

Productivity, Investment in Human Capital and the Challenge of Youth Employment in a Global Market

*Rethinking the Scopes of Industrial Relations and Labour Law
in the Perspective of Integration between Education and Labour Market*

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Abstract

Industrial relations as a field are in a state of profound crisis. One reason, as rightly argued by some scholars, is that over time this field has become predominantly associated with a rather narrow set of subjects and policies related to trade unions, collective bargaining, mandatory rules protecting workers. As labour movements and national labour laws have declined across most countries of the world, the field of industrial relations has inevitably experimented the same destiny.

Building on the assumption of those scholars asking to work on a broader conception of industrial relations, the aim of this paper is to contribute to the theoretical reformulation of labour law and industrial relations scopes in the perspective of a real connection and a deeper integration between education systems and labour market.

Protection of workers remains one of the strategic goals of each national system of labour law and industrial relation. However, in a changing world of work this aspiration could be pursued only adopting a new interpretative paradigm less concentrated on mandatory rules and more associated to the investment in human capital. In the new economy sustaining the efficiency of organisations and the productivity of labour should be a common goal shared by both sides of employment relations, i.e. trade unions and employers association.

The crucial question of youth employment seems to be a rich soil to verify the necessity of this new paradigm. Addressing the challenge of youth unemployment this paper escapes from the domestic debates on the bad nature and precariousness of their jobs adopting a comparative and interdisciplinary approach in order to extend the field of observation of industrial relations and national labour laws to the global scenario. In this perspective, and regardless of the level of economic development, the problem of youth unemployment in all regions of the world depends not simply on normative fails in addressing the segmentation of labour market, but on the fact that the importance of the integration between education and labour market is underestimated by trade unions, employer associations and other institutions of labour market.

Widening the scopes and functions of industrial relations and national labour laws could be a strategic option in order to promote educational and vocational training reforms truly connected to the labour market by means of formal or informal networks between international and local institutions, educational and training bodies, employers' associations, undertakings or trade unions.

1. Rethinking the employment of young people in a global market

In the last decade the question of youth employment has become a national challenge in all the regions of the world, including the most advanced ones. In a comparative perspective, however, this question appears in a completely different light and also quite paradoxical.

The most advanced economies are characterised by a progressive raising of the age at which young people enter the labour market, originating significant social and economic inconveniences in a context in which the population as a whole is ageing. The high level of academic attainment and well-being is in some cases accompanied by a significant level of intellectual unemployment, together with difficulties on the part of enterprises in recruiting employees with the right skills for positions or jobs that tend to be rejected by young people among the local population.

On the other hand, the economies and societies of the developing countries are characterised by the opposite trend, bringing to our mind the early stages of the Industrial Revolution and the emergence of modern labour law, marked by the large-scale and often brutal exploitation of the young workforce and by child labour. Due to extremely high levels of unemployment and underemployment, this leads increasingly to large-scale migration towards the most developed regions, that are characterised by a declining workforce, low birth rates, and an ageing population, giving rise to the risk of impoverishing the human capital in the country of origin. In these countries, youth unemployment is closely linked with high levels of poverty, reflecting the apparently contradictory situation in which a low level of demand co-exists with the highest participation rates for young people in the world, with high rates of employment in the informal sector, and all the negative consequences that ensue in terms of unemployment, underemployment, lack of education, training and vocational skills.

The global dimension of the problem, arising from the irreversible interdependence between the economies of the world, is reflected in the migration of young people leaving their country of origin to seek better training and employment opportunities abroad in what has been called the "battle for brains".

Considered in the context of a global labour market and in an interdisciplinary perspective, the apparently insoluble problems of each country can be taken as a great opportunity for development and growth in what is by no means a zero-sum game, provided it is properly governed in an integrated manner and evaluated in an interdisciplinary perspective. As rightly argued by the International Labour Organization, the outflow of young migrants to the developed world presents a number of benefits for both receiving and sending countries. As regards the former, there is evidence that migrants have only slight negative effects on the wages of nationals, and tend to pay more taxes than they receive in tax-supported services. Conversely, little evidence exists that migration leads to a displacement of nationals in employment. Given the current demographic change, young immigrants are also likely to become part of the solution to the employment and welfare problems raised by aging in developed economies. Young migrants can also be a source of funding for development in their countries of origin. Their remittances help cover family expenses and investment for job creation. When they return, they bring back human, financial and social capital, thereby contributing to the development of their home

