprenticeship or fixed-term contract, by which firms' employment balance should be positive.

Moreover, most policies have been traduced in local initiatives and projects carried out on a small or medium scale. The first initiatives originated from the regions of Friuli-Venezia Giulia and Lombardy. The former region provided specific funding devoted to 'expansive solidarity contracts', for example, corporate agreements between workers of different age. Agreements, which may also count on resources from the Ministry of Labour and on technical assistance provided by a Ministerial agency, *Italia lavoro*, will allow senior workers (the over 50s) to enter into part-time employment in return for the recruitment of young people on training contracts. The ultimate goal is to increase youth employment balancing the needs of younger and older workers in a perspective of intergenerational solidarity. Thus, with the intake of young people on apprenticeship and/or permanent contracts, it is the region that will pay integration contributions to National Institute for Social Insurance (INPS) on a voluntary basis for the benefit of those employees, of the same company, who voluntarily accept a part-time contract. Local agreements with social partners identify possible target sectors, companies and workers that shall participate in the project.

In December 2011, Lombardy Region, *Assolombarda* (the association representing firms' interests at regional level), and INPS launched an experimental version of the 'generation contract', during 3 years, in the provinces of Milan, Lodi and Monza-Brianza. Recipients of the initiative are, on the one hand, those workers who will reach their pensions (both seniority and old-age pensions) in less than 36 months and, on the other hand, young people who are at least 18 years old. This experimental procedure entails transforming full-time employment contracts into part time (either horizontal or vertical), with a reduction of as much as 50% in work hours. The agreement signed between employee and employer on a voluntary basis must in any case be formalized and concluded with the trade unions at the competent Conciliation Commission setup at *Assolombarda*. Following the signing of the agreement, employer shall hire a young person on an apprenticeship contract or another kind of permanent contract, so as to produce a positive employment balance. Workers may also take advantage of training interventions entailing professional reorientation or coaching, as well as a transition path towards new realities, while firms may renew their personnel without losing the competences and firm-specific expertise. The coordination between local and central administrations is crucial in the context of this policy. Through joint agreements, they manage financial resources

necessary to compensate the lower social security contributions paid by older workers with the part-time contract.

A new experimental version of the ministerial decree will be implemented in Lombardy in 2013 for a period of 3 years. In this case a limit has been introduced to the reduction of working hours in the senior contract hours; it should not exceed 50% of the previous working time. During this experimental phase, the 'generation contract' programme is expected to involve a total of 250 workers.

Another project is the AMVA, 'Apprendistato e Mestieri a Vocazione Artigianale', launched by the Ministry for Labour and Social Policies realized by Italia Lavoro agency and partly funded by European Union (European Social Fund (ESF) PON 2007–2013). The goal is to promote the generational turnover in the sector of handcraft and artistic professions, in favour of young unemployed (15–35 years). The project is articulated on two innovative measures. The first, named 'Botteghe di Mestiere', assigns financial incentives for entrepreneurs offering apprenticeship positions to young workers (18–28 years). They receive a monthly amount of 250 euros per apprentice, while young worker receives 500 euros. This project tries to maintain and perpetuate the know-how characterizing the 'Made in Italy' economic sector from a generation to another, considering the progressive desertion of young workers from the most traditional jobs representing Italian competitive economy. This can be particularly beneficial for the smallest firms, or self-employed workers, without resources to finance skills renewal.

The second measure within AMVA, 'Impresa Continua', aims to accompany entrepreneurs older than 55 years in the transfer of their enterprise to a young (18–35 years) aspiring to become entrepreneur.

Indeed, two similar interventions have been promoted in Sardegna and Veneto Regions.

In this case, no evaluation reports are available, but regional experiences have not led to a definite model of intervention, nor employment or unemployment rates of the groups studied have significantly improved. Funds invested are still scarce, and the continuous changes in regulations, especially on pensions, discourage workers to adhere to a cross-generation programme. Nevertheless, the government has renewed the importance of an intergenerational approach in labour policies, following the European Union, having affirmed the centrality of active ageing realized through an intergenerational approach in its financial planning for the period 2014–2020.

In particular, Italy's 2016 Stability Law has reinforced a system to encourage 'intergenerational staff turnover' in companies. This would allow for knowledge transfer from older to younger workers and a phased, flexible movement into retirement for those close to the end of their working lives. The new law also regulates the so-called solidarity contracts that allow employers to reduce the working time of older workers while preserving their social security benefit entitlement, so that new, younger workers can be employed on permanent employment contracts. To do this, the law establishes a link between paritarian solidarity funds, paritarian institutions and employers to ensure that workers whose hours have been reduced under the measure do not lose the social security contributions that would have been calculated and paid on the share of their lost wages.

6. Conclusions

This paper moves from the assumption that achieving a high level of employment may help to contain negative implications of ageing processes on public finances for welfare policies. Indeed, ageing intensifies relations between generations not only within family but also within firms and, more in general, in labour market.

In the last decade, the study of intergenerational relations in organizational contexts has regained importance, both in political discourse and in academic research not only in Europe but all over the world. Generally, measures were collocated within the diversity management practices, founded on the idea that each generation has skills and talents that may complement one another and leverage an engage workforce leading to higher productivity and a competitive advantage.

However, labour policies supporting intergenerational relationships in the workplace remain still relatively underdeveloped.

Country case studies described above point at some innovative and targeted policies for both groups, the younger and the older workers with training programmes featuring prominently. They mainly focus on mentoring programmes and job sharing to promote productivity, reduce generational tension and enhance work satisfaction, with the consciousness that overall employment performance is driven by the institutional framework and economic growth, rather than particular active labour market policy measures. Then pension reforms, labour market regulation and vocational training schemes represent important explanatory factors in this respect, but not a substitute for job creation. Has said in the first part, in fact, policies for sustaining economy growth and an enlarged labour market are the most efficient policies to counteract unemployment, while activation policies are worthy of complementarity. These latter, traduced into practice in France and Italy, have confirmed the challenging but also the ambiguity emerging in their theoretical framework, as stated in paragraph 3. In particular, both France and Italy have not reinforced policies aiming to create new jobs; they have given priorities to the pension policies and measures to make more flexible labour legislation. France, however, has conceived an integrated policy system that improves the opportunities of lifelong learning for all, especially for groups of workers traditionally excluded, such as the older. Also the stressed role of training in the contrat de génération is a distinguishing feature aiming to reduce inequalities in the workplaces due to the lack of competences.

The main critics moved against innovative policy tools presented, such as the contract between generations, that they do not increase the number of jobs available on the market, but on the contrary, they simply aim to maintain existing employment, without effect in reducing unemployment. For Ref. [29] 'It could be considered an incentive for employers to train young people using their senior employees. However, it risks to continue extending substandard work contracts and insecurity to a population with a higher and higher level of education'. So he concludes that the main challenge for employment policy in today's crisis is to invent and promote a new professional status for the entire body of active people based on quality employment, the value of work and more secure professional pathways. But others (see, e.g. Ref. [30]) pointed that this is the right aim of labour policies and contracts between generations that is to improve quality of the last part of working life for a senior, giving at the same time, an oppor-

tunity to the entrance for a young. This is what emerges from the simulation ex ante and from the evaluation reports of the contrat de generation. It is generally observed that the reduction of youth unemployment thanks to the generation contract is not due to an improvement in the number of people entering employment, but rather to an improvement in the duration of employment, with less hiring on fixed-term contracts, with a significant positive effect of decreasing short episodes of unemployment between precarious contracts. In addition, the cost of the measure compared to the cost of the unemployed avoided saves the cost of social benefits. Then, if the effect on employment is modest, with 32,000 jobs created, on the other hand, it is a programme that weighs much less on public finances, at a cost of 625 million euros per year against 22 billion euros per year for the relief of burdens [31].

Some scholars [32, 33] highlight the limited convenience for older workers (especially for those enjoying good health or with a low level of expected retirement revenue) to accept this kind of contract which implies a wage reduction until retirement. Some others put into question the possibility for public employment services to govern efficiently complex processes (both form an organizational and administrative point of view) heavy-handed, bureaucratic scheme that does little to provide a real stimulus to combat high unemployment.

Moreover, the debate on technical solutions may be better off in the future when set of data on the impact of such devices will become available.

At the end of this brief analysis, it is possible to conclude that labour policies with an intergenerational approach may represent a vehicle to promote a change of perspective, from that of rational exchange to that of relational redistribution, not only in political debate but also in public opinion, fostering a cultural process aiming to overlap age discriminations in workplaces as in the society. To promote cultural change is an indirect result to be added to the other direct results such as to improve the quality of work for young workers, while making more sustainable the last part of career for senior, given by solutions like the contrat de génération, or contracts envisaging generational bridge. Their small effect on unemployment rates suggests that these devices have to be considered as complementary to other labour policy measures, even if ex ante simulation shows positive effect on the employment rate of young people in the long run. Variants supposed in the same simulation point out that it is not easy to improve the policy scheme.

Conceiving intergenerational policies could finally be one realistic way to deal with the labour and welfare crisis, preserving, at the same time, cohesive societies, at least in the short or medium term, until economy will start again to expand.

Author details

Barbara Barabaschi

Address all correspondence to: barbara.barabaschi@unicatt.it

Department of Economic and Social Sciences, Catholic University of Sacred Heart, Piacenza, Italy

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Chapter 3

Unemployment Normalization in Different Economic Contexts

Claude Houssemand and Anne Pignault

Additional information is available at the end of the chapter

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Abstract

A recent strand of research has raised the question of whether a change is underway in the relationships that people have with work and nonwork. This body of work suggests that the manner in which people view unemployment and not working is changing. This chapter pursues and clarifies the first results of this research. The authors hypothesize a process of unemployment normalization, defined as the view that unemployment is a normal or even inevitable phase of life in a person's career path and is the result of external circumstances rather than personal ones. This was tested with 600 unemployed people in two different economic contexts—France and Luxembourg—using a scale that revealed two latent factors: *Justification for current unemployment situation* and *Perceived normality of unemployment*. The findings reveal differences in the degree of normalization according to socioeconomic variables as well as an impact on the perceived health of the unemployed.

Keywords: unemployment, norm, subjective well-being, differential approach, economic contexts, Europe

1. Introduction

For years, many studies have showed that the unemployed have significantly lower subjective well-being (SWB) than the employed (e.g., [1–3]), but more recently, it appears that this gap is even greater where stronger work norms exist [4].

The expression "social norms" has been commonly and broadly used for decades—notably in research in social psychology—to help explain human behavior (e.g., [5–7]). In its broadest sense, a norm "might be regarded as any rule of behavior" ([5] p. 1494). A great deal of research today, therefore, distinguishes between *injunctive norms*, which refer to the social

approval or disapproval of behavior and include sanctions, and *perceived* or *subjective norms*, which refer to a subject's perception of the right behavior [7–10]. These studies highlight the influence of such norms on behavior and point toward the process of normative influence.

In 2003, Clark [11] suggested considering a given (un)employment norm within each reference group (at regional, couple, and household levels) in order to better understand the way the unemployed experience and cope with unemployment. He concluded his study with the observation that "unemployment always hurts, but it hurts less when there are more unemployed people around" (p. 346). A few years later, using German data from 1984 to 2006, Clark et al. [12] identified a "social norm effect of unemployment" (p. 7), albeit with a somewhat more nuanced result for women. Here again, indeed, the authors show that a high regional unemployment rate negatively affects the employed (for example by increasing the feeling of job insecurity) but has the opposite effect on the unemployed; unemployment then appears to be more bearable if it also affects others.

Nevertheless, also using data from Germany, Chadi [13] has clarified, or even contradicted these results. He does not invalidate the existence of a social norm effect but demonstrates that it has more of an impact on the way people view living off public funds (which is perceived as less uncomfortable if others of the reference group are in the same situation). Conversely, in terms of (un)happiness, the author shows that a high unemployment rate affects people negatively and explains this result by the fact that the unemployed have even more difficulty foreseeing their return to work in such contexts.

More broadly, using data from 45 European countries, Stam et al. [14] compare the subjective well-being of 22,440 men and 28,494 women from five different (un)employment status categories: "employed," "homemaker," "retired," "non-working disabled," and "unemployed". In this study, the social norm to work is measured using five items related to work ethic, and the authors also consider the unemployment rate and the gross domestic product (GDP) of the country. They conclude that the unemployed have the lowest well-being index scores and that, among them, men seem to suffer more than women do. In their view, neither the social norm nor even the unemployment rate or the GDP affects the well-being of the unemployed.

In line with such studies which seek to better determine the effect of a potential social norm of unemployment, Buffel et al. [15] point the lack of clarity surrounding the way this "new" norm is defined and the limit for taking into account regional unemployment rates. They then attempt to define the features of unemployment and account for its circumstances by distinguishing between displaced versus nondisplaced unemployed individuals. They also suggest refining the measure of health by considering mental healthcare use (in particular, *consultations* and *taking medication for anxiety and depression*; p. 7). Based on their analysis of data collected between 2010 and 2012 in 16 European countries (Survey of Health, Ageing and Retirement in Europe (SHARE)), the authors show that job seekers—whether or not they have been displaced—are in poorer health than employed people; in contrast, the employed are more often depressed in regions where the unemployment rate is higher; finally, displaced men tend to be less adversely affected by unemployment than women and they also use less medication. They emphasized the need to consider other features of unemployment and the

unemployed to describe the social norm effect of unemployment and show that classification by "region" is not necessarily representative of a given reference group.

All of these recent studies tend to highlight a change in the way unemployment is perceived and experienced. The results also show the need to take into account socioeconomic variables (such as age, gender, circumstances of job loss, unemployment benefits, and the country's economic situation) to more precisely determine the job seekers' current relationship to unemployment and the impact of this unemployment situation in terms of subjective well-being. However, the criteria used to determine the "social norm of unemployment" (e.g., work ethic, regional unemployment rates, country unemployment rates, GDP), to define the reference group and to measure the impact of unemployment on affected individuals (e.g., health, subjective well-being, consultation, medication) are not always the same.

In this chapter, we hypothesize a process of normalization: the massive statistical increase in unemployment may have led those affected by it to view it more as common place; unemployment might thus be seen as a normal or even inevitable phase of life in a person's career path, and as the result of external circumstances rather than personal ones [16, 17]. In order to test this hypothesis, we designed items to question unemployed people's perception of and relationship to unemployment more directly. As in previous studies, and for the sake of facilitating comparisons, we consider the socioeconomic variables "age," "gender," "marital status," "circumstances of job loss," "unemployment duration," "previous unemployment," and "unemployment in social environment" but also the economic context in the countries of residence. The data and results can thus be compared between two countries whose unemployment rates—along with their histories of employment and unemployment—are clearly distinguishable: France and Luxembourg.

