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Marge Unt

**TRANSITION FROM SCHOOL-TO-WORK IN ENLARGED
EUROPE**

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Dedicated to my dearest mum
Pühendatud minu kallile emale

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INTRODUCTION

The transition from school to work is a dynamic process in which a person moves from the educational system to a relatively stable working position. Although this is only the beginning of one's working life, many studies have emphasized that initial job outcomes are highly influential in shaping the further development of work careers. From a macro-level perspective, the pattern of individual transitions reflects continuity and change in the societal division of labour and the broader system of social stratification.

The present thesis takes up the issues concerning the dynamics of labour market outcomes and patterns characterising the labour market entry in present-day European Union (EU) countries. Special attention is paid to the youth transitions in the 8 Central and Eastern Europe (CEE) countries, which joined the EU in 2004, namely in Estonia, Latvia, Lithuania, Poland, Hungary, Czech Republic, Slovakia, and Slovenia. There are a number of good reasons for this comparative perspective. First, while a considerable body of research exists on the school-to-work transitions of western industrialised countries, far less is known about the CEE countries. During the last few years, school-to-work transitions and particularly soaring youth unemployment has become a growing agenda for debate for both researchers and policy makers in many CEE countries. Most existing studies remain, however, single-case analyses or comparisons of only a small number of countries (e.g. Cedefop 2001; Gerber 2003; Toomse 2003; Róbert and Bukodi 2005; Saar 2005). Despite their importance, educational and labour market stratification and school-to-work transitions in the CEE countries have not yet been studied systematically and holistically, as has been done for western industrialized countries (e.g. Allmendinger 1989; Garonna and Ryan 1991; Kerckhoff 1995, 2000; Shavit and Müller 1998; Müller and Gangl 2003a). Moreover, hardly any comparative research, able to elaborate an integrated picture of the structural and regional inequalities in enlarged European Union, has been undertaken thus far.

My dissertation consists of five academic articles, all either accepted or published in peer-reviewed academic journals, books or scientific reports. The empirical analyses presented in this thesis first of all pursue the question of whether, how, and why youth transitions differ between different European countries. The general aim of the thesis can be broken down into a number of more specific and concrete issues. At the micro-level, the two first articles (Kogan and Unt 2005; Kogan and Unt forthcoming) deal with the issues which are the main resources of individuals in transition from school to work? Evidently, education and training has a decisive role in entry into working life. Accordingly, a substantial part of analysis is devoted to the role of qualifications in shaping the transition processes. How qualifications affect job outcomes in the three CEE countries is investigated more profoundly, i.e. in Estonia, Slovenia, and (partly) in Hungary (Kogan and Unt 2007; Kogan and Unt forthcoming). Which are the crucial factors influencing the length of time it takes to find stable employment? Has the role of education changed in this process during the 1990s and early 2000s? Is there an increasing mismatch or alignment between educational qualifications and employment? What role does general and vocational training play in youth's transitions? What is the relevance of qualification compared to other vital resources or individual characteristics such as gender or social background? Over and above the more micro-level issues raised before, a more macro-level perspective in current work investigates the impact of institutional differences on cross-national differences in transition patterns from school to work. While deriving our assumptions based on differences between national institutional arrangements, we seek to analyse whether those differences are pervasive enough to generate systematically different transition patterns. We will investigate whether recent trends will confirm earlier results about the EU-15 youth's labour market entry patterns while including, in addition to indicators for educational signalling, the indicators for the labour market flexibility. Furthermore, the utmost attention is given to the new EU member states in order to explore whether one distinct CEE pattern of labour market entry could be seen. Have different CEE countries changed differently and if so, what are the important aspects? Which systems perform best in integrating young people into the labour market? Which systems perform worst?

In this comparative undertaking, we assume that the general mechanisms that lead to job-person matches between an individual labour market entrant and a job are basically the same in the different countries. However, the institutional and structural contexts under which individuals make their decisions might vary considerably over time and between countries. Hence, in order to understand the similarities or differences between countries, it is crucial to recognize the way in which national institutional arrangements, namely educational systems, and related modes of labour markets and welfare provisions, affect youth labour market entry and early career.

This thesis is not able to provide all the answers about youth's transitions in enlarged Europe. Rather, the intention is to take a step forward towards a deeper understanding of transitions from education to work in the enlarged EU. At the more theoretical level, we intend to scrutinize whether national institutional differences regarding employment protection legislation and the vocational specificity of the educational systems in new EU member states affect differences in labour market entry patterns among school leavers in the same way as found by previous studies about the EU-15 countries.