Summarising the findings of a wider research project currently under way at the School for Advanced Studies in Industrial and Labour Relations, set up by the ADAPT Association and the Marco Biagi Centre for International and Comparative Labour Law, the present paper outlines a perspective for the evaluation of this phenomenon on a global scale as the possible basis for rethinking institutional strategies for the labour market. We will argue that the main limits to the traditional approach to labour law and industrial relations are the result of a 'static' conception of labour markets on a global scale, whereas forward planning, in the sense of a complete rethinking of the transition and integration between education and the world of work on the part of the trade unions, industrial associations and labour market institutions could contribute in a dynamic way to a better and more sustainable balance on a global scale.

2. School-to-work transition and the perspective of integration between education and labour market.

In the last Regional IIRA congresses (Cape Town and Buenos Aires) we proposed to address the challenge of youth employment in the light of school-to-work transition, a concept that has until now been relegated in a secondary role by industrial relations and labour law scholars.

This approach considers the reasons for the lack of attention that it has received. First of all, the fact that employment policies adopted so far have had a merely local and/or national application, whereas closing the gap between the wealthiest and the poorest regions of the world requires a global approach, by strengthening the link between education and training, on the one hand, and the labour market, on the other. The school-to-work perspective, applied to industrial relations and labour law, seems particularly well suited to the need to develop more effective policies and policy evaluation tools. This perspective makes it possible to include the various actors relating to productivity, investment in human capital, youth unemployment and underemployment.

When applying the school-to-work transition concept to the legal and industrial relations methods in a comparative framework, it becomes clear that human capital improvement, work productivity and effective measures to deal with the problem of youth employment can be achieved only if policies are designed to cover the period before entry into the labour market, i.e. the education and training phase. In general labour market policies focus mainly on a given labour force, preventing the solution of the structural problems of youth employment, and particularly their impact on the gap between wealthy and poor regions. On the other hand, a method enabling us to tackle such problems at an earlier stage, dealing with how to design education and training to respond to the demands of the global labour market, might contribute to solutions for the governance of international flows of labour.

This strand of research will only develop its full potential if it succeeds in adopting a holistic vision linking the worlds of education and employment, moving beyond a traditional conception of labour law provisions and industrial relations, and education and training systems, that have until now been considered as two separate spheres, to be studied by specialised research groups who are separate from and not in communication with each other.

A modern vision of the relations between education and training on the one hand, and socio-economic development on the other, leads to the development of policies and programmes that take account not only of the demand for labour, but also of the quality of the labour supply. It is only by means of integration between education and training, and the world of work, that it will be possible to deal in global and pragmatic terms with the problem of youth employment and a balanced development of human capital in all the regions of the world. It is undoubtedly the case that the availability of adequate education and vocational training is a key factor in the allocation of resources on the part of investors, and as a result of the quality of employment. Investors do not set up businesses of good quality (that is to say, not aiming merely to exploit low-cost labour) in regions where there is a lack of personnel with the skills required to run the business. This means that the response to the problem of youth employment must be based on the construction of a system of education and vocational training integrated with the labour market. These are the real investment assets that generate income, productivity, development, social mobility and, last but not least, decent work.

In the new economy the main source of the wealth of nations is their endowment of human capital. Human capital is the key factor for growth and development, and the engine for change. From this point of view, compared to the European countries and the other western nations with a rapidly ageing population, the less developed nations are endowed with vast wealth. In order to avoid wasting this precious resource, there is a need to manage it not simply by means of legal regulation and active labour market policies, but also by means of a reform of the education and training systems on a global scale that should be entrusted to the social partners. This appears to be possible only if we are prepared to rethink the scopes of industrial relations and labour law, in order to make a contribution to the true modernisation of education and training, closing the traditional gap between school and work.

3. Indicators of youth employment in a comparative perspective: the question of decent work and productive employment

In the report on *Global Employment Trends for Youth* published in 2006 the International Labour Organization underline the fact that the indicators for youth employment currently available are sufficient to provide an analytical framework on the condition of young people in the labour market in the various regions of the world. In the words of the Report, "for further expansion of the youth employment knowledge base, the need is not one of developing new indicators, but rather finding a way to make use of the indicators that already exist labour force participation rates, employment ratios, unemployment rates, employment by status and sector, long-term unemployment, underemployment, hours of work and poverty".