In France, the first unemployment concern date back to 1967. At that time, the country counted 250,000 job seekers and the National Employment Agency was created (ANPE, which became Pôle Emploi or "the National Employment Center" in 2008). The threshold of one million unemployed in the labor force was recorded in 1976, 3 years after the first oil shock of 1973. Former industrial areas (e.g., the textile industry in Northern France) were also struggling to deal with modernization. Since then, the unemployment rate has risen almost continually. Two million unemployed persons were counted in 1981, and by the beginning of the 1990s, the unemployment rate reached 10% of the labor force. A peak of 3,000,000 unemployed was recorded in 1997 and again in 2012. As of the end of 2016, the unemployment rate—as defined by the International Labor Organization—has somewhat diminished (9.6%). In France, an involuntarily unemployed working-age person who worked for at least 4 months over the previous 28 months (or the last 36 months for those over the age of 50), can be compensated by the National Employment Center at rates of 57 (minimum)–75% (maximum) of the reference salary, for up to 14 months.

In Luxembourg, the situation is very different, as well as the history. Within the EU-28, Luxembourg has the highest gross domestic product (GDP) per capita in Purchasing power standard (PPS) terms and thus ranks first among European countries [18]. In this country bordering France, Belgium, and Germany, employment—largely dominated by

services—nearly tripled between 1960 and 2010, with the share of frontier workers rising continuously until 2010 [19]. The recent crisis has also had repercussions on this country's economy. Thus, employment stagnated and unemployment increased from 4% in 2008 to 5.9% in 2009 (OECD, 2010) [36]. However, this rate remains among the more moderate in Europe and is currently at its lowest level, 6.2%, since 2012. In Luxembourg, an unemployed person who worked at least 6 months over the past 12 months is entitled to compensation amounting to 80% of the reference salary; the duration of benefits is proportional to the length of the previous employment, with a maximum of 12 months. In order, to better understand individual perception and experience of unemployment in different economic contexts, we thus collected data with unemployed people in France and Luxembourg.

2. Method

About 600 unemployed people, with 50% being residents of Luxembourg and 50% of France, responded to a paper-and-pencil questionnaire consisting of socioeconomic questions, 7 items that aimed to determine individual perception of unemployment on a 4-point Likert scale ranging from 1 (totally disagree) to 4 (totally agree) and the 12-item General Health Questionnaire (GHQ-12; [20]), a widely used scale for evaluating the lack of well-being. All were French-speaking. Participants were 38.4 years old on average ($SD = 11.4$). Around 45.7% were married or in a relationship and 40% unmarried or single. They were unemployed for varying lengths of time: less than 6 months (44.1%), between 6 months and 1 year (21.0%), between 1 and 3 years (24.5%), and more than 3 years (10.4%). From which, 63% received unemployment benefits and 37.2% were unemployed following a dismissal. This sample from two nationalities does not differ significantly in terms of these individual variables, apart from gender (44.8% women in Luxembourg versus 59.0% in France, $\chi^2 = 12.07$, $df = 1$, $p \leq .001$), first-time unemployment (51.8% in Luxembourg and 39.3% in France, $\chi^2 = 9.44$, $df = 1$, $p \leq .01$), and unemployment in social environment (63.0% in Luxembourg versus 74.2% in France, $\chi^2 = 8.80$, $df = 1$, $p \leq .001$). These three variables that differentiate the total sample of the study can be considered as national economic indicators, as they are related either to unemployment's recurrence (first-time unemployment versus previous unemployment) or proportionality (degree of unemployment in social environment) as well as markers of national social policies (lower number of women on the labor market in Luxembourg due to stronger social benefits).

3. Results

The questionnaire items that were selected to better understand the individual representation and experience of the job-seekers' professional situations have been analyzed psychometrically, first individually, then collectively, in order to identify the latent dimensions of this assessment. Information about the distributions of each of the items is repeated in **Table 1**, along with differences that depend on the country (Luxembourg versus France) and the gender of the respondents.

Items	*M*	*SD*	*F* (1598)	*F* (1597)
			MLux	**MM**
			MFr	**MF**
1. I'm unemployed because of the current economic downturn	2.41	1.161	6.65**	.26(NS)
			2.29	N/A
			2.53	N/A
2. Unemployment is due to the country's economic situation	2.53	1.091	31.33***	8.61*
			2.28	2.39
			2.77	2.65
3. I'm unemployed because companies are not recruiting	2.43	1.085	11.15***	.18 (NS)
			2.28	N/A
			2.58	N/A
4. Unemployment is a result of the crisis	2.65	1.013	18.07***	.3.47(NS)
			2.48	N/A
			2.82	N/A
5. Unemployment is an inevitable stage in life	2.23	1.056	.12(NS)	.28(NS)
			N/A	N/A
			N/A	N/A
6. It is now normal to be or to have been unemployed	2.52	1.045	.2.09 (NS)	.07 (NS)
			N/A	N/A
			N/A	N/A
7. Unemployment is now a normal stage in a person's career path	2.42	.999	.08 (NS)	.1.26 (NS)
			N/A	N/A
			N/A	N/A

*$p \leq .05$; **$p \leq .01$; ***$p \leq .001$; NS, non-significant; N/A, non-applicable.

Table 1. Distribution of questionnaire items ($N = 600$) and differences in the experience between the unemployed in Luxembourg (MLux) and France (MFr) and between men (MM) and women (MF).

In order to check the latent structure of this questionnaire related to explanations given by the unemployed about their current professional situation, we have applied principal component analysis and exploratory factor analyses (SPSS-23; varimax and oblimins rotation; eigenvalues > 1 rule). The fit of the correlation matrix was tested with factor analyses and revealed no anomalies (Kaiser-Meyer-Olkin measure of sampling adequacy =.71; Bartlett's sphericity test: $\chi^2 = 882.54$; df = 21; $p \leq .001$) and, therefore, are compatible with the use of these multifactorial analysis methods. The study's results are very convergent and point to the existence of two latent factors in the questionnaire, which explain 59.15% of the total variance in the responses to the items. The results of these analyses are summarized in **Table 2**.

	F1	F2
1. I'm unemployed because of the current economic downturn	**.738**	−.021
2. Unemployment is due to the country's economic situation	**.821**	.044
3. I'm unemployed because companies are not recruiting	**.678**	.103
4. Unemployment is a result of the crisis	**.738**	.122
5. Unemployment is an inevitable stage in life	.076	**.733**
6. It is now normal to be or to have been unemployed	.083	**.813**
7. Unemployment is now a normal stage in a person's career path	.035	**.813**
Alphas	.74	.71

Table 2. Loadings of the two PCA factors and Cronbach's alpha for each dimension (Bold: loadings ≥ .40).

To test our hypotheses relating to potential differences in the individual experience of unemployment by respondents according to socioeconomic variables, a series of variance analyses was conducted. For each of them, the two dimensions obtained by factorial analysis were analyzed by taking the following as independent variables: country, gender, age, marital status, unemployment benefits, circumstances of job loss (e.g., dismissal or the end of a fixed-term contract), unemployment duration (less than 6 months; between 6 months and 1 year; 1 year or more; more than 3 years) previous unemployment, and unemployment in the social environment (whether those in the respondent's immediate family or social group have also experienced unemployment). All the results are presented in **Table 3**.

In order to highlight differences in individual perception of unemployment, **Graph 1** represent significant differences in averages for the two dimensions identified by factorial analysis.

To check the effect of all socioeconomic variables used in the study on the dimensions of individual experience of unemployment, a confirmatory path analysis was conducted using the software Mplus 7.3 [21]. Model fit indicators meet criteria in the field [22, 23] indicating that the data fit the model proposed for analysis ($\chi^2 = 110.97$; $df = 49$; $RMSEA = .046$; $CFI = .967$; $TLI = .958$). **Figure 1** presents the results of this confirmatory multivariate analysis.

	F1	F2
Country	$F_{(1, 598)} = 30.08$; $p \leq .001$	$F_{(1, 598)} = 1.60$; $p \leq .206$
Gender	$F_{(1, 598)} = 3.78$; $p \leq .052$	$F_{(1, 598)} = 19$; $p \leq .661$
Marital status	$F_{(3, 595)} = 78$; $p \leq .507$	$F_{(3, 595)} = 4.54$; $p \leq .01$
Unemployment benefits	$F_{(1, 595)} = 01$; $p \leq .949$	$F_{(1, 595)} = 64$; $p \leq .423$
Circumstances job loss	$F_{(1, 598)} = 1.24$; $p \leq .266$	$F_{(1, 598)} = 13.26$; $p \leq .001$
Unemployment duration	$F_{(3, 595)} = 3.70$; $p \leq .05$	$F_{(3, 595)} = 1.47$; $p \leq .221$
Previous unemployment	$F_{(1, 597)} = 9.64$; $p \leq .01$	$F_{(1, 597)} = 5.82$; $p \leq .05$
Unemployment in social environment	$F_{(1, 598)} = 3.51$; $p \leq .061$	$F_{(1, 598)} = 6.65$; $p \leq .01$
Age	$r = .137$, $p \leq .001$	$r = -.130$, $p \leq .001$

Table 3. Analyses of variance of the two factors resulting from EFA according to socioeconomic variables and correlations.

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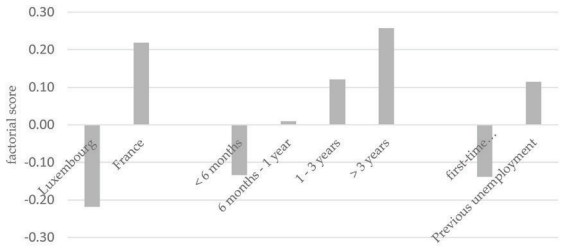
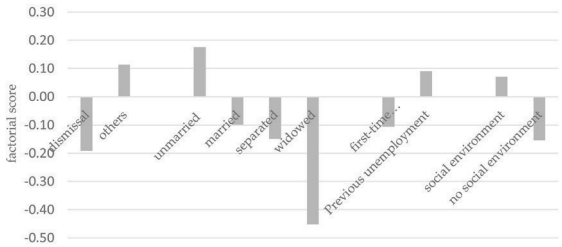


Note: first-time = first-time unemployment; previous = previous unemployment



Note: first-time = first-time unemployment; previous = previous unemployment ; social environement= unemployment in social environement ; no social environement= no unemployment in social environement.

Graph 1. F1 differencies for socioeconomic variables. F2 differencies for socioeconomic variables.

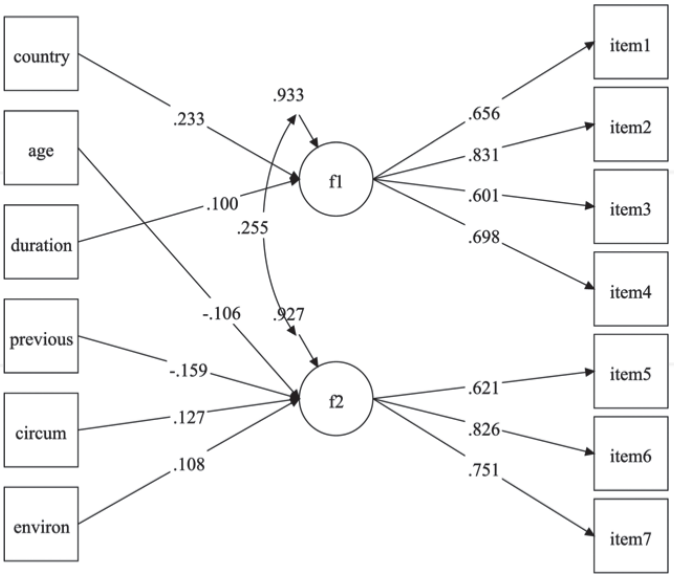


Figure 1. Structural equation model of the two factors in the individual experience of unemployment.

Unemployed people's mental health and subjective well-being are among the criteria traditionally used to understand people's relationship to unemployment and to classify them in terms of a more or less negative individual experience of unemployment. For the sake of comparison, the correlations between this psychological dimension (i.e., SWB) and the individual experience of unemployment are also considered and analyzed in this study. The correlations among the scores on the General Health Questionnaire-12 (GHQ-12) and the two dimensions of unemployment perception as obtained by factor analysis demonstrate a weak relationship between two of these psychological constructs and none between the other two, as shown in **Table 4**.

This result was confirmed by a confirmatory path analysis for which only 5% of the variance of the GHQ-12 scores are explained by the two factors in experience of unemployment (χ^2 = 133.40; *df* = 60; *RMSEA* =.046; *CFI* =.962; *TLI* =.952). These results are reproduced in **Figure 2**. This model has been tested taking into account potential direct influences of socioeconomic variables on the GHQ-12 score. This model, reproduced in **Figure 3**, presents indicators of good fit (χ^2 = 126.37; *df* = 59; *RMSEA* =.044; *CFI* =.965; *TLI* =.955) and highlights only the influence of the country of residence on perceived health. Thus, the unemployed in France have a perception of greater individual well-being than those in Luxembourg.

	F1	F2
Perceived health (GHQ-12)	$r = -.179$, $p \leq .001$	$r = .064$, $p = 118$

Table 4. Correlations between perceived health and two factors resulting from EFA.

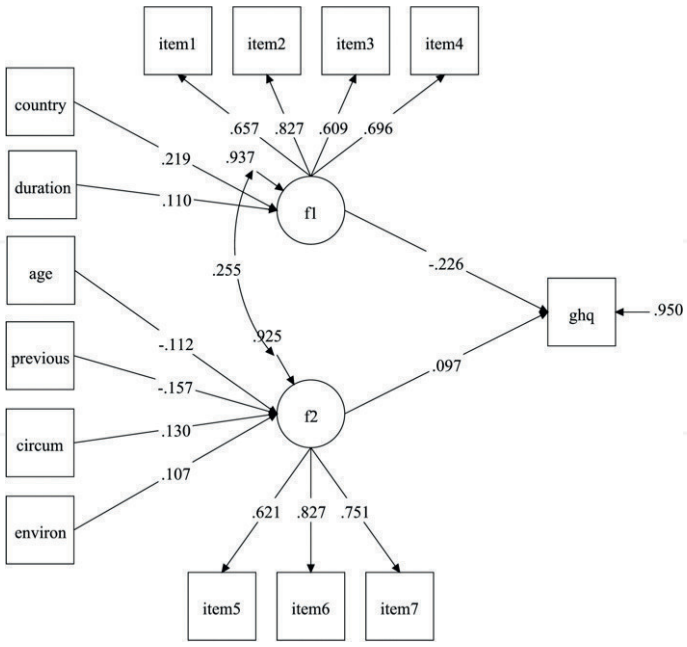


Figure 2. First structural paths model of the experience of unemployment and well-being.

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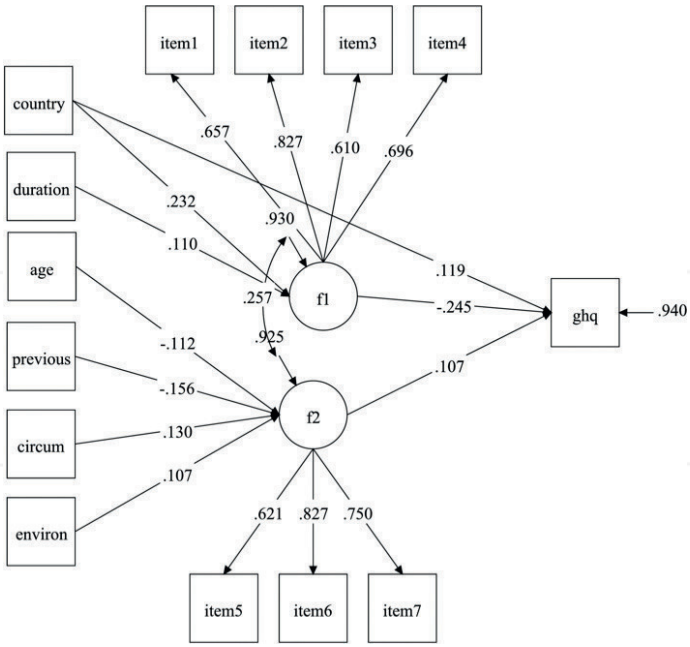

Figure 3. Second structural paths model of the experience of unemployment and well-being.