All five articles in the current thesis are written in cooperation either with Ellu Saar or Irena Kogan or together with both of them. I am at least as equal partner in all studies. The presented studies in this thesis can be read as single contributions to a specific issue. On the other hand, the common database and methodological standards in all articles provide a special opportunity for comparative inference.

As a preface to the articles of the thesis, I will describe briefly in the following how some of the essential structural and institutional features vary between countries. Then, research design, methods and data of different studies are presented. The findings of these different analyses are then summarised and assessed in the conclusion.

1. THEORETICAL UNDERPINNINGS

It is crucial to involve both the macro and the micro level in the analysis about the transition from school to work. At the micro level, individuals experience transition processes as a series of events that arise from individual expectations and action, on the side of both the worker and the potential employer (Müller and Gangl 2003a). Micro-sociological and micro-economic search and matching models are used in the first two articles of the current thesis (Kogan and Unt 2005; Kogan and Unt forthcoming) to elucidate the job allocation process, which represents the interplay of opportunity structures determined by employers' preferences and job resources on the one side and job seekers' preferences and personal resources, which determine their choice of opportunities, on the other (Mortensen 1977; Kalleberg and Sørensen 1979; Sørensen and Kalleberg 1981; Logan 1996). While the general mechanism of matching individuals to jobs could be assumed to be basically the same in any market economy, the decision-making for both types of participants is without doubt restricted and determined by the institutional and structural characteristics of the societies. Accordingly, comparative analysis embodies a natural context for more macro-level assessments of transition patterns. All articles presented in this volume, however, especially Kogan, Unt and Saar 2007, Saar, Unt and Kogan forthcoming, start from the assumption that labour market institutions and educational systems have an impact on the labour market entry process which makes up the starting point for the formulation of the hypotheses.

1.1. THE ROLE OF INDIVIDUAL RESOURCES

Research on the transition from school to work at the micro level focuses on the relationship between the level of education and the first job achieved upon entry into the labour market. This has traditionally been a central topic in social stratification and social mobility research. Under the influence of the functionalist theory, the relationship between education and the first job has been studied in terms of the classical achievement/ascription dichotomy. Thus, scholars were mainly interested in establishing the relative weights of achieved and ascribed factors in the process of status achievement, in particular with regard to the first job. The key research question was whether or not access to better jobs was increasingly dependent on achieved factors, such as education, and less and less dependent on ascribed factors such as the characteristics of the family of origin (Bernardi 2007). In this context, the expansion of education and its growing role in determining one's occupational outcome and economic status was regarded as a sign of growing meritocracy. Modernization theories (Treiman 1970; Parsons 1994) argue that in industrial economies individuals are allocated to occupations according to their merit, i.e. educational credentials, and not via social background and networks connected to it. Counter facts, however, show that social background, being mediated through education, still plays an important role in individuals' occupational outcomes (Blau and Duncan 1967; Marshall *et al.* 1997; Lambert *et al.* 2007)

After World War II, economists developed the theory of human capital, which assumes that formal education increases individual productivity by providing the skills and knowledge required for the most demanding occupations. While functionalist and human capital theories argued that school leavers are sorted into occupations on the basis of their merits and productivity, the credentialist theory developed in the 1970s, suggested that the process of the school-to-work transition is ruled by dominant status groups who define the educational requirements for a given occupation and, in this way, control and limit access to their privileged positions (Bernardi 2007). The critique of the human capital assumption that education increases individual productivity is also the starting point of the signal theory of education that has been developed by both economists and sociologists. Hiring employers are believed to select those individuals whom they expect to fulfill the tasks best and at the lowest cost. Costs include not only salary, but also expected training costs and costs associated with the risk of selection (Arrow 1973; Spence 1973). Educational credentials play a particularly important role during the screening process of recent school leavers, who unlike more experienced workers normally do not possess productivity signals other than their education (Gangl 2003a). Education, indeed, provides individuals with productive capacities and potential employers with signals of those capacities (Spence 1973; Becker 1993; Polachek and Siebert 1993; Breen *et al.* 1995).