The present paper argues that to respond to the challenge in an analytical industrial relations perspective, there is a need to move from the indicators of youth unemployment towards a common denominator that all the actors can support, providing a basis for initiatives that are coordinated at a transnational level. In other words, there is a need to adopt a set of fundamental concepts, that are comprehensible at all latitudes, in order to bring the social partners together, taking a common analytical viewpoint and shared objectives, in an awareness that in the global economic context, actions taken in one place are destined to have an impact well beyond the confines of the national institutions. It does not seem to be sufficient, in this connection, to apply the concept of "decent work" developed by the ILO and included among the Millennium Development Goals in 2000. Although the fundamental importance of this concept cannot be disputed, it may be argued that it is too broad a concept to provide tangible results in an analytical framework and at a practical level in transnational dealings between the industrial relations actors.

Clearly, the employment situation of young people in the different regions of the world is subject to wide variation, and it is generally recognised that the solutions to specific problems are to be found at the local level, by those who have an in-depth knowledge of local conditions and the various regional stakeholders. It may be argued, however, that by means of a series of analytical steps, it is possible to identify a general interpretative approach, by which the problem of youth employment at regional level can be related to various other local problems, rather than considering them as separate phenomena.

The ILO report mentioned above reflects this analytical process, underlining the fact that a fundamental step consists of a characterisation of youth employment in the global labour market. The first step is to take account of the fact that unemployment is not the most important factor. Nowhere in the world can it be said that the lack of employment is the only problem, or even the most important problem, for young people. The issue that concerns analysts above all is that of the quality of career prospects. This issue concerns both the regions with lower levels of youth unemployment (East Asia and South Asia) and those with the highest levels (Middle East and North Africa, non-EU Central and Eastern Europe, Latin America).

This leitmotiv can be identified at the global level with a wide variation, not only in terms of the critical aspects, but also with regard to the underlying factors. Apparently similar unemployment rates may coexist with extremely divergent employment situations. For example, whereas the youth unemployment figure of 19.9% for non-EU Central and Eastern Europe reflects the existence of a significant number of young people classified as NEET (not in employment, education or training) due to the effect of discouragement arising from the lack of employment matching their vocational aspirations, the 18.1% youth unemployment rate in sub-Saharan Africa fails to highlight the fact that the number of unemployed includes those who cannot afford to remain outside the labour market.

This point serves to underline the fundamental role that the general conditions of the national or regional economy play in determining employment choices or opportunities for young people. It may therefore be said that the less developed economies, with a large informal sector, such as those in Africa, Latin America and South Asia, are characterised by access to the labour market by young people at a very young age, and in conditions of severe poverty, without any real prospect of personal growth or vocational advancement (as shown by the high turnover rates), whereas in the more developed countries (the OECD area), there is a trend towards an increase in the age at which people complete

their education and training and leave their family of origin, due to complex phenomena of economic growth not accompanied by a corresponding increase in the number of jobs.

Against this backdrop, an issue emerges that is common to all the regions cited, a constant factor which, added to the specific economic, demographic, cultural and social characteristics of each region, results in the emergence of distinct employment issues. This factor consists of the lack of human capital, in the sense of sufficient vocational skills for economic development and labour productivity. On close examination, this is the key factor among those that the International Labour Organization has described as the main problems of youth unemployment, having taken account of poverty, discouragement and underemployment.

The first of these problems appears to be inextricably linked to the informal conditions and the low level of specialisation in which enterprises operate in depressed regions. The lack of specialisation in terms of demand for labour, and the use of labour-intensive methods of production, requiring low-cost labour, tends to reduce the training and employment prospects for young people in a vicious cycle with no chance of promotion, also giving rise to migratory trends which the globalisation of the economy has accentuated. On the other hand, the phenomenon of discouragement, which arises from the perceived lack of employment opportunities, resulting in the exit of young people from the labour market (either to pursue further studies in order to improve their employment prospects, or simply to remain without work), is indicative of asymmetrical information relating to the supply and demand for labour, with the result that education and training are incapable of responding to the needs of the system of production. In a comparable way, the widespread phenomena of underemployment, or employment in positions with a lower level of specialisation than the skills of the individual, and graduate unemployment (particularly widespread, according to the International Labour Organization, in non-EU Central and Eastern Europe, South East Asia and the Pacific, the Middle East and North Africa, and sub-Saharan Africa), are indicative of the same critical factors.