4. Discussion

The first analysis of questionnaire items relating to individual perception of the unemployment transition reveal a general pattern among respondents, a majority of whom agree with the selected statements (with an average response above 2) and consider unemployment to be the result of a specific economic situation as well as a "normal" stage in a person's professional career. They also demonstrate that the country's economic conditions are more strongly seen as being at the root of unemployment in France than in Luxembourg, although there are no significant differences between the two countries in terms of the new role of unemployment in an individual's professional career. Regarding the gender of respondents, there are almost no differences, as it is only for the item "Unemployment is due to the country's economic situation" that women express stronger agreement than men. We can further observe that, while they consider unemployment to be an effect of the economic situation, women do not differ from men in evaluating their own career transition and do not attribute it more than men to the economic situation (cf. item: "I'm unemployed because of the current economic downturn").

The structural analysis of the questionnaire items points to two latent factors covering four and three items, respectively. While the loadings structure of the scale is very simple [24], it is clear that the number of items for each factor is still very limited and can explain internal consistencies which are relatively weak but still in line with expectations for this type of item [25]. In view of the items' loadings on each factor, the first can be interpreted as a dimension of

Justification for current unemployment situation (*F1*) and the second as a dimension of *Perceived normality of unemployment* (*F2*).

These dimensions of the experience of unemployment are sensitive in different ways to the socioeconomic variables used in this study. Thus, it appears that external justification of the unemployment situation is greater in France compared to Luxembourg, increases linearly and significantly as a function of the duration of unemployment and as a function of an individual's age, and is less marked in first-time unemployment. Conversely, we observe that *Perceived normality of unemployment* is greater for single people compared to other categories (with the largest gap between widowed and single people), as well as those who have lost their jobs for reasons other than dismissal, those with unemployment in their social environment or previous unemployment experience, and for the youngest unemployed people. Only the variables "age" and "previous unemployment" are linked with both factors. We note positive correlations between age and external justification and negative correlations between age and perceived normality; and an increase in scores for both of these factors for those with previous unemployment experience. Perhaps not surprisingly, we observe that social and economic justification for unemployment is greater in the country with the more intense history associated with this career transition (i.e., France versus Luxembourg) as well as for those who have been unemployed for longer, who have previously experienced unemployment, or who are older. Meanwhile, unemployment is more trivialized among youth, single people, those with previous unemployment experience, those without unemployment in their social environment, and those who have not been displaced.

These results are confirmed by the structural paths analysis. However, if all of the socioeconomic variables in the model are considered simultaneously, only the countries and duration of unemployment have a significant influence on *Justification for current unemployment situation*. The unemployed people in France justify their current unemployment situation in terms of economic reasons than those in Luxembourg. The same holds for people who have been unemployed for longer. In the same way, *Perceived normality of unemployment* is greater among youth, those with previous unemployment experience and with unemployment in their social environment, and those who have not been displaced. Of course, these results are congruent between the two types of statistical analysis carried out (bivariate versus multivariate).

However, behind these results, the most interesting point in our view is to observe that, contrary to what is often emphasized in the literature [11–13, 26, 27], the perception of unemployment by people currently experiencing it is only very partially explained by socioeconomic variables. In fact, in the model used here, justification for unemployment and its perceived normalization are only predicted for less than 7% each by the combined economic and professional situations in the study countries from which our indicators are drawn. It is therefore appropriate to question the actual role that these economic variables play in the experience of unemployment. Indeed, without denying the importance of these variables, we must conclude that other, more individuals, dimensions necessarily have a significant effect on the perception of unemployment. We could consider, for example, the causal attributions for unemployment [28, 29], work centrality for individuals [30], and the different coping strategies [31, 32] that individuals develop in a stressful professional situation such as unemployment. A number of

studies have already pointed out the influence of these psychological dimensions on unemployment and demonstrated their impact, not only on the experience of unemployment, but also on the length of such transitions and the risk of long-term unemployment (e.g., [33–35]). It will certainly be important for future research to take into account both of these potential sources of variation in the experience of unemployment, i.e., psychological and socioeconomic, as well as their interactions, in order to better understand both the mechanisms at work during this type of transitional phase, and their impact on vocational reorientation. These conclusions are confirmed by analyses carried out subsequently to this study. The individual experience of unemployment has a slight effect on perceived health and perceived well-being. That is, people who justify their situation the most using social and economic explanations tend to score lower on the GHQ-12, indicating a greater sense of well-being. An opposite and less marked link emerges between perceived health and the current perception that unemployment is normal. These results are convergent with other results already demonstrated in the literature. The normalization of unemployment should therefore not be seen as an adaptive process with an effect of lowering individual pressures in dealing with this situation. But the most interesting point to emerge from these analyses is based on the fact that the socioeconomic variables do not have a direct effect on the perceived well-being of the unemployed (with the exception of the country of residence). These are mediated by the two dimensions of justification and trivialization of the individual's unemployment situation and have an indirect impact on unemployed people's health. This point therefore supports our previous conclusions that argued for the interest of not artificially subdividing variables, whether psychological or social and economic, in order to attempt to model the individual experience of unemployment and understand how it could serve as indicator of well-being and, potentially, of vocational reorientation strategies to be implemented. It could therefore be useful and positive to develop studies that combine psychometric and econometric models to account for all the variables of epistemological and heuristic interest in order to articulate and explain the experience of unemployment.

Like any study, this research has a number of limitations. In our view, there are two points to remember in order to better analyze the results we have highlighted. The first concerns the number of countries compared in this study. Indeed, although Luxembourg and France are quite distinct in terms of economic and social features, there are certain social protection factors that are relatively similar across Europe. Extending this type of research to include other economic systems as well as other types of unemployment benefits could provide important perspective. One clear direction would be North American or Asian countries. The research would benefit from bringing other countries into these international comparisons. The second point relates to perceived health or well-being, which is often considered the most important dependent variable of such studies. Without challenging this state of affairs, we would like to recognize that the well-being of job seekers does not follow from their employment situation alone, and many other factors are linked to their experience. We could include, for example, issues related to family, leisure activities, or social life, which are not considered in these studies. In our view, there are two possibilities for addressing this limitation. The first would be to introduce other noneconomic and nonpsychological dimensions into the explanatory models in order to increase the sources of potential variation and thus, the explanatory power of the models developed. The second would be to consider health in a more specific way, rather

than measuring general well-being. In this regard, we suggest that replications of this study would benefit from considering these new variables.

5. Conclusion

Based on the first results of previous research, the present chapter questions the likely normalization of unemployment. We first hypothesized that "unemployment normalization" depends on economic (unemployment history and the current unemployment rate of a country) and individual (age, gender, marital status, circumstances of job loss, unemployment duration, and previous unemployment) variables; second, we examined the correlation between unemployment normalization and perceived health. The unemployment normalization is operationalized here by two dimensions "*Justification for current unemployment situation*" and "*Perceived normality of unemployment."* The results showed correlations between sociodemographic and economic variables and help to enhance our understanding of this new alternative relationship to unemployment. Nevertheless, it seems future research will need to consider psychological variables for a complete view of the unemployment normalization.

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Author details

Claude Houssemand[1]* and Anne Pignault[1,2]

*Address all correspondence to: claude.houssemand@uni.lu

1 University of Luxembourg, ECCS, Institute for Lifelong Learning & Guidance (LLLG), Esch-sur-Alzette, Luxembourg

2 INETOP-CNAM, CRTD, Counselling Psychology, Paris, France

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INTECH

Chapter 4

Factors Affecting Employment and Unemployment for Fresh Graduates in China

Kong Jun

Additional information is available at the end of the chapter

http://dx.doi.org/10.5772/intechopen.69809

Abstract

The factors such as college reputation, major, and gender, which affect job search prospects of graduates from Shandong Province in China, are studied. A duration model including parametric, semiparametric, and nonparametric approaches is used and yielded several important findings. First, graduates find jobs faster if they come from the research universities. The study shows that economics and management, and engineering graduates find jobs more easily. Other major graduates have no significant difference although they are not more likely to find jobs than the former. Moreover, there is no remarkable gap between female and male graduates.

Keywords: factor, employment, university graduates, major, gender, job search

1. Introduction

As new entrants enter labor market, large numbers of university graduates have been unemployed or underemployed for many years. This problem of unemployed university graduates has been exacerbated in China since the expansion of the higher education system in 1999. Most fresh graduates would like to pursue high wage jobs with a desirable working environment. This is critical for them to be successful further in their career development along the social ladder. There are many factors, such as college prestige, professional fields, and individual one or entire economic elements, which can influence job search, and students' starting wages. This chapter divides the factors affecting the young Chinese graduates into two separate categories. One category studies the effect of the reputation of college and the second category delves into two individual factors that are gender and the majors studied at college. This chapter aims to analyze the length of fresh graduates' unemployment spell

by a duration model including parametric survival approaches, semiparametric survival approaches, and nonparametric survival approaches. Meanwhile, factors' marginal effects are denoted through the base variables that defined in the two categories. The marginal effect analysis shows that reputation of college and majors such as economics and management, and engineering have significant effects on job search except for some majors. Meanwhile, gender has no significant effects on job search. The further test reveals that these factors' marginal effects are significantly different on university reputation and some majors.

There are different conclusions about these factors affecting job search in different countries. One paper about the graduates in England suggests that the reputation of a college has a significant effect on the graduates' job search [1]. As far as gender is concerned, Bratberg and Nilsen [2] present a logistic model that shows female graduates in Norway entering the labor market ahead of males. On the contrary, a similar study in China suggests that reputation has a slight effect on job search using logistic model [3]. Meanwhile, the graduates of certain majors such as law, computer science, and English education found it more difficult to secure jobs in China in 2008. Furthermore, the studies [3–5] indicate a different trend in China with the female graduates finding it more difficult to secure jobs. Kong and Fan [5] use a data from different regions where fresh graduates graduated from Beijing in 2007. We conduct a similar research but emphasize different aspects on fresh graduates' behavior on job search. First, the data are different. This study uses a Shandong data, and the previous study uses a Beijing data. We aim to find the different result regarding reputation, professional majors, and gender affecting job search. However, we apply the same methodology and modeling to cope with this issue. Second, the variables, for example, types of major fields, are different according to the regulation from Chinese Educational Ministry. We classify it into nine types of majors instead of previous eight. Finally, the result is different such as gender disparity shown significantly in previous study but no in the current study. It is shown that there is obviously a different conclusion.

In this chapter a duration model, which focuses on survival analysis has been applied to the factors that affect new graduate job search. Zhou [3] and Min et al. [4] have studied graduates' job search in China. These studies applied dispersed and nonrandom data of colleges. Hence, it is hard to predict the characteristics of whole regions precisely. On the contrary, this chapter uses random samples of universities from Shangdong province. Meanwhile, some different econometric techniques, for example, marginal analysis, are used to show the deep relations among the factors.

We obtain some interesting findings. First, research university students acquire job position more quickly than the other types of university, which is the same as predicted. Second, the majors of engineering and economics and management dominate initial labor market over other types of majors. The graduates from majors of engineering, economics and management find jobs most easily. Other majors have no significant effects on job search with each other, and there is no difference between engineering, and economics and management. Moreover, the female graduates have no significant difference from the males. Therefore, the conclusion is that the graduates from research universities with professional fields of engineering, and economics and management are given the more job chances.

Next section reviews the existing literature. The main factors involved in job search and wages are depicted in Section 3. Sections 4 and 5 offer data descriptions and summary statistics mainly on variables, respectively. Furthermore, the empirical econometric model is used, and estimation is shown in Section 6. The final section is the conclusion and discussion.

2. Literature review

This chapter reviews previous literature regarding factors that affect graduates' job search including prestige of school, professional major fields, gender, and some relevant elements, which are student's performance, internship, education level, etc., which are not crucial explained variables studied in the chapter because of inadequate sample observations. However, these old studies are still reviewed to understand the current study comprehensively. Meanwhile, a comparison from different countries is introduced to show the different conclusions.

Bradley and Nguyen [1] point out that the index of school quality has much larger effect than academic performance on the transition of school-to-labor in England. Li et al. [6] estimate that the gross return to attending elite colleges is as high as 10.7% once controlling for student ability, major, college location, individual characteristics, and family background in China. Macleod et al. [7] examine Colombian samples and found out that the college reputation, unlike years of schooling, is correlated with graduates' earnings growth because a college's reputation may denote the higher ability of its student body and the value added. However, Zhou [3] uses a sample involving thirty universities dispersed in different areas in China and presents that the prestige and quality of universities have only a small influence on graduates' job search. Barón [8] also believe that there are sizable differences in the probability of finding a formal job by area of knowledge and region, which can be as large as 20%, and no differences by university type and sex in the probability of finding a formal job in Colombian labor market.

Second, for major, the data from the online consulting firm MyCos demonstrates that it was very difficult for the graduates with bachelor degrees in law, computer science, and English education to find jobs in China in 2008. Freeman and Hirsch [9] demonstrate that the choice of college major is responsive to changes in the knowledge composition of jobs. Robst and VanGilder [10] find that economics majors earned higher wages, and mismatch had a smaller effect on wages for economics majors than business majors. Furthermore, for gender, Bratberg and Nilsen [2] use Norwegian data and find that females have lower reservation wages when entering the labor market (shorter search time and lower wages). Bradley and Nguyen [1] point out the males from high quality schools are less likely to enter the labor market and get jobs compared to the females in England. They are more likely to stay unemployed. Kunze and Troske [11] use survival functions show that displaced women take longer to find a new job than comparable men. Ng and Leung [12] reveal that women are likely to be hired because of linguistic advantages. Conversely, Zhou [3] reveals that male graduates find jobs more easily than female graduates in China. Min et al. [4] also show the percentage of male graduates signing job contracts is 77.1% as opposed to the female's figure of 71.2%. Other recent studies present the gender wage gap in China and find that there existed different reasons such as productivity, social customs,

paternalism, and discrimination [13, 14]. Moreover, Azmat et al. [15] find that gender gaps in unemployment rates have risen in the past 20 years in many European countries. In addition, career discontinuity such as rearing children in woman's working period causes a gender wage gap [16]. Finally, discrimination causes gender wage disparity in Refs. [17, 18].