1.2. THE ROLE OF INSTITUTIONS IN SCHOOL-TO-WORK TRANSITIONS

In more recent years, research on the transition from school to work has reflected and partly fostered a progressive shift from social stratification and social mobility studies toward labour market sociology. This shift toward broader explanations of the process of entry into the labour market has also led to the acknowledgment of the importance of the institutional context in which the school-to-work transition is embedded. Two institutions are of central importance in influencing school-to-work transitions: the educational system and the labour market (Müller 2005). Expanded discussions on institutions depending on the specific aspects of each article can be found in the theoretical sections of corresponding studies.

1.2.1. Education and training systems

At the time of entry into working life, education is obviously the main resource determining youth's labour market entry and early career. Two of the most crucial features of an educational system identified by potential employers are the absolute level to which students are educated and the extent of the educational system's vocational specificity (Shavit and Müller 1998; Brauns et al. 1999; Gangl 2003b).

With regard to the characteristics of educational systems, a widely applied typology in research on the school-to-work transition distinguishes between the level of standardization of educational provisions and the stratification of educational opportunities (Allmendiger 1989). More precisely, standardization refers to the degree to which the quality of education meets the commonly applied standard in the country under consideration. On the other hand, the concept of stratification points to the degree of separation of students into differentiated educational tracks and to the selection procedures occurring at early ages. The idea is that the more successful educational systems are in providing standardised and specific vocational qualifications of immediate and clear labour market value to prospective employers, the more these employers will use educational signals (rather than, e.g., experience) in labour market allocation decision-making.

1.2.2. The labour market regulation

Above and beyond the role of the education system it has been argued that the degree of labour market regulation influences youth's labour market success. Labour market regulation effects on youth labour market chances as strong employment protection tends to reduce the dynamics of the labour market and hence affects the job-finding rates amongst job seekers in general (Bertola and Rogerson 1997; Gregg and Manning 1997; Gangl 2003c). This might pose particular problems for youth as they need additional training as well as the higher level of uncertainty inherent in recruiting inexperienced school leavers work to their disadvantage (Müller and Gangl 2003b). However, stricter labour regulation in the form of a strong union presence, a centralised system of collective bargaining or co-operative relationships between corporate partners, can also generate economically viable institutional structures which promote youth labour market integration (Soskice 1994; Estevez-Abe et al. 2001). Still, empirical evidence regarding the effect of labour market regulation on school-leavers' labour market outcomes is still full of open questions (see Bertola et al. 2001; Van der Velden and Wolbers 2003; Breen 2005).

We have proposed an additional dimension alongside employment protection, provision of unemployment benefits which has its impact on labour market dynamics and therefore also on youth labour market entry and early career (Saar, Unt and Kogan forthcoming). European countries use different combinations of employment protection and unemployment benefits. As economists Boeri *et al.* (2004) have pointed out those two strategies tend to compensate each other. Therefore low employment protection in some European countries (for example in Denmark) is "compensated" with larger unemployment insurance and active LM policies. We suppose that the shift in the balance between the two institutions in favour of unemployment benefits should increase labour market mobility, make the youth labour market more flexible and therefore increase their unemployment outflow rates.

1.3 TYPOLOGIES OF LABOUR MARKET ENTRY

Educational systems affect labour market allocation and as a result contribute to shaping the structure of the labour market themselves. Scholars have traditionally contrasted two polar types of systems in the European labour market: the occupational labour market system (OLM) with internal labour market systems (ILM) (Marsden 1990), or "organizational" and "qualificational" spaces (Maurice et al 1986; Müller and Shavit

1998). In the so-called qualifical spaces (or OLM), operating in countries with strongly vocationally oriented training as in Germany, and in organizational spaces (or ILM) operating in countries where labour market allocation predominantly relies on experience as in the UK. Nevertheless, Gangl (2001) has criticised the dichotomous clustering of European countries as he found important cross-national differences in labour market entry patterns existing within both groups of countries. He proposes treating Italy, Portugal, and Greece as a separate cluster (Southern European system) and including Spain among the ILM countries. However, this classification has not been found completely satisfactory either (Ianello and Soro-Bonmati 2003).