The arguments put forward so far should contain all the elements to provide a general interpretation of the problem of youth employment, as indicated in the introduction. The analysis is based on a particular interpretation of the concept of "decent work", that of employment opportunity, in the sense of employability, linked to the development of human capital.

Of the four dimensions of the concept, as identified by the International Labour Organization (security, opportunities, basic workers' rights and representation), this one appears to be the most appropriate in the context of the global economy, in that it is the concept that is relevant to all the regions of the world, regardless of the specific characteristics of each one. Whereas the imbalances between the post-industrial and the developing countries mean that it is unlikely that industrial relations can be coordinated on a global scale in relation to matters such as trade union representation and fundamental rights (such as working hours and pay), for which it seems difficult to construct a shared platform, and considering the extremely divergent levels of economic and social development, the problem of employment opportunities is a matter of common interest, as we have argued, for all the regions of the world. This includes the regions where there is a lack of skilled labour, engaged in the "battle for brains", and those with a surplus of young people which, in a global perspective, can transform the dramatic problem of youth unemployment into an unexpected resource for growth and development.

The argument put forward here is in keeping with the widely supported idea that the aim of "decent work for all" can only be achieved by raising productivity. Studies on the relationship between productivity and the quality of employment, in line with the various stages of development that countries around the globe go through, have highlighted the fact that to achieve significant results in terms of long-term growth it may be necessary in the early stages of development for certain factors relating to quality employment to be given a lower priority. In certain cases, improvements in productivity may be in competition with a rapid growth in the indicators of quality employment linked to fundamental rights. As shown in recent years by the Chinese experience, in the initial phases of development, each region tends to rely on factors that provide a competitive advantage, even when this means low labour costs and a lack of attention to labour protection. In these early stages, employment safeguards consist above all of the mental and physical qualities required to deal with the "turbulence" encountered on the way

towards economic stability. Employment opportunities are the main priority, rather than all the characteristics of decent work

Due consideration should be given to the argument that the imposition of strict employment safeguards in the early stages of development of the economy may result in the competitive advantage shifting to the more developed economies, that in an earlier phase went through their own initial stages of development with low levels of employment safeguards, comparable to developing countries today. According to this argument the introduction of a high level of employment safeguards would be detrimental to the interests of workers in developing countries in the global economy.

Considering the fundamental role in the regulation of competition between enterprises that labour law has played and continues to play, it is evident that a mechanical and historically decontextualised application of employment protection measures would have a negative impact on developing economies and ultimately also on the workers themselves, who would be expelled from the labour market. The creation of employment opportunity, linked to the improvement of human capital, may serve as the key objective for the governance of the intermediate phases of economic development. It may be said that a close match between an increase in productivity and an increase in decent employment can be achieved only in the medium to long term. In the intermediate phases, an increase in productivity, with a shift away from labour-intensive systems of production, can result in a loss of jobs (particularly in low-skilled occupations). Investment in human capital in these circumstances is needed to deal with a fall in employment levels that accompanies the increase in productivity, enabling workers to acquire the skills needed for occupational mobility, both internal and external.

4. The role of industrial relations as a field in the process of integration between education and labour market

The perspective we advocate in this study is not one of a simple deregulation of labour markets. Rather, the route to be taken, also in relation to future research, is that of the modernisation and rethinking of labour law legislation, adopting a less formalistic approach, and assigning a larger role to industrial relations in order to provide a structural solution to the problem of youth unemployment.

It appears to be far more important to promote the reform of education and vocational training, and to improve the functioning of the bodies intended to promote the employability of young people, by means of networks, whether formal or informal, between international and local institutions, educational and training bodies, employers' associations, undertakings or trade unions. In this connection particular attention needs to be paid to the alternation of periods of school and work, and especially apprenticeship schemes, as well as institutional mechanisms aimed at promoting the placement of students and the transition from education to employment. As shown in the German and Japanese experience, "labour market programs come and go. Institutions develop, adapt and, for the most, endure" (Ryan, 1991).