In the United States, Sum et al. [19] attribute the higher unemployment rate to be due to inadequate educational attainment. Freeberg [20] reveals that the American high school graduates in the late 1960s were 30% more likely to be employed than dropouts. Wolpin [21] demonstrates a different result in America and argues that the higher reservation wage may lead to a longer time of job search. This result implies that the graduates may have a longer job-search time if they are from better reputation colleges, or they own higher education levels because they have a higher expectation for wages. Stern [22] shows that the college graduates accepted larger mean offers than that of dropouts during the same period. Dustmann [23] finds that class size of high school has a positive effect on employee's future wages. Jefferson [24] reveals that the lower the level of educational attainment, the more volatile the employment ratio.

Eckstein and Wolpin [25] find that differences in unemployment duration by race and schooling in United States are primarily due to differential rates at which job offers are accepted rather than to differential job offer probabilities. Bjorklund and Eriksson [26] study the case of the Nordic countries and indicate a lower unemployment rate for workers with high education than for those with low education. Bratberg and Nilsen [2] reveal that education has a positive effect on wages in Norway. Moreover, individuals have the longer first job-search time if they have a higher level of education. They also find that internships seem to decrease job-search time compared to the individuals at the same educational level but no internships.

Zhou [3] finds that it was easier for graduates with master degree to find job than for those with bachelor and doctor degree in China. Fang et al. [27] find that MIS (Master of Information System) students in America have adopted aggressive approaches such as double majors to secure employment. This shows more education and more training to enhance the success of employment. Spitz-Oener [28] demonstrates the more workers held a college degree from 8% in 1979 to 16% in 1999, whereas there is a significant decline in the proportion of employees without formal diploma in Germany. It is shown that more and more enterprises require employee who should have higher education attainments.

Finally, regarding the effect of graduates' college achievement on job finding, Jensen and Westergard-Nielsen [29] use the data collected in Denmark to indicate that the average grades have positive effect on the job search. Conversely, having had too many part-time jobs has negative effects. Bertschy et al. [30] illustrate that the compulsory education performances have no significant impact on the labor market transition. However, the students with the higher scores seem to need more vocational training and eventually become better job prospects in Switzerland.

The contribution of this study focuses on modeling and specific data. One the one hand, a survival model has been applied to the factors affecting graduate's job search. On the other hand, the sample data from whole region of Shangdong province is used to avoid the incorrect

prediction [2–4]. Second, this chapter adopts a data set, which covers all colleges in Beijing area in order to acquire an accurate regional trend that Refs. [3, 4] could not predict. Finally, this chapter also demonstrates the marginal effects of each factor disregarded in their studies.

3. The factors affecting the job search

Many factors affect how college graduates find jobs. First is the reputation of the college. Others include college's geographic position, and the assistance offered by the college career center. The higher the reputation of the college the higher is the possibility of a graduate finding a job. The process for such graduates is both easier and speedier because, the employers regard them as employees with greater potentials.

The geographic position also plays an important role in the job search. The graduates from metropolitan areas have many more opportunities to participate in job fairs to network and develop connections. According to the theory of job search in labor economics, one of characteristics of labor market is information asymmetry, namely, the employers do not know about the potential employees and the job searchers do not know who is recruiting. The advantages of living in big cities are that graduates have more chances to search for jobs through job fairs. These advantages overcome the disadvantage of information asymmetry of the labor market. Moreover, big firms need many new recruits when they expand through subsidiaries in big cities. Therefore, the graduates may have more opportunities than their counterparts from the hinterland. The third and final factor is college's career center. The career centers in the countryside may not be as efficient in helping students as the ones in big cities. Good career consulting includes résumé tips, interview tips, salary negotiation, internship, and so on. Such services are far more efficient in big urban centers.

Furthermore, individual factors such as the discipline of study, grade average, and gender also affect graduates' jobs hunting. About college, academic achievements the employer may regard the graduates with high scores as diligent and smart people who can perform better at work. As for the area of study, there are different employment success rates for different majors of study. The graduates from finance, engineering, and foreign languages secure offers very easily in China because of the rapid economic growth particularly in financial services and trade. As for the education level, there is no guarantee that possessing a higher degree will translate to a good job or a smoother search. Zhou [3] indicates that the graduates with master degree find jobs more easily than those with doctoral degree in China. For gender, there exists gender discrimination toward young female graduates in some firms in China. The thinking might be that young females marry and on pregnancy have maternity leaves of up to 3 months without any wage loss by law. Hence, these firms make many lame excuses to refuse young female graduates.

In addition, the employers often like to hire experienced graduates. They think of the graduate's internship as an important step in their training. Many may be hired simply because they have completed their internship successfully. Noncognitive skills too may help graduates find jobs. The rationale is that such graduates can integrate harmoniously with their job partners

because of their leadership skills. As to family background, no one can doubt its importance in China. The higher rank of an employee's family may represent the rich social resources conducive to business. Many firms make full use of *Guanxi*, a reciprocal relationship customary in China to deal with business. Finally, abilities such as driving a car, knowing a foreign language or mastery of programming software may play an important role in the job search.

4. Data description

The data provides information about college graduates' employment status including job search, wage, type of job and enterprise, personal background, and occupational skills in Shandong province in 2007. This chapter mainly analyzes college prestige, professional major field, and gender. The other factors, such as the cost of job search, reservation wage, internship, search time, and other personal status quo, have to be ignored because of inadequate sample observations. The original sample data needs to be adjusted and specialized to fit with the requirements of the survival model. Therefore, the data set has to be screened without any missing data, and left the available observations of 8938 for regression in **Table 2**. In addition, professional major fields can be compressed into nine categories from original different types in **Table 1** according to the classification of university majors that the Chinese Ministry of Education set up. We define the main variables as dummy variables.

Different types of colleges are used for analysis on the effect of prestige. This chapter classifies the types of colleges into research university, university, and colleges.

Second, **Table 1** shows that nine main types of majors cover economics and management, law, education, literature and arts, sociology, science, engineering, agriculture, and medicine. The major of economics and management includes economics, management, business, finance, etc. The major of law includes law, public security, jurisprudence, etc. The major of education includes education, physical education, etc. The major of literature and arts includes literature,

Major	Classification
Economics and Management	Economics, management, business, finance, etc.
Law	Law, public security, jurisprudence, etc.
Education	Education, physical education, etc.
Literature and Arts	Literature, arts, communication, etc.
Sociology	Philosophy, history, sociology, etc.
Science	Mathematics, physics, chemistry, biology, etc.
Engineering	Engineering in different fields, etc.
Agriculture	Agronomy, forestry, fishery, etc.
Medicine	Medical science, biochemistry and medicine, hygiene, etc.

Table 1. Major field classifications.

arts, communication, etc. The major of sociology includes philosophy, history, sociology, etc. The major of science includes mathematics, physics, chemistry, biology, etc. The major of engineering includes engineering in different fields such as electricity, transportation, civil engineering, and water conservancy. The major of agriculture includes agronomy, forestry, fishery, etc. The major of medicine includes medical science, biochemistry and medicine, hygiene, etc.

5. Summary statistics

Table 2 provides descriptive statistics on college type, major, gender, and average duration of unemployment. Regarding college type, employment level of research university reaches 84.56% of total figure of their graduates. The employment rates of other two types of universities are 86.17 and 86.77%, respectively. Furthermore, the major fields have to be combined into

College type	Numbers of the employed	Numbers of the unemployed and nonemployed	Total	Average duration
Research University	1068	195	1263	7.63 (3.58)
University	3415	548	3963	8.40 (3.88)
College	3221	491	3712	8.82 (4.22)
Total	7704	1234	8938	8.47 (4.01)
Major field				
Economics and Management	2430	362	2792	8.03 (3.99)
Law	261	54	315	9.32 (3.74)
Education	277	66	343	9.79 (4.35)
Literature and Arts	777	156	933	9.25 (3.93)
Sociology	30	14	44	9.94 (3.83)
Science	672	160	832	9.56 (3.71)
Engineering	2786	342	3128	8.35 (3.54)
Agriculture	191	27	218	9.33 (3.98)
Medicine	280	53	333	9.68 (3.75)
Total	7704	1234	8938	8.47 (4.01)
Gender				
Male	4730	668	5398	8.75 (3.73)
Female	2974	566	3540	8.79 (3.79)
Total	7704	1234	8938	8.47 (4.01)

Note: 8938 is the number of regression in duration model. The figures in parentheses refer to standard error.

Table 2. Numbers of observations and average duration of unemployment.

nine categories so as to, visualize simply and regress appropriately. Most employed graduates come from the majors of engineering, economics and management, literature and arts, and science. These figures are 2786, 2430, 777, and 672, respectively, of total employment figures at 7704. Mainly because there are many students graduating from these professional major fields each year. Moreover, the figure of employed female graduates is just 2974, which is greatly less than that of male graduates at 4730. The total unemployment figure for males is 668 compared to the figure for females at 566.

Further, the graduates from research university and university have a shorter average spell of unemployment, which are 7.63 and 8.40 months, compared to the figure of college, which is 8.82 months. From the view of professional major fields, the graduates from majors of economics and management, and engineering obtain shorter average duration of unemployment, which are 8.03 and 8.35 months, versus 9.94 and 9.79 months, respectively, from sociology and education. And then, the average spell of unemployment from medicine, science, agriculture, law, and literature and arts are in middle place. In addition, male graduates have a significant shorter average spell of unemployment, which is 8.75 months, compared to female's 8.79 months. Average spell of unemployment reflects average job-search time. It does not demonstrate marginal hazard rate of unemployment.

In addition, **Table 3** shows the percentage of the employed, the unemployed and the nonemployed. Among the figures, 86.19% of graduates obtain jobs covering all types of college, and 8.65% of graduates still searching for jobs. Others are preparing for graduate school tests and for overseas study, and have no immediate plans to search jobs. The number of percentage reaches 5.16%. **Table 4** demonstrates the figures and percentage of the employed, and the unemployed and nonemployed during the discrete unemployment duration. Most examples for employment take place during the 6, 7, and 8 months of the duration. The base time of survival model is at 6 months before graduation in the study mainly for convenience of calculation in software because some students have acquired jobs before graduation and worked for over 4 h each day according to definition of full-time job in the survey.

Type	Observations	Percentage (%)
Employment	7704	86.19
Unemployed, still looking for a job	773	8.65
Nonemployed, full time preparing for graduate school test	123	1.38
Nonemployed, preparing for oversea study	20	0.22
Nonemployed, no job search and no plan for graduate study	318	3.56
Total	8938	100%

Table 3. Numbers and percentage of employment, unemployment, and nonemployment.

Unemployment Spell (month)	Employment	Unemployment and nonemployment	Percentage (%) of employment
0	0	8938	0
1	62	8876	0.69
2	275	8601	3.08
3	256	8345	2.86
4	284	8061	3.18
5	318	7743	3.56
6	782	6961	8.75
7	1453	5508	16.26
8	1127	4381	12.61
9	615	3766	6.88
10	433	3333	4.84
11	391	2942	4.37
12	227	2715	3.66
13	217	2498	2.54
14	306	2192	3.42
15	602	1590	6.74
16	325	1265	3.64
17	31	1234	0.35
Total	7704		86.19%

Table 4. Numbers and percentage of employment, unemployment, and nonemployment in unemployment duration.

6. Empirical modeling and estimating

6.1. The empirical modeling

A survival model is designed to analyze the factors affecting the duration of the unemployment. The chapter uses three models, namely, parametric survival approaches (PSA), semiparametric survival approaches (SPSA), and nonparametric survival approaches (NPSA). PSA requires the unemployment duration with a standard distribution. PSA with a standard distribution is given as Eq. (1):

$$Ln(t) = \alpha + \beta_i X_i + \sigma\varepsilon_i \tag{1}$$

The unemployment duration, namely, t starts since 6 months before graduation. Some students have found jobs and worked for several months before graduation. The earliest time that graduates find jobs is 5 months before graduation in the data. This is similar to the previous

research with different data [5]. We set time 6 months before graduation as base time in order to run it in software that have mentioned the reasons.

Tables 3 and **4** reveal the maximum of unemployment duration is 17 months demonstrating that graduates find jobs within 11 months after graduation and the minimum is 1 month suggesting that the graduates find jobs at 5 months before graduation. Most graduates find jobs within 1 and 2 months after graduation or immediately after graduation with total percentage of 37.62%.

Moreover, SPSA and NSA are used to verify the result of the PSA because SPSA and NSA do not require a theoretical standard distribution of t. SPSA is the proportional hazard model (Cox regression) and NSA refers to the Kaplan-Meier survival function. The Cox regression is defined as following Eq. (2):

$$Ln\left[h(t)\right] = Ln\left[h_0(t)\right] + \beta_i X_i + \varepsilon_i \tag{2}$$

$h(t)$ is the hazard rate for failure (being employed is failure of unemployment) and $h_0(t)$ is base hazard rate. NSA is given as Eq. (3):

$$S(t) = \prod_{j=t_0}^{t} \left\{ (n_j - d_j) / n_j \right\} \tag{3}$$

$S(t)$ is the survival function at time t, n_j is a total observation of graduates at time j, and d_j is the number of failures, namely, the employment numbers at time j. NSA is mainly used for an analysis of survival probability by visual diagram. This approach's advantage lies in that it does not require a standard distribution when it process data.

This chapter uses dummy variables dealing with the explanatory variables: for reputation, research university (best university registered by Ministry of Education, China), university, and college. Research university is taken as comparison variables, respectively, in the regression. Majors also are dummy variables. Engineering is regarded as comparison variables because of the most samples. Gender is also a dummy variable and male is comparison variable. Other variables are ignored to regress and put into error term. This chapter aims to analyze the main factors affecting graduates' job search. This cannot affect the unbiased results in regression.

6.2. Estimation results

PSA is used to analyze the factors that affect the duration of unemployment for the graduates. We confirm that Weibull regression is used to analyze what factors affecting unemployment duration by test.

Moreover, SPSA is used to analyze hazard rate to verify the result of PSA. The model does not require a standard distribution of unemployment duration. Through test, hazard rates of university prestige, major, and gender are not proportional in SPSA. The estimation is consistent with that of PSA. In addition, NPSA does not need a requirement of standard distribution for analysis of the unemployment duration or hazard rates of main factors.

This chapter applies diagram of the relative equation for showing the true hazard rates of main factors compared to the results from PSA and SPSA. **Diagrams 1–3** of NPSA reveal hazard rates of university prestige, major field, and gender are not proportional, respectively. It demonstrates that graduates from different types of college, or different majors, or different genders have different hazard rates. This result is consistent with that from PSA and SPSA.

The outcome of Weibull distribution from the parametric survival model shows the reputation of college, and some of majors except for economics and management, have a significant effect on unemployment spell at 1 or 5% level considering research university, engineering, and male as base variables in **Table 5**. However, gender has no significant effects between male and female. First, the universities will decrease the unemployment spell greatly. The hazard rate of university is 0.72, compared to 1, which is base figure for research university. This result shows the graduates from the type of university will find jobs slower than the research university graduates. The marginal analysis of effects in **Table 6** reveals that the figure for research university is about −1.04 based on college, which means that the graduates' unemployment spell will decrease 104% compared to that of the college. Meanwhile, the hazard rate of university is 0.82. This reveals the graduates from these universities will find jobs slower than the graduates from research universities. The marginal effect analysis indicates that the number of university is about −0.467, which means that the graduates' unemployment spell will decrease 46.7% compared to that of research university.