Garonna and Ryan (1991) took into account in addition to the educational system also another dimension, namely labour market legislation, while proposing three different ideal systems regulating the entry of youth into the labour market: regulated inclusion, selective exclusion and competitive regulation. Regulated inclusion is operating in the context of dominating occupational labour markets. Initial training is acquired through alternate training, usually in apprenticeship (Marsden and Ryan 1991). Selective exclusion operates in a context of dominating internal labour markets. The selective exclusion model empirically tends to be comprised of countries with high employment protection and little provision of specialised training in education and training systems. In competitive regulation settings, employers look for short-term profitability. This may occur in cases of a high unemployment rate, weak employment protection and weak union power. Employers take maximum advantage of the competition between experienced workers and new entrants. The fourth more realistic model seems to be selective exclusion mixed with competitive regulation, which takes place in the context of dominating internal labour markets, when deregulation and flexibility policies are introduced under economic pressure (Couppié and Mansuy 2001).

Using also the dimensions of educational signalling and labour market regulation as a theoretical starting point, Breen (2005) tests empirically the validity of such typology. Using macro-level data, he finds a clear effect of labour protection on the extent to which youth unemployment exceeds adult unemployment, but only in the interaction with the structure and organisation of the education system. Systems of vocational training that teach specific skills and incorporate a strong work-based element provide a preventative to youth unemployment by offsetting the negative effects of extensive employment protection.

1.4. EDUCATIONAL SYSTEMS, LABOUR MARKET REGULATION AND THE WELFARE STATE IN THE NEW EU MEMBER STATES

Next, I will point out some changes in educational systems in the CEE countries (see more detailed description in Saar, Unt and Kogan forthcoming: 7-10; or more specifically on Estonia, Hungary, and Slovenia in Kogan and Unt 2005: 225-226). As a result of their socialist histories, practically all the CEE countries inherited a highly centralised and state-controlled education system with pronounced tracking and smooth school-to-work transitions (e.g. Roberts and Szumlicz 1995; Titma and Saar 1995; Saar 1997; Helemäe and Saar 2000; Gerber 2003; Róbert and Bukodi 2005). The transformation years brought about the restructuring of education and training systems, as well as the dismantling of established links between education providers and enterprises. Strietska-Illina (2001) argues that most countries with traditionally high participation in vocational education compared to general education (the Czech Republic, Hungary, Poland, Slovakia and Slovenia) had substantially higher enrollments in vocational education and training also in the late 1990s. The education systems of the Baltic countries, on the other hand, have become characterised by a stronger emphasis on general education at the upper secondary level (Helemäe and Saar 2000). The vocational specificity of educational systems in the European countries is summarized in Table 1. Even though the organisation of education systems in the CEE countries into different tracks largely resembles the highly stratified arrangement of German-speaking countries, weak links between the education system and labour market in some CEE countries, particularly in the Baltic states, make such systems more similar to the moderately stratified systems, found in France and the UK (Toomse 2003; Saar 2005). This means that the vocational qualifications obtained in the education system do not necessarily guarantee smooth and quick school-to-work transitions. While analyzing the role of vocational credentials at labour market entry, one might expect to find that the value of vocational education varies in different educational systems (Kogan and Unt forthcoming).

While looking at the individual level, after a period of painful reforms, labour market and educational institutions started to stabilize, which contributed to the re-emergence of the traditional stratification processes. As the market started to make demands for school leavers' qualification the system of post-secondary education responded with decentralization and expansion, with private institutions flourishing and paid pro-

grams in state educational establishments attracting more and more students. A tendency for youth to opt for the role of student has been greeted with enthusiasm, as a sign of the increasing importance of education. Lately, however, this enthusiasm has been tempered with some sobering notes, as it has been recognized that this tendency also reflects withdrawal from the labour market in the face of poor labour market prospects (Helemäe and Saar 2000). We presume that during the reform years, it was possible to obtain status even without appropriate education. With the stabilization of the economic situation, education should start to play a stronger role determining youth labour market entry. Furthermore, educational expansion might lead to a higher probability of young people entering the labour market as over-educated in the later period in the CEE countries (Kogan and Unt 2005).

As the state has almost ceased to play a role in matching school leavers to vacant positions after the collapse of communism, the significance of social capital might increase in determining occupational outcomes among recent school leavers. Even though the effect of parental education on children's occupational outcomes is observed in most countries, Barbieri *et al.* (1997) have pointed to the particular importance of the social capital in acquiring a job in countries with a weaker role of the state. With regard to the effect of social background, it is to be expected that parental education should play a role in young school leavers' chances of securing first significant employment and particularly in the match of their educational qualifications to job characteristics (Kogan and Unt 2005).