In this perspective, the concept of the school-to-work transition gives rise to the need for a highly institutionalised regulatory approach, not based on conditions imposed by an external authority, but on the participation of all the stakeholders (the public authorities, the social partners, education and training institutions). Only a strong institutional structure, including all these actors, can strengthen the links between the various phases of the transition. These links are the essential condition for the development of human capital, leading to increased productivity and decent employment. This is because on the one hand they are the actors who are best placed to interpret the employment needs in a given economic situation; on the other hand because they play an essential role in monitoring and safeguarding the workforce against irregular practices (to prevent training schemes from being used solely as a means to supply low-cost labour, or as a means to replace adult workers with young people prepared to work for low wages). This could lead to a new concept of education and training, no longer considered as a self-referential world of its own, but rather as a resource closely linked (and in perspective integrated) to the world of work.

In order for such a system to develop, it is necessary in an industrial relations perspective for the actors to engage in a more decisive manner in the design and implementation of education and training in line with the needs of the global labour market, setting up networks and alliances with institutions and bodies in other countries, engaging in forward planning with a view to problem solving. In order to achieve this, the social partners must take play a part in dealing with the school-to-work transition, integrating the formal system of education and training, as a unified system of equivalent standing (with the option of taking interchangeable programmes of education to training from the secondary level onwards) with the labour market (Figure 2) rather than maintaining the traditional division between education and the labour market (Figure 1).

Figure 1: Human capital and the labour market: the traditional pathways

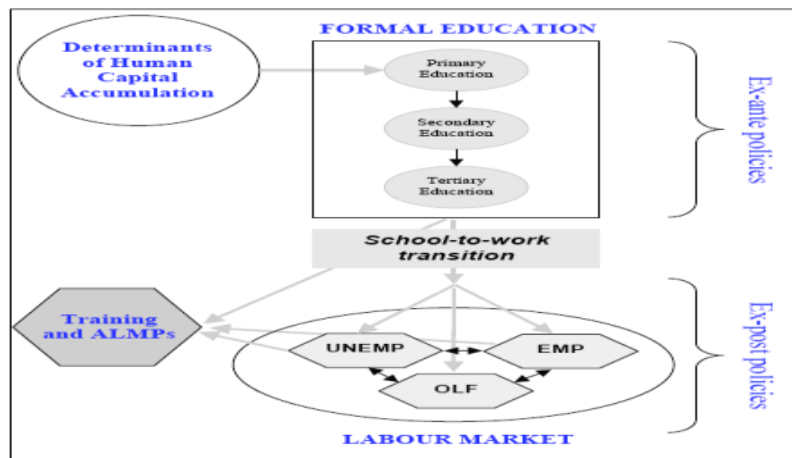
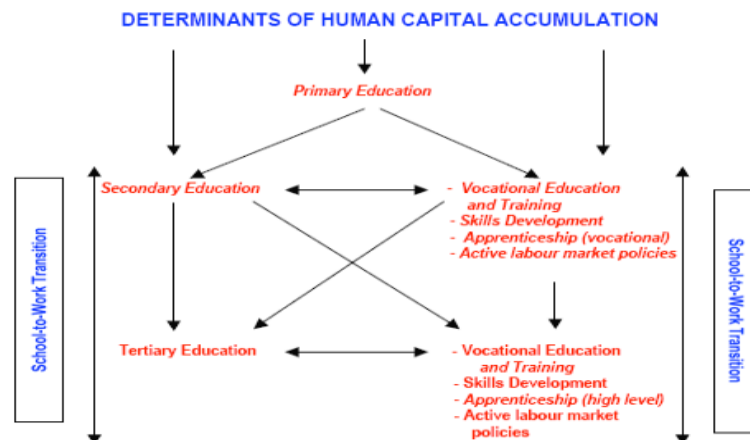


Figure 2: Human capital and the labour market: our proposal



The importance of this pathway becomes evident only when taking account of the fact that many studies have concluded that the impact of interventions on future employment outcomes of disadvantaged young people diminish with age. As recently pointed out by the World Bank in a major study on policies intended to support employment in sub-Saharan Africa "addressing potential problems early has a

greater return than when young people have left formal education" (F. Rother). Also the OECD, in reviewing the evidence, has concluded that "the evidence from the evaluation literature suggests the biggest pay-off for disadvantaged youths comes from early and sustained interventions. Such interventions should begin before children enter the compulsory schooling system, and they should be followed by intensive efforts to boost their performance in primary and secondary schooling and reduce drop-out rates" (OECD 2002).