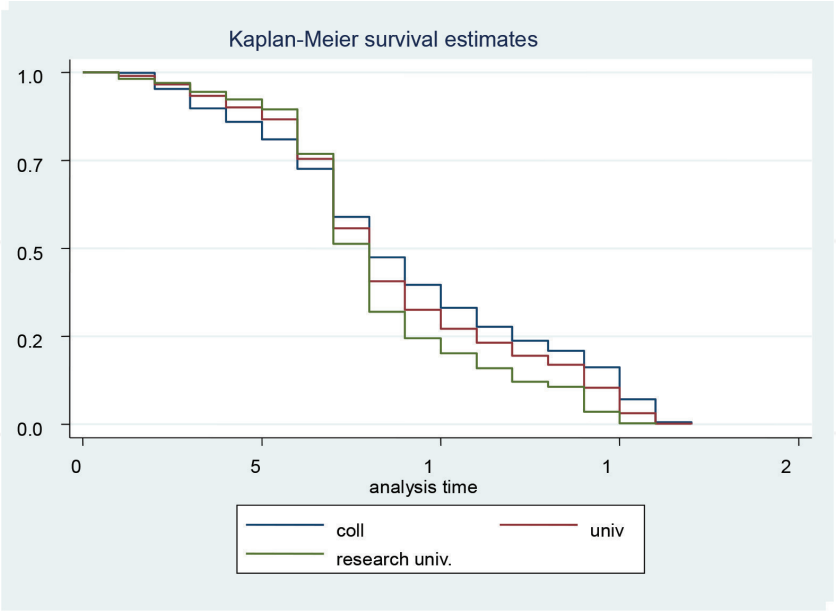

Diagram 1. Kaplan-Meier survival estimates by college type.

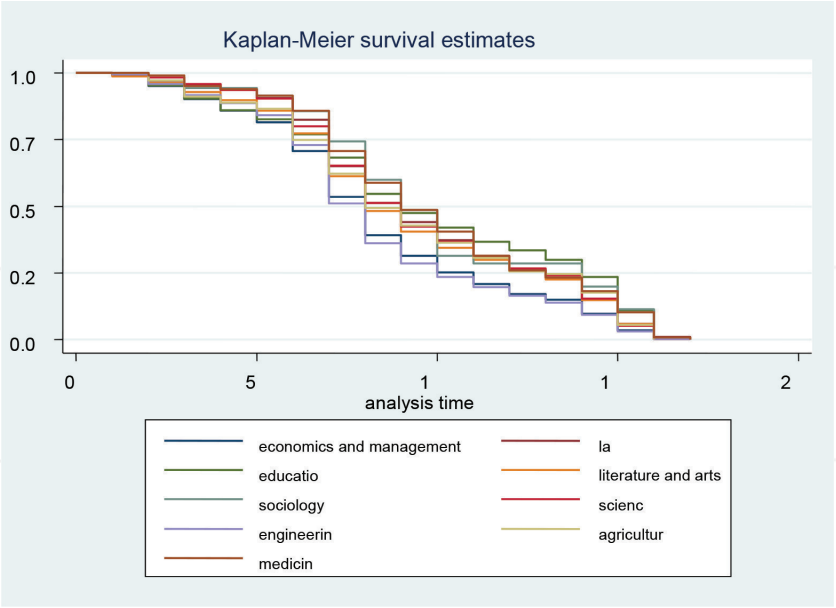

Diagram 2. Kaplan-Meier survival estimates by major.

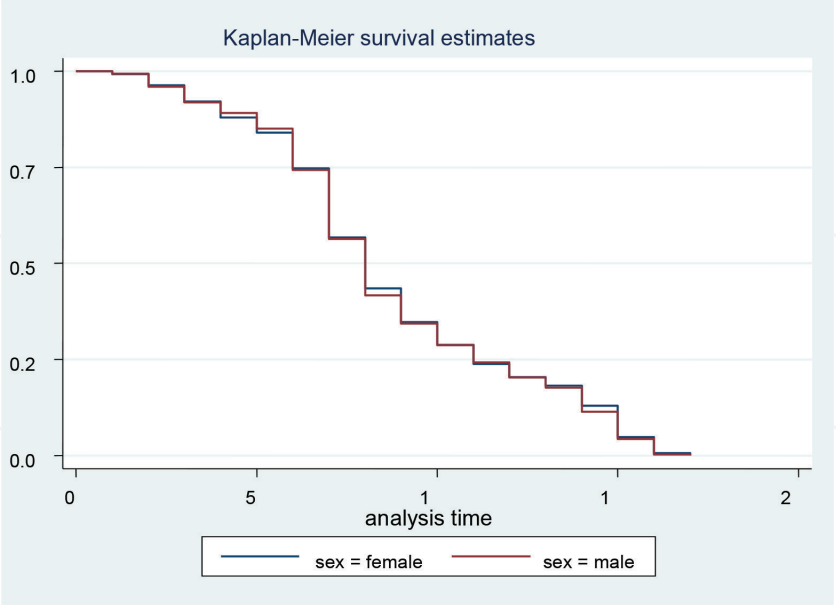

Diagram 3. Kaplan-Meier survival estimates by gender.

Variables of unemployment spell	Haz. ratio	Std. err.	z	$P > \|z\|$	95% conf. interval	
College	.7218346	.0246061	−9.56	0.000	.6751834	.7717092
University	.8139593	.0272578	−6.15	0.000	.7622505	.8691759
Economics and management	.9736215	.02636	−0.99	0.323	.9233036	1.026682
Law	.7283889	.043767	−5.27	0.000	.6474657	.8194262
Education	.6977535	.0406666	−6.17	0.000	.6224323	.7821894
Literature and arts	.7687868	.0298767	−6.77	0.000	.7124041	.8296319
Sociology	.7096174	.1207914	−2.02	0.044	.5083144	.9906406
Science	.7280883	.0289676	−7.98	0.000	.6734701	.7871361
Agriculture	.7701218	.0544677	−3.69	0.000	.6704359	.8846298
Medicine	.7176544	.0419419	−5.68	0.000	.6399833	.8047521
Female graduates	.9831529	.0224904	−0.74	0.458	.9400462	1.028236
P	2.551769	.0215605			2.509859	2.594379

Note: comparison variables are research university, engineering, and male.

Table 5. Outcome of Weibull regression.

Second, the regression outcome for majors indicates that graduates will find jobs more easily if they come from majors of economics and management, and engineering, than the graduates from other majors at 1, 5, or 10% significant level. **Table 5** indicates the hazard rates for law, education, literature and arts, sociology, science, agriculture, and medicine are about 0.73, 0.70, 0.77, 0.71, 0.73, 0.77, and 0.72, respectively, compared to 1 for engineering graduates. The marginal effects of hazard rate in **Table 6** indicate that the unemployment spells will increase 112, 128, 91.6, 123, 112, 91.7, and 118%, respectively, for these graduates compared to graduates from engineering. If economics and management is regarded as the comparison variable, the graduates' unemployment spells for law, education, literature and arts, sociology, science, agriculture, and medicine will increase 103, 118, 81.9, 112, 102, 81.9, and 108%, on the contrary, engineering graduates have no significant difference from economics and management graduates, meanwhile, there are no significant difference among the graduates from law, education, literature and arts, sociology, science, agriculture, and medicine. Moreover, the female graduates have no significant difference from the males not only from the outcome of Weibull regression but also from marginal analysis.

From the analysis of SPSA in **Table 7**, the outcome is consistent with the one using the PSA. The hazard rates for university and college are 0.74 and 0.84, respectively, compared to 1, which is the number for the research university. This outcome shows the graduates find job faster if they are from research universities. The hazard rate for engineering graduates is

Base variable	Research university	University	College	Economics and management	Law	Education	Literature and arts	Sociology	Science	Engineering	Agriculture	Medicine	Male
Research university	–	.691*** (.113)	1.101*** (.116)	–	–	–	–	–	–	–	–		–
University	−668*** (.105)	–	.403*** (.079)	–	–	–	–	–	–	–	–		–
College	−1.04*** (.104)	−.467*** (.078)	–	–	–	–	–	–	–	–	–		–
Economics and management	–	–	–	–	1.03*** (.225)	1.18*** (.220)	.819*** (.139)	1.12* (.643)	1.02*** (.149)	–	.819*** (.259)	1.08*** (.218)	–
Law	–	–	–	−.950*** (.196)	–	–	–	–	–	−1.04*** (.196)	–	–	–
Education	–	–	–	−1.09*** (.186)	–	–	–	–	–	−1.18*** (.187)	–	–	–
Literature and arts	–	–	–	−.776*** (.125)	–	–	–	–	–	−.866*** (.126)	–	–	–
Sociology	–	–	–	−1.03*** (.544)	–	–	–	–	–	−1.12**(.545)	–	–	–
Science	–	–	–	−.951*** (.131)	–	–	–	–	–	−1.04*** (.129)	–	–	--
Engineering	–	–	–	–	1.12*** (.225)	1.28*** (.222)	.916*** (.141)	1.23* (.650)	1.12*** (.147)	–	.917*** (.260)	1.18*** (.220)	–
Agriculture	–	–	–	−.770*** (.229)	–	–	–	–	–	−.860*** (.230)	–	–	–
Medicine	–	–	–	−.997*** (.187)	–	–	–	–	–	−1.09*** (.188)	–	–	–
Female	–	–	–	–	–	–	–	–	–	–	–	–	.057 (.076)

Note: the numbers in parenthesis show standard error. * indicates 10% significant level, ** indicates 5% significant level, and *** indicates 1% significant level.

Table 6. Marginal effects of Weibull regression.

Variables of unemployment spell	Haz. ratio	Std. err.	z	$P > \|z\|$	95% conf. interval	
University	.7425758	.0254641	−8.68	0.000	.6943073	.7942
College	.8353303	.0280095	−5.37	0.000	.7821978	.892072
Economics and management	.9865729	.0267251	−0.50	0.618	.9355589	1.040368
Law	.7541106	.0453264	−4.70	0.000	.6703056	.8483933
Education	.719056	.0419562	−5.65	0.000	.6413513	.8061752
Literature and arts	.7975465	.031032	−5.81	0.000	.7389862	.8607473
Sociology	.7081013	.1205544	−2.03	0.043	.5071987	.9885818
Science	.7597542	.0302303	−6.91	0.000	.7027553	.8213762
Agriculture	.8000877	.0566046	−3.15	0.002	.6964931	.9190907
Medicine	.7249684	.0424137	−5.50	0.000	.6464282	.8130512
Female	1.007141	.0230615	0.31	0.756	.9629408	1.053371

Table 7. Outcome of regression by Cox proportional hazard model.

greater than most of majors at 1 or 5% except for economics and management. There are no different effects between engineering, and economics and management. The female graduates' hazard rate has no significant difference from the males.

Moreover, **Diagram 1** indicates the hazard rates for colleges with different types of college to be different from NPSA. If hazard rates are proportional to the one of, the different lines of hazard rate should be parallel one another. Obviously, these hazard rates are not proportional to the baseline hazard rate visually, namely, their hazard rates are different in each discrete unemployment duration. This implies that some graduates find jobs more quickly and some of them find jobs slower when they come from different types of college. Meanwhile, it is shown that the hazard rates for research university graduates are lower than the other colleges 0–4 months prior to graduation. However, the research university graduates are more successful in finding jobs after graduation.

In addition, **Diagram 2** indicates that the graduates with economics and management, and engineering degrees find jobs more quickly than the graduates from other majors in the all periods of job search. They find jobs faster after graduation particularly. It is difficult to distinguish other major graduates because some of them find jobs more quickly before graduation, and more slower after graduation. The line superimposes together. This results support the conclusion from Weibull regression and Cox proportional hazard model. Their hazard rates are also not proportional to the baseline hazard rate.

Finally, **Diagram 3** also shows that the hazard rates for different genders are not proportional to the baseline hazard rate. It is shown that female and male graduates have no significant difference.

7. Conclusion

This chapter tries to outline the factors affecting graduate unemployment spell. The research shows that graduates find jobs faster if they come from the research universities, because they have higher reputations compared to the universities and the colleges. The graduates of research university are more confident to their job searches. They may search jobs lately but more successful after graduation. Other graduates have to start searching jobs earlier and find jobs before graduation as far as possible. About major fields, the graduates with economics and management, and engineering degrees find jobs most easily. Other majors have no significant effects on hazard rates. In addition, the female and male graduates have no significant difference on job search.

It is therefore concluded that first, reputed university graduates begin to work earlier. This result is consistent to previous researches that the higher reputation denotes the higher human capitals, but is different from Zhou [3] studies that indicate that reputation only has slight effect on job search in China. Second, economics and management, and engineering graduates find jobs more easily, and this reflects the prosperity in labor market in China with the development of urban and economics. Finally, female and male are treated equally in the process of job search. This is different from previous researches that mention female suffers discrimination in China.

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Author details

Kong Jun

Address all correspondence to: 544790789@qq.com

The School of Economics and Management, Northwest University, China

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Chapter 5

Job Creation in Hai Phong, Vietnam

Thanh Nguyen Van

Additional information is available at the end of the chapter

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Abstract

A job is one of the basic needs of humans to ensure their life and comprehensive development. Job and job creation are listed as first priorities in sociodevelopment policies in Vietnam. Job policy, policies systems, and solutions to create jobs, develop a job market, and reduce jobless rates are the most basic policies of the nation. A job policy ensures that all persons who are capable of working will have the chance of a job and this will contribute to ensure the safety, stability, and development of society.

Keywords: human resource, job, job creation, job policy, job solution, labor quality

1. Introduction

Hai Phong is an important transport hub and the center of industry, commerce, tourism, and services in the north of Vietnam. The oldest seaport city and a growth pole in the triangle Hanoi–Hai Phong–Quang Ninh, it is located in two corridors—an economic belt between Vietnam and China. With a natural area of over 1500 km^2, Hai Phong is divided into 15 administrative divisions, including seven districts, six rural districts, and two island districts. The city has over 1.9 million people and the workforce is almost 1.4 million, of which the proportion of trained labor is 75%. The GRDP growth rate of Hai Phong is currently 11%, higher than the average GDP growth of the country [1].

In the structure of GDP, the industry–construction sector dominates at 43.3%, the service sector accounts for 50.2%, while the agriculture–forestry–fisheries sector accounts for 6.4% [2].

Being a city with a long history of operations and port development, port throughput capacity has increased more than twice each year, from 32 million tons in 2010 to about 80 million tons/year in 2017 [2]. With a transport system that includes all types—marine, waterways, road, aviation, and infrastructure development, along with policies to attract investment for

strong socioeconomic development—the city is increasingly attracting more investment projects, which are important to the economic restructuring of the city to increase the proportion of industrial production and services.

2. The demand and development orientation of Hai Phong

The central government is determined to make Hai Phong a city of Green Port, civilized, modern, service centers, with significant industrial competitiveness; a key marine economic development area; an education—training, health service, and science—technology center of the northern coastal region; an important transport hub; and the main gateway to the sea of the northern provinces and the economic corridor between Vietnam and China. All this industrialization and modernization should be completed by 2020.