Table 1. The typology of institutions

<i>Employment protection</i>	<i>Unemployment insurance</i>	<i>Vocational specificity/Educational signalling</i>	
		<i>High</i>	<i>Low</i>
<i>High</i>	<i>High</i>	Germany, Austria, Netherlands, Slovenia	Sweden, Finland, Belgium, France
	<i>Low</i>		Portugal, Greece, Spain, Italy, Estonia, Latvia, Lithuania
<i>Low</i>	<i>High</i>	Denmark	
	<i>Low</i>	Slovakia, Czech R., Poland	UK, Ireland, Hungary

Alongside the restructuring of the education system, CEE countries' economic reforms in the 1990s created labour relations common to market-based systems. One of the most important changes occurred in employment regulation laws; the average index of employment protection legislation (EPL) in the CEE countries was found to be similar to the EU-15 average, meaning that the majority of transition countries settle in the middle of the labour market flexibility scale (Riboud *et al.* 2002; Cazes and Nesporova 2003; Wallace 2003). Nevertheless, as in the old EU countries, there is variation within the CEE states in respect of employment protection. Hungary has the most flexible labour legislation, with an EPL index value of 1.7, closely followed by the Czech Republic and Slovakia (1.9), and Poland (2.1). The Baltic countries occupy the middle ground, with an index value of 2.5 to 2.7. Finally, Slovenia has the most restrictive labour regulation (2.9). The strictness of labour market legislation of the different EU countries is summarised in Table 1.

A problem of the legal regulation of labour market activity in the CEE countries is that employers do not always adhere to rules; in the private sector and in small firms, violations are particularly common (see Eamets and Masso 2004, for the Baltic countries). The low coverage of trade unions means that violations are often not investigated and workers' representatives cannot protect workers. In addition, in a climate of high unemployment, employees do not initiate individual claims against employers for fear of losing their jobs. Eamets and Masso (2004) conclude that for the CEE countries the estimated labour market strictness or flexibility needs to be determined not only by reference to formal legislation but also by its enforcement and the degree of violations. In addition, it should be mentioned that at the start of the transition period, most workers were employed on permanent contracts. By the early 2000s fixed-term work was being increasingly used as an important source of flexibility, especially in Poland and Slovenia (European Commission 2004). Still, in most of the new EU member states, fixed-term contracts remain the marginal form of employment (see details in Saar, Unt and Kogan forthcoming: 24-25) as flexibility is obtained probably by other means. For instance, in the Baltic states about 5% of the work force is employed without any written contract; their employment and working conditions are settled verbally with the employer.

Compared to the EU-15 countries, the CEE countries have been spending a relatively small amount of resources to support the unemployed. Unemployment benefits are very low, highly conditional and of short

duration (Riboud *et al.*, 2002: 251). Only in the Czech Republic are the maximum benefits above the minimum wage level (Tonin, 2006: 35). In this regard, unemployment insurance policies in the CEE countries are closer to those of the United Kingdom and Southern Europe than to those of the countries in Central and Northern Europe. However, in this respect significant cross-national variation is evident (in Estonia 0.01 percent of GDP per percentage point of unemployment and in Poland 0.12 percent). In addition, over the last decade, unemployment insurance systems have increasingly become less generous with regard both to duration, requirements and the replacement ratio in almost all the CEE countries. Thus, all the CEE countries might be classified as low unemployment protection regimes (except Slovenia) similar to the UK, Ireland and Southern European countries (Table 1).

Authors of the European Commission report (2003) conclude that the prospect of a single CEE countries' model of social protection is unlikely. The reform of welfare states in CEE countries has often been characterised as an ideological confrontation between a continental European conservative approach and a liberal residual welfare regime as is found in the Anglo-Saxon countries (Brusis 1998). All in all, the CEE welfare systems could be classified as mixed traditional characteristics of the different European models.