It is not clear why, after recognising that any policy advice on addressing youth employment problems should emphasize that prevention is more effective than curing, legal scholars in general have not developed a unitary approach to the relation between education and training and the labour market in a global perspective. It may perhaps be explained by the lack of interdisciplinary study bringing together, in a unified conceptual scheme, the various specific disciplinary competences. However, it is only by means of a reconsideration on the part of the institutions and the social partners of education and training pathways that a realistic integration with the world of work can be achieved in order to respond to the challenges of globalisation.

Only a real link between education, training and the world of work, by strengthening placement services and training schemes with an alternation of school and work, will enable us to deal in global and pragmatic terms with youth employment and balanced development of human capital in all areas of the globe. Clearly this perspective brings to mind the countries with a dual system (Austria, Denmark, Germany and Switzerland) that have relatively low youth unemployment rates and in which young people make the transition from school to apprenticeships, while they continue to spend one or two days a week in education. The institutional basis for these systems is provided by strong and comprehensive industrial employer associations and industrial unions, which define apprenticeship qualifications and seek to maintain their value in the labour market. Hence the strategic role not only and not so much of public bodies, that can provide financial support for these schemes, but above all for the actors in the industrial relations system, who have a decisive role to play in these schemes providing for an alternation between work and training.

Our proposal goes well beyond reforming education and training programmes at national level (though this is clearly an important objective), and calls for the involvement of international organisations and networks of social actors at international and local level in taking a series of initiatives with a global dimension. This includes making provision for the exchange of students, with movement from the developing to the developed countries, in programmes designed at local level together with the institutions and the social partners in the various countries in order to meet training needs.

Clearly, the solution that is proposed is not for the short term, nor is it easy to implement, but requires a considerable effort on the part of education and training, labour market and industrial relations actors. Rather it requires long-term, coherent and concerted action over a combination of economic and social policies (e.g. modernisation of labour legislation, labour market information, career guidance, education and training for employability in a global workplace).

5. The theoretical implications of our proposal in terms of future developments in the study of labour law and industrial relations

The perspective outlined in the present study requires more in-depth analysis. However, in concluding this preliminary study, it may be said that the school-to-work transition can make a significant contribution to recent strands of research that call for a theoretical reformulation of labour law and industrial relations.

Although the present study is intended to be innovative, and is in need of further development, in theoretical terms it is in line with certain recent proposals by legal scholars aimed at extending and modifying the frame of reference of the study of labour law and industrial relations, in order to ensure that it continues to play a significant role, in spite of international trends that are tending to marginalise these disciplinary fields. Mention should be made of the strand of legal research calling for labour law to be recast as "the law of labour market regulation" (C. Arup, P. Gahan, J. Howe, R. Mitchell, A.

O'Donnell, 2006), highlighting the fact that the dominant paradigm of labour law in the late twentieth century was lacking in "explanatory and normative power" in relation to the changing nature of the labour market (both within the enterprise and on a wider scale), in relation to new economic theories concerning the labour market and its institutions, and to the major changes in society arising from the globalisation of the economy and the markets. In this connection, mention should be made of the recent strand of labour law theory which, reflecting on the original paradigm of labour relations, as developed at the beginning of the twentieth century (B. Kaufman, 2006), points to the need to considerably extend its field of observation beyond trade union issues in order to cover all the issues arising from labour relations. This development appears to be essential, if we are to avoid running the risk of increasingly marginalising industrial relations in the context of the free market.

An important contribution in this direction could come from the proposal put forward in the present study, to govern the dynamics of the supply and demand for labour by strengthening links on a global scale between education and training, and the labour market as a more effective and more realistic solution compared to a regulatory (or deregulatory) perspective, that is becoming weaker and less effective due to the loss of sovereignty on the part of nation states in the governance of the labour market.

In this connection it is not intended to turn away from the traditional protective function of labour law, but simply to highlight the fact that labour law concerns matters of production more than income distribution, in the sense that a lack of growth and development tends to have a negative impact on the potential of the labour market and worker protection. This confirms the decisive importance of the method of industrial relations, since no better instrument has yet been invented for conciliating the protection of workers with the need for competitiveness on the part of enterprise

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