To achieve the above objectives, the city is determined to adjust the economic structure and growth model innovation, enhance economic competitiveness, and ensure sustainable development requirements by 2020. The city's basic targets in the coming period are: restructure the economy towards the greening of existing industries and encourage the development of industries with effective use of energy and resources with high added value; increase widespread application of advanced technology to more efficiently use natural resources and reduce the intensity of greenhouse gas emissions, contributing to an effective response to climate change; improve people's lives, build a friendly lifestyle environment through creating more jobs from industry, agriculture, and green services; invest in green infrastructure development; improve the quality of human resources, especially training to serve economic development; and pay more attention to financial resources and human development to create the green lifestyle and sustainable consumption habits in the context of global integration.

Improving the quality of human resources, especially those that focus on training to serve the green economic development, is considered one of the important goals for the sustainable development of the city. The priorities are: to invest in high-quality education for its citizens; to invest in intelligent infrastructure for smart move; to invest in smart connections for the foundation and implementation of intelligent, virtual control systems; to improve the investment environment for sustainable economic growth and high quality of life; to manage the exploitation of natural resources to protect the environment; and to meet standardized criteria: security, welfare, and safety.

3. Job issues in Hai Phong city

Employment is a global matter and the concern of many countries. It is a decisive factor in the life of each person of working age, and a condition of human existence in society.

To solve the matter of employment means creating jobs for laborers, which is significant and crucial for the socioeconomic development of each country. Without creating jobs for the labor

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force will cause unemployment and underemployment, and is the cause of poverty, social instability, and slow economic growth. Consequently, a job policy has become one of the basic social policies of many countries in the world to ensure safety, stability, and social development.

Currently, the policy on jobs in Vietnam has been legalized in the Labor Law, and the guidelines have defined basic standards and policies to create jobs and support measures of the state to promote job creation for laborers. However, these policies are mainly for labor adjustments to labor relations; other subjects such as employment in the informal sector and rural areas have not yet been specified. Many new regulations can only be made by introducing laws; however, legality is neither prominent nor consistent with the real situation. Policies are general yet clear: lack of policies on equal jobs, safe jobs, and the provisions on full-time and part-time jobs; lack of clear definitions of both the concepts and the labor market; and incomplete state support solutions and an inability to meet practical requirements. All this causes difficulties in the management and implementation of employment.

Policies are comprehensively issued but implementation in some localities is poor and problematic because of the overlapping mechanism and no separation of responsibilities between the implementing agencies. Some localities and enterprises do not fully implement the policies, such as regulations on the establishment of the Job Fund, and implementation of policies is contrary to regulations; many programs and projects of socioeconomic development must have job creation plans but these are not applied, making enterprises unable to recruit or meet their requirements and having a detrimental effect on their project progress.

Annually, the population and labor growth rate have tended to increase rapidly, therefore job creation has become an important and fundamental social policy not only in Vietnam but also in many countries in the world to ensure safe and stable social development. Creating more jobs and curbing unemployment are two of the macroeconomic objectives that Vietnam is interested in achieving.

Jobs can be divided into sectors: (1) agriculture, forestry, and fisheries; (2) construction; (3) services; (4) transportation; (5) natural resources; (6) tourism; (7) banking and financial; (8) IT; and (9) working overseas.

Human resources can be included: (1) management staff; (2) civil servants; (3) entrepreneurs; (4) scientists; (5) lecturers, teachers, and trainers; (6) medical staff; (7) culture and sports sector staff; (8) judiciary staff; (9) court staff; and (10) marine economic sector staff.

The formulation of a strategy to create jobs is always one of the important management considerations of the city and sector leaders. To successfully implement a job creation target, the following measures have been conducted synchronously:

1. Job creation is based on the basic principle of ensuring social justice.
2. The city is responsible for the financial support to promote jobs; vocational training for the labor force; protection; encouraging people to enhance their earnings legitimately; protecting the freedom of movement of workers; encouraging the creation of new jobs to attract workers; and exploiting the potential of people and foreign investment.

3. A target should be set to create new jobs in the city's five-year and annual socioeconomic development plans, to encourage the ability to create jobs for personnel and organizations.
4. A system of job centers needs to be developed.

The process of industrialization and modernization in association with the process of urbanization in major cities has made the issue of job creation, now and in the coming years, an urgent matter. In Hai Phong in 2016 there were 54,000 jobs created (over 3.8% of the Hai Phong Socio-Economic Development Plan 2016) [2]; the connection between supply and demand for labor is enhanced; and the management of foreign labor is being restrained. In addition, the vocational network has been maintained with 58 vocational schools and centers with more than 48,000 students.

City leaders identified in the 4.0 Industry era that the widespread application of the achievements of information technology, automation, cybernetics, and robotic systems with artificial intelligence will replace humans in many stages or throughout the whole production process, especially in sectors that are labor intensive. Moreover, modern technologies have sparked new revolutions in many sectors of the world economy such as 3D printing, robotics, and automation, employing very few workers. These types of technology will challenge the "mass production" model with the "batch customization" model and automation with lower costs.

Therefore, if industry is based only on simple skilled labor, it will not be able to catch up with Industry 4.0.

This is both a great pressure and an opportunity to set up high-quality human resources, able to quickly adapt to new and creative technologies—key factors for the city's development and international integration. Therefore, the city has embarked on a strategy of fostering talents and building appropriate business models in combination with investment in education and training of high-quality human resources.

4. Labor quality of Hai Phong city

According to the World Bank, Vietnam's human resource quality reached 3.79 points (on a scale of 10), ranking 11th out of 12 countries surveyed in Asia, while Korea reached 6.91 points, India reached 5.76 points, and Malaysia reached 5.59 points. This evaluation shows that Vietnam's human resource is weak in quality, inadequately motivated, uncreative, and labor intensive. Vietnamese experts also commented that the quality of human resources in Vietnam is low and there are big gaps with other countries in the region. Vietnam's human resource competitiveness index reached only 3.39 out of 10 points. This is a sign that Vietnam is short of skilled labor and high-tech workers. Of the over 53.4 million workers aged 15 and over, only about 49% have been trained, of which more than 19% have been trained for three months or more.

Hai Phong is one of the major industrial centers of the country with a large number of workers. In reply to the requirements of industrialization and modernization of the country and the city, in recent years, Hai Phong has taken many measures to develop a vocational training

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system and expand production and business establishments in response to concerns about the implementation of social policies for workers.

Hai Phong's labor force has increased gradually over the years; in 2013 the workforce was 1,082,300, accounting for 56.2% of the population, by 2015 the number of workers was 1,090,400, accounting for 57.5% of the population. Along with the increase in the workforce, the number of trained workers has also increased over the years [3].

In 2013, the city's trained labor force accounted for 26.61% of the workforce and by 2015 it was 31.8%. However, the reality is that Hai Phong is still lacking both workers with high professional qualifications and skills and technical workers in some key industries.

5. Human resource development of Hai Phong city

To develop human resources and create jobs, the city has paid much attention to building a strategy for the development of human resources:

1. Creating a master plan for human resources on the basis of linking the sector development plans that are suitable for each stage of economic development;
2. Developing lifelong learning for lifelong competence;
3. Initiating talent development;
4. Changing the working environment;
5. Improving the quality of human resources through training and implementation of effective policies to attract talented people from abroad.

This is one of the decisive solutions to improve the competitiveness of enterprises, increase productivity, create more jobs, increase income from labor, and create stability and sustainable development for the city.

From 2005 to 2015, the workforce of Hai Phong has increased considerably. The number of people in the labor force aged 15 and older has risen from 932,000 in 2005 to 1,090,400 in 2015. This has helped the city fulfill its labor force requirements but also put pressure on jobs and safety and welfare issues.

The number of trained people tends to increase rapidly, the training structure is more and more reasonable, the quality of human resources and training level has gradually improved to meet the demands of the labor market, and labor productivity tends to be higher. Labor is moving towards industrialization and modernization, quickly transferring to the fields of finance, banking, auditing, telecommunication, mechanical engineering, shipbuilding, technology, new materials, marine technology, marine economy, logistics, etc.

In terms of education and training, Hai Phong has a better education system than neighboring provinces and good social infrastructure. Hai Phong city is ranked the third largest in the

nationwide educational index with four universities, 16 colleges, and 26 professional vocational schools. Maritime University is the first university in Vietnam and meets ISO 9001-2000; it is the only university in Vietnam with certification recognized in all countries throughout the world. The literacy rate has reached 97.6%, the highest in the country. Completion level of secondary since 2001 and level of high school and vocational school since 2008.

Human resources for marine economic development are paid special attention. The Maritime University has sent many students, trainees, and doctoral students to study and exchange knowledge on marine research, shipbuilding, and marine engineering with Tokyo Maritime University, Japan, Korea Maritime University, Dalian Maritime University, China, Liege University, Belgium, California Maritime Academy, Delft University of Technology, Netherlands, etc. Besides, vocational training schools also participate in many associated programs with vocational colleges and professional organizations of some countries, such as Hai Phong Vocational College coordinated with Kitakyushu Professional Association (Japan), to provide vocational training for students. International cooperation with the marine sector is robust and new elements have appeared.

The city has been actively cooperating with international provinces and cities such as Incheon (Korea) and Brest (France) on maritime activities and marine economy, and collaborating with the National Oceanic and Atmospheric Administration (NOAA) of the United States in promoting the Marine Spatial Planning of Hai Phong City. Universities and research institutes in the city are involved in joint-training and exchange activities with many colleges and institutes of many countries in the world.

Basically, Hai Phong's human resources are low quality, low skilled, lack practical experience, suffer from limited competitiveness, are ill prepared for international integration, and easily affected by international economics changes. The rate of trained workers at the level of vocational schools is low and gradually declining, and poorly trained workers are still common (accounting for 81.6%). This shows an imbalance, reflecting the situation of lack of workers. The contribution of workers to the economic growth of Hai Phong has gradually reduced since 2001, contributing 3.05% of the GDP growth rate of 10.38%; by 2010 it was only 0.26% of the GDP growth rate of 10.96%.

The main cause is low labor productivity and slow labor force growth. The current general assessment of human resource development in the city is the inadequacy of high-quality human resources: large number of management staff but lacking power; limited knowledge of law, administration, economics, foreign languages, computer science, etc.; and an imbalance between structure, level, and age.

Human resources in science and technology are still weak and do not meet the requirements of understanding complicated issues requiring high scientific and technological contents. The imbalance in training disciplines and the lack of high-quality human resources for industrialization and modernization with the development requirements and specific features of the city, such as marine technology, new material technology, nanotechnology, biotechnology, etc., result in the absence of leading cadres in a number of scientific fields, especially the lack of highly qualified young adolescents. The quality and effectiveness of the research topics are limited, do not match the potential, and are not closely linked to training and scientific research; the field of

activity is narrow. The preparation of human resources in science and technology in enterprises is insufficient, and the capacity to operate and transfer technology does not meet the requirements.

6. Solutions to increase jobs in the city

To increase jobs for workers, the city has implemented a set of measures to stimulate labor demand growth, with a focus on choosing the right economic growth model to address the relationship between economic growth and jobs by increasing the priority for key industries, new and high-technology industries, and high-quality services sectors, as well as achieving the target of labor structure in sectors.

To attract workers from neighboring localities, ministries, central agencies, provinces, and cities in the northern key economic region have been coordinated to develop the local economy. At the same time, mechanisms and policies to keep skilled and highly qualified laborers and to attract this labor force from neighboring localities have been set up (e.g., Project 100 supports 100 people to study master and doctoral degrees overseas, then assigns them to work in local organizations, establishing the City Association for promoting talented students and staff to work for Hai Phong).

The city focus on development of the labor market information system, which emphasizes improving and developing the labor market transaction system to create important conditions for the labor market to function normally, carries out the tasks of bridging the gap between labor supply and demand.

To establish and develop a system of information on the labor market at levels from the city to districts, communes, and wards includes the following three subsystems: (1) vocational education system: provides information on training opportunities, training and education programs, and guidance on career options; (2) job information system: provides information on job opportunities, the need to recruit employees in enterprises, the needs of job seekers, and the ability to work in the market; and (3) labor market statistics information system: provides information on labor supply and demand, distribution of the labor force, working conditions, work safety, labor value, and labor productivity. At the same time, every year, the city allocates funds to update information on labor supply and demand in the labor market, investigating, surveying, evaluating, and storing information on quantity and quality of labor sources and on the labor market to organize and implement the information system on labor resource management.

Author details

Thanh Nguyen Van

Address all correspondence to: thanhnv1957@gmail.com

Ministry of Public Security, Hanoi, Vietnam

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INTECH

Chapter 6

Changing Jobs in Mexico: Hopping between Formal and Informal Economic Sectors

Virgilio Partida and Maria Edith Pacheco

Additional information is available at the end of the chapter

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Abstract

We reviewed the discussion on the concept of informal employment in Latin America over the past 40 years. Some of the findings of labor mobility among the formal and informal sectors of the economy are also described. With data from the quarterly panel of the National Occupation and Employment Survey (NOES) of 2014–2016, we analyzed the mobility between eight categories: four of formal employment (non-manual high-skilled, non-manual semi-skilled, manual skilled manual and manual low-skilled), two of informal employment (non-manual and manual), unemployed and not in labor force. We found there is a high mobility among these eight categories, showing that labor markets in Mexico have been unstable in the last quarter century. A more precise analysis is done by dividing the population into three stages of life course: youth (15–24 years of age), early adulthood (25–44 years), and mature adulthood and old age (45–79 years). There is greater mobility in youth and mature adulthood and old age than in early adulthood; and the majority of young and early adult women leaving labor force attribute it to motherhood.

Keywords: labor force, formal and informal employments, labor mobility, Mexican workforce, life course

1. Introduction

The rapid growth in working age population in Mexico, originated by the high birth rate of the past century, has propitiated that employment demand exceeds by far the offer. Along with this, in the past 35 years, the multiple Mexican economy crises have also intensified the lack of savings from the population in general, have reduced the public and private investment, and have led to the raise of low or null productivity informal employment, which is unstable and lacks of social security [1, 2].

Precarious jobs diminish families' incomes, encourage the entrance of more family members into the labor force, and minimize any possibility of saving money [3, 4].

In developing countries, most labor markets are characterized by heterogeneity in commodities production process. Because of this, since the beginning of the 1970s, a line of investigation tries to explain the labor markets' operation, especially leading the discussion to the heterogeneity of the production structure; this line is widely known under the name of *informality* [5].

National Institute of Statistics and Geography (INEGI) distinguishes between informal sector and informal employment [6]. The informal sector's approach focuses on the characteristics of either nonagricultural economic firms or self-employed people that are not constituted as enterprises and that do not fulfill the most basic records that legislation demands from suppliers of goods and services (not taxed and not monitored by government). The informal employment includes workers in nonagricultural firms and self-employed people who do not pay taxes and lack of social security. In this chapter, we only focus on informal employment.

In the past 25 years, Mexican labor markets' instability has caused that almost half of labor force to be occupied in the informal economy. Informal jobs usually are of low productivity, this has maintained the levels of poverty almost constant. Between 2014 and 2016, on average, 47.4% of the Mexican labor force worked in the formal sector, 47.6% on informality, and 5.0% were unemployed. This means Mexican labor markets were unable to equal the demand for 52.6% of the workers. The situation was more precarious in female workers (43.1% of formality, 52.3% of informality, and 4.6% of unemployment) in comparison with male workers (50.4, 44.3, and 5.3%, respectively).[1]

The low generation (creation) of stable jobs with benefits (social security, thirteenth salary, etc.) has motivated an intense occupational mobility inside the formal and informal sectors and between them. In the same period, 2014–2016, on average, at the end of any quarter, 70.0% of the occupied labor force maintained the same type of occupation, meanwhile 30.0% moved to another one; proportions for male workers were 70.0 and 30.0%, respectively, and 77.5 and 22.5% for female workers (see Footnote 1).

In this document, we focus on the labor force offer (worker) and not on the demand (employer). Our objective is to analyze the job change between the Mexican formal and informal economy sectors during the 2014–2016 period. Based on data from the National Occupation and Employment Survey (NOES), we aim to contribute to the discussion of the *dynamics of informality*.

2. The formal-informal dichotomy

In the framework of the International Labor Office - Regional Employment Program for Latin America and the Caribbean (ILO-PREALC), Tokman [7] argued that the modern economic sectors inability to absorb the demand for jobs, under the context of productive structure

[1]Own calculations from National Occupation and Employment Survey.

heterogeneity, determined the existence of distinct labor markets: formal and informal. It is worth mentioning that since his first writings, Tokman proposed the existence of relations between different markets—in contrast to a simple dualism—where the informal labor market was the last link in the ranking established by the structural heterogeneity; therefore, he pointed out that these relations would be of subordination in some cases and of competition in others.

On the other hand, in the 1980s, the American Marxist perspective of the informal argued that, in case of labor abundance, rising wages of the formal employment stimulated the employers to use the informal sector (through eventual hiring and subcontracting). Portes [8] argued that the informal sector was internally heterogeneous and consisted of reorganized segments of existing production modes, located by its functional relation with the capitalist economy; therefore, the essential characteristic is related to recruitment practices.

At the end of the 1980s, a vision framed in a neoliberal perspective on the informal sector in Latin America was proposed. The author who gives rise to this vision was the Peruvian Hernando de Soto [9]. Through empirical work, this author tries to show that informal work is the poor people's only alternative to face the excessive fiscal regulation. Population manifests its *entrepreneurial spirit*, but since fiscal regulations limit this spirit, population is forced to act outside the law.

At this point, it can be said that by the end of the 1980s, there were already diverse ways of conceiving the informal sector. Peattie [10] argued that the use of the concept *informal sector* was becoming generalized because it seemed to work for diverse purposes: it was used by the progressives to discuss poverty; by economic planners with the idea that the system of national accounts system would represent economy in a more precise way; by the *radicals* who aim to bring into discussion a more structural view of the economy; and also by those who proposed the path leading to the privatization of government-owned enterprises.

In the mid-1990s, Pérez [11] argued that informality should be rethought in the context of a new *emerging* reality by the implementation of productive restructuring programs based on the model of open economies. In order to develop this idea, he formulated five fields of work: the first one refers to the emerging sector of *tradables*, the second one to subordinated neo informality, the third one to agglomerations, the fourth one to the traditional formal sector, and the fifth one to the *subsistence* informality. Perhaps the most interesting aspect of this approach was the proposal about the formal sector being located in an *intermediate stage*.

Each conception has used different indicators to measure informality. The ILO-PREALC's proposal considers workers in small establishments (not including professionals), self-employed workers and, only sometimes paid domestic work. The Marxist approach used information on the population without social security.

INEGI proposes that the informal business is personal or familiar. In order to locate them accurately, there are also other criteria related with the existence or not of premises, with accounting, and with being located in certain branches of the economy. But it also provides information on labor informality that includes information on workers without access to social security [12].

Below we mention some research works that have studied mobility between the formal and informal sectors in Mexico. Maloney [13], based on data from the National Urban Employment Survey (NUES)[2] from 1987 to 1993, through transition probabilities, concludes that workers' mobility patterns do not suggest a rigid or segmented labor market. Horbath [14], on the other hand, with the same NUES from 1991, contends that mobility implies a clear tendency to deregulate the labor market. Salas [15], with the NUES from 1998, finds that two-thirds of those who exit from labor force and return to it, are employed in businesses with five or less workers, which act as job generators in context of crisis and economic restructuring processes.

Partida [16] based on working life expectancies extracted from the generalized working active life table, compared data from the 2000 National Employment Survey (NES) and the 2010 NOES.[3] He verifies the increasing female insertion into labor markets and the decrease of remaining mean life outside the labor force at ages 15–50 years. In general, he identifies that almost half of the workforce—both male and female—remains in the informality.

Coubès [17], when comparing the retrospective three-generation histories of life collected in the Retrospective Demographic Survey (EDER), identifies that the probability of moving from the informal to the formal sector (approximated by the work space size) increases from the oldest cohort (1936–1938) to the intermediate one (1951–1953). The trend gets broken from the intermediate to the youngest (1966–1968), although the increase from formal to informal prevails in both cohorts, the reverse transition is more frequent in the youngest. The author concludes that in addition to schooling and a greater incorporation of women into the labor force, the labor market also influences the younger generation.

Calderón [18], when comparing the first quarters of 2005–2007 from the NOES, identifies that one of the three individuals who found an informal job was formal worker in their last job. Due to the extended time, this group of individuals spends in finding a job, the author points out that they look for a long-term job and they remain in the informal sector for a prolonged period of time.

Finally, Levy and Székely [19], following the employment trajectory of some generations in Latin America and Mexico using the pseudo panel technique, found that Mexican informality is much greater than other countries, the stability of the Mexican informality rate is smaller than the one in the region, and in Mexico there are crossings between the formality and informality trajectories, but not in other countries.

3. Data and categories

Considering the National Survey of Occupation and Employment (NOES), which is a panel sample survey with five repeated visits each quarter, as our data source, we determine the permanence or change of status comparing each individual's status in two successive quarters.

[2]NUES was a panel survey with five visits repeated on a quarterly basis to the same housing for 47 cities in Mexico from 1987 to 2000.

[3]NES is the NUES extended to the whole country; from 2005, it changed its name to NOES

First, we separate the population into occupied labor force, unemployed labor force, and not in labor force. Second, we construct the formality following the proposals by García [20] and Tokman [21]: employers and workers in work spaces with six workers or more; self-employed professionals or technicians; or commission, percentage, or piece workers with social security. The rest of the labor force occupied is considered informal.

According to occupation, we form eight *categories* or *strata* following the original proposal of Solís and Cortes [22]:

1. (Non-manual formal) *high-skilled*: Professionals, managers, senior managers, and university professors.
2. (Non-manual formal) *semi-skilled*: Middle-level managers, technicians, elementary and secondary education teachers, artists, athletes, clerks, insurance agents, real estate brokers, and workers in commerce.
3. (Manual formal) *skilled-worker*: Supervisors in the industry, machinery operators, drivers of any kind of vehicles, and skilled workers.
4. (Manual formal) *low-skilled worker*: Assistants, personal, and security services[4]
5. Non-manual informal
6. Manual informal
7. Unemployed
8. Not in labor force

The analysis is realized through the quarterly distributions of jobs change among the diverse categories. All of the measurements are made separately for each sex.

4. Workforce general mobility

Mobility in Mexico during 2014–2016 was slightly greater in formality than in informality. Annually, formal workers change occupation type 1.09 times, whereas informal workers do so 0.77; men 1.24 and 0.91 times, and women 0.86 and 0.61, respectively.

Assuming that within a hierarchical scheme, regardless of the occupation, the transition from formal to informal is downward and from informal to formal is upward; in general, transitions mark a net equilibrium balance (0.43 annual transfers from informal to formal and 0.42 in the opposite direction). In this scheme, men climbs are more often (0.55 and 0.47) and women descents are more numerous (0.30 and 0.34). However, due to the different weights of formal (54% in males and 45% in females) and informal (46 and 55%, respectively)

[4]Preparation and service of food and beverages in establishments; hairdressers, embellishers, and similar; private protection and surveillance services; army, navy, and police lower ranks; construction and plumbing assistants; shippers; car parking; car washers; laundry and ironing; packaging and packing; courier and merchandise delivery; water and energy meter readers; money collectors, and elevator operators.

workers, from 2014 to 2016, the net balance was favorable to formality: transfers from informality increased formal male workers amount by 0.22% per year, formal female workers by 1.37%, and the total by 0.66%.

A more refined scenario is shown in **Table 1**, where the mobility between the eight strata in which we have divided the population is broken down. The inelasticity of Mexican labor

Status at the end of the quarter	**Status at the beginning of the quarter**							
	High-skilled	**Semi-skilled**	**Skilled worker**	**Low-skilled worker**	**Non-manual informal**	**Manual informal**	**Unemployed**	**Not in labor force**
Males								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	61.5	61.8	64.5	61.9	55.8	68.9	23.0	77.6
Change	38.5	38.2	35.5	38.1	44.2	31.1	77.0	22.4
Promoting	0.0	7.6	11.7	17.5	17.3	18.7		
Demoting	33.3	24.2	18.1	13.0	14.8	0.0		
Formal total	23.0	21.9	15.9	17.5	17.3	12.3	26.7	6.0
High-skilled		7.6	1.4	1.0	5.0	0.3	2.6	0.8
Semi-skilled	18.3		10.2	8.8	8.7	2.0	8.9	2.2
Skilled worker	3.4	9.6		7.7	2.2	6.6	9.1	1.5
Low-skilled worker	1.4	4.7	4.2		1.3	3.4	6.1	1.6
Informal total	10.3	9.9	13.9	13.0	14.8	6.4	30.3	12.8
Non-manual informal	8.9	6.6	1.9	1.8		6.4	7.8	4.0
Manual informal	1.4	3.3	12.0	11.1	14.8		22.4	8.8
Unemployed	1.7	2.7	2.8	2.8	2.7	3.2		3.5
Not in labor force	3.5	3.7	2.9	4.9	9.4	9.1	20.1	
Females								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	60.4	70.4	72.5	59.5	53.8	60.3	16.9	85.0
Change	39.6	29.6	27.5	40.5	46.2	39.7	83.1	15.0
Promoting	0.0	6.1	6.4	12.9	10.8	11.7		
Demoting	31.0	12.8	8.9	13.4	9.8	0.0		
Formal total	24.0	10.7	8.7	12.9	10.8	5.2	20.0	3.0
High-skilled		6.1	0.8	0.6	2.0	0.2	2.6	0.3
Semi-skilled	22.3		5.6	9.8	7.4	1.3	10.3	1.5

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unemployed	Not in labor force
Skilled worker	1.0	1.6		2.5	0.5	1.2	3.3	0.5
Low-skilled worker	0.7	2.9	2.2		0.9	2.6	3.8	0.6
Informal total	6.9	8.3	6.7	13.4	9.8	6.5	18.8	10.5
Non-manual informal	6.3	6.7	1.4	2.0		6.5	7.7	4.0
Manual informal	0.7	1.6	5.3	11.4	9.8		11.1	6.5
Unemployed	1.7	1.9	2.2	2.0	1.4	1.4		1.5
Not in labor force	6.9	8.8	10.0	12.2	24.3	26.7	44.3	

Note: Figures rounded independently.
Source: National Occupation and Employee Survey 2014–2016.

Table 1. Percentage distribution of quarterly changes of job between categories by sex, 2014–2016.

markets is clear: near four in five formal workers of both sexes are maintained in formality employment, either in the same category or in another one; instead, only 1 in 7 informal men and 1 in 13 informal women obtained a formal job.

Even if it is not very large, we must consider the proportion of formal workers who lose their employment and choose to take shelter in informality or to look for another job (unemployed). This situation affects more than one-tenth of males, between 12.0% in the high-skilled workers (10.3% move to informality and 1.7% to unemployment) and 16.7% in skilled workers (13.9 and 2.8%, respectively).

Although female fractions are lower (8.6% in high skilled to 15.4% in low-skilled workers), they increase when activity withdrawals are included, presumably for desisting from the effort to remain in formality, ranging nowadays from 15.6% in high-skilled to 27.6% in low-skilled workers. A possible explanation would be that informal women prefer withdrawing from labor force than looking for an informal job because they get disappointed when not finding the desired job in formality. But withdrawing from activity is also related to gender roles and to the role of women in unpaid work (housework and caring relatives).

The low generation of formal jobs is evident among those who are unemployed at the beginning of a quarter. Almost one-quarter of males (23.0%) and one in six females (16.9%) fail when trying to get a job; while one in five men (20.1%) choose to leave the labor force, this is the alternative for almost half of women (44.3%). Among those who get a job, most men find it in the informal sector (30.3 of 56.9%), even though women find it more in the formal one (20.0 of 38.8%). The entrance to labor force (column *not in labor force*) shows that the majority finds a job in the informal sector (12.8 of 22.4% in males and 10.5 of 15.0% in females).

Let us assume the occupations' hierarchy, from the highest to the lowest, according to the order of the rows and the columns on **Table 1**. Take, as an example, skilled-worker females: from 27.5% who change category, 17.5% remain in labor force, and 10.0% withdraw; from these 17.5, 15.4% remain employed and 2.2% become unemployed. We are interested in the 15.4% still employed, from whom 8.7% continue in formality and 6.7% move to informality; 6.4% of the total go up in the hierarchy (0.8% to high-skilled and 5.6% to semi-skilled) and 8.9% go down (2.2% to low-skilled workers and 6.7% to informality). High-skilled workers cannot go any higher, so 33.3% of men and 31.0% of women go down. On the same line of thoughts, manual informal workers cannot go any lower.

The decline is stronger in high-skilled employees than in the other seven categories, showing that several companies were shut down—partly because some factories moved from Mexico to China—along with low public and private investment. Nevertheless, most people find a job in the immediate low category.

Looking at the rows *promoting* and *demoting* in both panels of **Table 1**, it is observed that the loss of quality prevails in the three higher qualification categories of jobs, whereas in the remaining three, quality rises. Thus, we form two large groups of categories: on one hand, the three highest rated and, on the other hand, the three lowest. Mobility leads to a slight increase in quality in men (49.4% of the first group moves to the second one, whereas 50.4% does so in the opposite direction), but to a marked loss of quality in women (49.2% and 38.6%, respectively).

The annual average of movements reveals that the quality loss in employment is common for both sexes: in males, transitions from the high-level group to the low level one are 0.62 displacements and 0.49 in the opposite direction, whereas in females, transitions are 0.40 and 0.26, respectively. However, due to the different amounts of workers in both groups, the increases were higher than the declines, 1.4% bigger in men and 5.6% bigger in women.

5. Mobility of the workforce in three stages of life course

The insertion in the labor force is different throughout life. Those who join in the youth have, generally, only completed part or all of secondary education. They lack the training acquired in college and graduate school, which motivates a greater mobility in the labor market. In early adulthood, when most of people should have completed the undergraduate program and some years in graduate studies, the greater training and work experience, leads to a greater job stability and, hence, less mobility.

Finally, in mature adulthood and in old age, either because of the lack of training facing the technological change or because the youngest have lower wage demands, mobility is raised again, as well as the withdrawal of economic activity, although in Mexico people not always benefit from a pension. We assimilate those three stages of life course to the age intervals 15–24, 25–44 and 45–79 years old. Below, we explore the behavior of each one of these age groups.

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unemployed	Not in labor force
Males								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	45.6	53.7	60.2	50.3	40.1	57.0	22.4	80.9
Change	54.4	46.3	39.8	49.7	59.9	43.0	77.6	19.1
Promoting	0.0	3.4	9.9	17.4	16.6	20.8		
Demoting	38.7	27.2	19.0	16.0	16.6	0.0		
Formal total	29.1	18.7	14.7	17.4	16.6	14.6	26.3	5.9
High-skilled		3.4	0.6	0.3	1.5	0.1	1.4	0.4
Semi-skilled	22.6		9.3	9.0	10.1	2.7	8.8	2.5
Skilled worker	4.8	9.7		8.0	2.8	6.8	9.3	1.4
Low-skilled worker	1.7	5.6	4.7		2.2	5.0	6.7	1.6
Informal total	9.6	11.9	14.3	16.0	16.6	6.2	24.5	9.7
Non-manual informal	7.6	7.3	2.0	2.1		6.2	6.2	3.2
Manual informal	2.0	4.6	12.3	13.9	16.6		18.4	6.4
Unemployed	3.1	4.8	4.7	5.0	4.3	4.9		3.5
Not in labor force	12.6	10.9	6.2	11.4	22.4	17.3	26.8	
Females								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	45.5	58.2	66.5	43.8	43.4	48.8	16.7	86.2
Change	54.5	41.8	33.5	56.2	56.6	51.2	83.3	13.8
Promoting	0.0	2.8	5.9	16.5	13.7	13.8		
Demoting	35.4	17.0	8.7	13.1	7.4	0.0		
Formal total	27.3	8.8	7.6	16.5	13.7	7.0	20.5	3.8
High-skilled		2.8	0.4	0.9	0.8	0.1	1.7	0.2
Semi-skilled	23.6		5.4	13.0	10.7	2.2	11.2	2.1
Skilled worker	1.6	2.3		2.5	1.0	1.8	4.1	0.7
Low-skilled worker	2.1	3.7	1.7		1.2	2.9	3.6	0.7
Informal total	8.1	11.0	7.0	13.1	7.4	6.7	15.5	7.7
Non-manual informal	7.3	9.1	2.1	2.9		6.7	8.1	3.5
Manual informal	0.7	1.9	4.9	10.2	7.4		7.4	4.2

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unem-ployed	Not in labor force
Unemployed	4.1	4.1	4.2	4.1	2.9	2.5		2.3
Not in labor force	15.0	17.9	14.6	22.4	32.7	34.9	47.2	

Note: Figures rounded independently.
Source: National Occupation and Employee Survey 2014–2016.

Table 2. Percentage distribution of quarterly changes of job between categories by sex, ages 15–24 years, 2014–2016.

5.1. Fifteen to 24 years old

Indicators on **Table 2** show the greatest mobility in youth compared to the total population (**Table 1**). The category change is significantly higher, especially in high-skilled jobs for both sexes, nonmanual informal males, and low-skilled female workers. The occupational decline persists in the three highest hierarchy categories, and now the ascent is confirmed in the three strata of lower qualification, although it is practically null in nonmanual informal men.

It is also noted a greater job loss (from formal and informal to unemployed) and more difficulty in recovering it (lower percentages from unemployed to the first six categories). But even more frequent are the outputs of the activity of the entire workforce, with the two higher categories highlighted in both sexes, although the highest differences are in nonmanual informal males and in nonskilled female workers. With few exceptions, even a lower proportion of the not-in-labor force people are incorporated into the labor market.

If we take again on one hand the three highest qualification categories and the three lowest on the other hand, the loss of quality in jobs is now common to both sexes and even greater than for the total population: 58.7% of the first male group falls to the second one and 46.9% increases in the opposite direction, and in females, the moving proportions are 65.3 and 48.4%, respectively. Nevertheless, once again, due to the different amounts of workers in both groups, the increases were higher than the declines, 8.4% in men and 10.9% in women.

5.2. Twenty-five to 44 years old

Occupational mobility in early adulthood is lower than in youth: on one hand, several adults have graduated and it is easier for them to get a formal job; and, on the other hand, those who entered the youth workforce have gained experience and can aspire to formal employment.

Table 3 confirms the above in general terms. The proportion maintained in the same category is higher than 10 percentage points compared to young people, except for the skilled workers of both sexes, and stands out in nonmanual informal men where 57.1% from 25 to 44 years old remains in that same stratum, compared to 40.1% in 15–24 years old.

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unem-ployed	Not in labor force
Males								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	61.3	63.7	66.0	63.1	57.1	72.4	24.8	50.6
Change	38.7	36.3	34.0	36.9	42.9	27.6	75.2	49.4
Promoting	0.0	8.3	12.6	19.6	21.4	20.4		
Demoting	34.5	23.8	17.3	12.8	15.1	0.0		
Formal total	25.0	22.8	16.6	19.6	21.4	14.1	31.3	14.5
High-skilled		8.3	1.7	1.2	6.0	0.4	3.8	2.7
Semi-skilled	19.8		10.8	9.8	11.0	2.3	10.7	5.1
Skilled worker	3.9	9.9		8.7	2.8	7.9	10.6	4.0
Low-skilled worker	1.3	4.6	4.0		1.6	3.5	6.3	2.7
Informal total	9.5	9.3	13.3	12.8	15.1	6.3	32.0	25.7
Nonmanual informal	8.1	6.3	1.8	1.9		6.3	8.8	6.9
Manual informal	1.3	3.0	11.5	10.9	15.1		23.2	18.8
Unemployed	2.0	2.6	2.6	2.8	3.0	3.1		9.2
Not in labor force	2.2	1.6	1.5	1.8	3.5	4.1	12.0	
Females								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	60.6	72.7	75.0	59.3	53.5	61.8	18.3	80.6
Change	39.4	27.3	25.0	40.7	46.5	38.2	81.7	19.4
Promoting	0.0	6.8	6.8	14.5	13.8	12.7		
Demoting	31.2	12.1	8.2	14.1	10.1	0.0		
Formal total	24.4	11.2	8.8	14.5	13.8	6.0	21.7	4.1
High-skilled		6.8	1.0	0.8	3.0	0.2	3.4	0.5
Semi-skilled	22.5		5.8	10.8	9.1	1.4	11.0	2.0
Skilled worker	1.1	1.7		2.9	0.6	1.4	3.2	0.8
Low-skilled worker	0.7	2.7	2.1		1.1	2.9	4.1	0.8
Informal total	6.8	7.8	6.1	14.1	10.1	6.6	19.7	13.3

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unem-ployed	Not in labor force
Nonmanual informal	6.2	6.3	1.1	2.1		6.6	7.8	4.7
Manual informal	0.7	1.5	4.9	12.0	10.1		11.8	8.6
Unemployed	2.0	1.7	1.7	2.1	1.7	1.6		2.0
Not in labor force	6.3	6.7	8.4	9.9	20.9	23.9	40.3	

Note: Figures rounded independently.
Source: National Occupation and Employee Survey 2014–2016.

Table 3. Percentage distribution of quarterly changes of job between categories by sex, ages 25–44 years, 2014–2016.

The lower mobility in early adulthood can explain the highest proportion of unemployed people who cannot get employed (24.8% of males and 18.3% of females compared to 22.4 and 16.7%, respectively when in youth). However, possibly due to paternal or maternal responsibilities, the noneconomic active workers (49.4% of men and 19.4% of women compared to 19.1 and 13.8%, respectively, in youth) are more likely to enter the labor market. But just as in 15–24 year olds, most are embedded in formality. In the opposite direction, a significantly lower fraction of the employed and unemployed of both sexes withdraw from the labor force, although it hardly differs in unoccupied women (40.3% for 25–44 years and 47.2% for 15–24 years).

Once again we can appreciate the loss of quality in employment in the three categories of higher qualification and the increase of quality in the three of less training. And if we re-group them into two-category clusters, unlike the young and the total workers, the male rising proportion in the second group (54.7%) is greater than those who descend from the first group (46.4%), although in women the inverse relationship prevails (45.8% down and 42.3% up). Again, the ascents are greater than the declines, 0.7% in men and 6.0% in women. But if the occupations are separated into formal and informal, while the improvements in women were 5.7% higher than the declines, in men the declines exceeded in 0.4% the rises. For all of the six categories, in females, the increases were 2.5% higher than declines, whereas in men the declines were 0.8% higher than the increases.

The high proportion of young and early adulthood women exit from the labor force is outstanding: more than 20% in less qualified and unemployed occupations, except for low-skilled workers aged 25–44 where it is 9.9%. This is most likely due to the gender roles of motherhood, especially in the early years of the children's lives, rather than the loss of a formal job. In this regard, 66.0% of females aged 15–44 who left the economic activity attributed it to maternity, 18.7% to market problems and 15.2% to personal reasons. We see that the discouragement of finding better job opportunities is not the most important female cause of exit from the activity.

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Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unemployed	Not in labor force
Males								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	63.8	63.0	64.4	67.8	61.0	71.0	20.3	79.4
Change	36.2	37.0	35.6	32.2	39.0	29.0	79.7	20.6
Promoting	0.0	8.9	11.0	14.2	13.2	15.7		
Demoting	30.9	23.0	19.3	11.2	13.6	0.0		
Formal total	19.4	22.2	15.3	14.2	13.2	8.9	17.8	4.0
High-skilled		8.9	1.5	1.2	5.4	0.3	2.4	0.8
Semi-skilled	15.5		9.6	7.0	5.8	1.2	5.2	1.0
Skilled worker	2.5	8.8		6.0	1.3	4.9	5.6	1.0
Low-skilled worker	1.4	4.5	4.3		0.8	2.5	4.7	1.2
Informal total	11.5	9.7	15.0	11.2	13.6	6.7	36.5	14.4
Nonmanual informal	10.1	6.7	1.9	1.6		6.7	8.7	4.5
Manual informal	1.4	3.0	13.0	9.7	13.6		27.8	9.9
Unemployed	1.1	1.5	1.7	1.4	1.7	2.5		2.1
Not in labor force	4.2	3.6	3.6	5.3	10.4	10.8	25.4	
Females								
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Stay	63.2	73.3	71.8	67.3	58.7	62.4	12.3	87.8
Change	36.8	26.7	28.2	32.7	41.3	37.6	87.7	12.2
Promoting	0.0	6.8	6.1	8.8	6.0	9.9		
Demoting	29.5	11.5	11.6	12.5	10.6	0.0		
Formal total	22.6	10.8	9.5	8.8	6.0	3.7	11.8	1.5
High-skilled		6.8	0.9	0.3	1.4	0.1	1.7	0.2
Semi-skilled	21.5		5.2	6.7	3.9	0.8	5.1	0.6
Skilled worker	0.6	1.1		1.8	0.2	0.7	1.6	0.2
Low-skilled worker	0.5	2.9	3.4		0.4	2.1	3.5	0.4
Informal total	6.9	7.5	8.2	12.5	10.6	6.2	24.8	10.3
Nonmanual informal	6.3	5.9	1.3	1.3		6.2	6.2	3.7

Status at the end of the quarter	Status at the beginning of the quarter							
	High-skilled	Semi-skilled	Skilled worker	Low-skilled worker	Non-manual informal	Manual informal	Unemployed	Not in labor force
Manual informal	0.6	1.6	6.9	11.2	10.6		18.6	6.6
Unemployed	0.6	0.7	1.1	0.8	0.4	0.7		0.5
Not in labor force	6.7	7.7	9.4	10.6	24.3	27.1	51.1	

Note: Figures rounded independently.
Source: National Occupation and Employee Survey 2014–2016.

Table 4. Percentage distribution of quarterly changes of job between categories by sex, ages 45–79 years, 2014–2016.

5.3. Forty five to 79 years old

In mature (45–64 years) and advanced (65–79 years) adulthood, the majority of employees are kept in the same occupational category; but the transition from formal to informal is greater than in youth and early adulthood, as can be seen in **Table 4**. In addition, because they are entitled to a pension or because of the discouragement of not being able to find a desirable job, often due to age discrimination in the labor market, the proportion of employed and unemployed who withdraw from economic activity exceeds the percentage of early adulthood in all cases, as can be seen in the figures from **Tables 3** and **4**.

The loss of quality in employment is more evident in the elderly and advanced than in youth and early adulthood, except in the low-skilled workers. In the other categories, the descending movements exceed the ascending ones, with a greater difference in the semi-skilled and skilled men workers.

If we form the two clusters of the three highest and three lowest categories again, the loss of hierarchy is easy to see: the decline rates (50.3% in men and 47.8% in women) are higher than those rising (45.9 and 27.5%, respectively). Likewise, for the six categories as a whole, the increases in men (3.5%) and women (3.4%) were almost equal.

6. Conclusions

The Mexican labor markets' instability has originated that a high proportion of the labor force works in the economy's informal sector, almost half of the working men and women in the past 25 years. It has also propitiated a high occupational mobility of the labor force, not only between formality and informality, but also inside them, as we have discussed in this chapter.

During the 3-year period from 2014 to 2016, that we used in the second part of the chapter, quarterly, a 30% of the labor force changed category among the six strata in which we divided the occupied labor. Displacements were more intense in formality: 14.1% of informal men obtained a formal job, whereas only 5.2% of women obtained it.

Mobility is more intense in youth (15–24 years old) than in early adulthood (25–44 years old), but even greater in mature adulthood and in old age. (45 years old or more), as we observe when comparing the respective cells from **Tables 2** to **4**. While the majority of women between 15 and 44 years old who leave labor force attribute it to maternity, the withdrawal from it in mature adulthood and in old age can derive from desisting their commitment to find a formal job, opting for retiring even if the retirement and pension plans cover only a fraction of the labor force especially because of the high proportion of people who works in informality the majority of their working life.

In essence, from the first quarter of 2014 to the fourth quarter of 2016, male labor force grew annually at a rate of 1.8% and female labor force at 1.7%. Formal jobs increased faster (3.0% in males and 2.4% in women) than informal ones (1.8 and 2.1%, respectively) but labor proportion that works in informality remained constant in 47% in occupied men and diminished barely from 55 to 54% in women. Unemployment was reduced at an annual rate of 9.0% in both sexes, with the consistent decrease in the unemployment rate from 5.8 to 4.3% in men and from 5.1 to 3.7% in women.

It still remains a considerable way uphill for all of the Mexican labor force to be occupied in formal jobs that provide stability, with social security (health and retirement plans) and bonus.

Author details

Virgilio Partida[1]* and Maria Edith Pacheco[2]

*Address all correspondence to: vpartida@flacso.edu.mx

1 FLACSO – Sede Mexico, Ciudad de Mexico, Mexico

2 El Colegio de Mexico, Ciudad de Mexico, Mexico

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