1.5. THE LABOUR MARKET ENTRY PATTERNS IN THE NEW MEMBER STATES

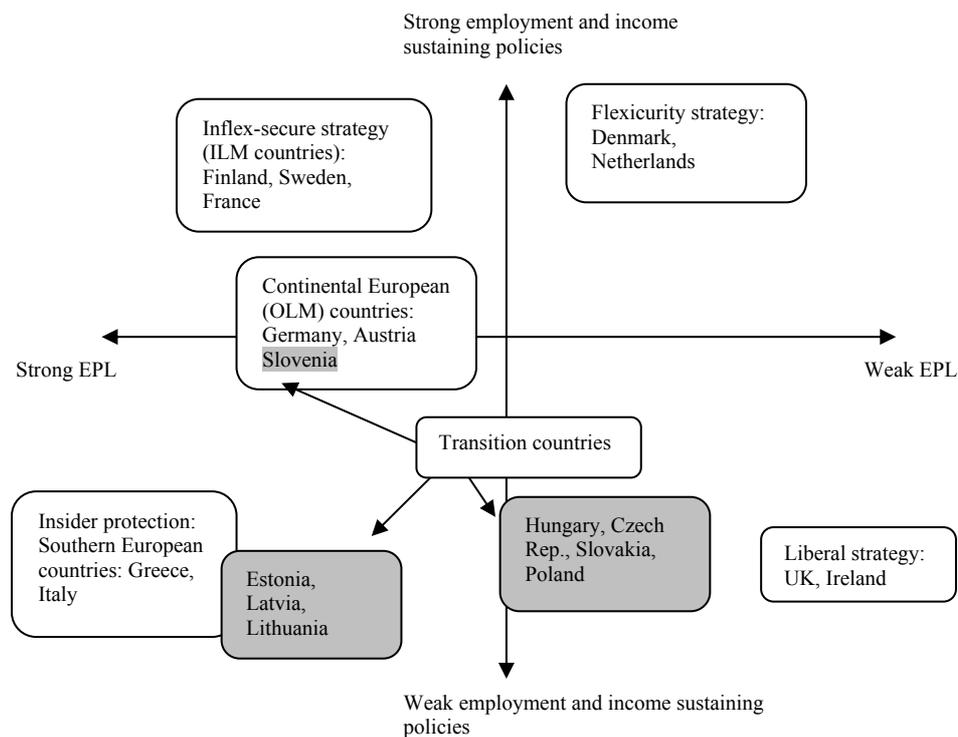
Some attempts have been made in order to identify the position of single CEE countries in typologies of labour market entry patterns. According to Cedefop (2001), the majority of the CEE countries have been moving away from the model of regulated inclusion, characteristic of occupational labour markets (e.g. Germany), to the model of competitive regulation, characteristic of the flexible labour markets of the USA. Róbert and Bukodi (2005) assert that in Hungary, mobility space, typically qualification in nature, started to change slowly in the direction of an organisational mobility space, where the curriculum of the educational institutions is more general and where the match between the type of qualification and the type of job is not strong any more. Saar (2005) argues that in Estonia, the transition from school to work resembles the competitive pattern. Bukodi *et al.* (2006) propose that post-socialist countries are moving towards the liberal cluster but there is no clear and well defined flexibility strategy applied to young people yet.

In our study Kogan, Unt and Saar 2007, we used a model proposed by Breen (2005) and developed it further to accommodate all 8 'new' and 15 'old' EU countries with regard to the education system and the extent of labour market regulation. We expect youth unemployment patterns in Slovenia, a country characterised by relatively strong employment protection coupled with vocational specificity of the education system, to resemble those found in the group of more rigid OLM countries (see more details in Kogan, Unt and Saar 2007). The Baltic states, characterised by less flexible labour markets and a low vocational specificity of the educational system, should cluster with the rest of Europe since they have similar education systems and labour market regulations. Predictions for Poland, Slovakia, the Czech Republic and Hungary are less straightforward. On the one hand, Poland, Hungary and the Czech Republic are somewhat more flexible than the rest of continental Europe, but their economies are certainly less liberalized than in the UK, Ireland or Denmark. On the other hand, vocational education remains rather strong in these countries, particularly in the Czech Republic and Hungary, but it looks as though an effective link between educational providers and enterprises has been lost during the transformation years.

Bukodi *et al.* (2006) took into account both sides of labour market regulation: employment protection legislation as well as employment and income sustaining policies. They placed post-socialist countries close to liberal countries with regard to transition from school to labour market. As we hypothesize that such uniform classification of post-socialist countries is hardly feasible, we developed this schema further in our study (Saar, Unt and Kogan forthcoming) using the trio of institutional settings summarized in Table 1. Hence, on the right top of figure 1 are countries adopting flexicurity strategy (a relatively high degree of flexibility, active labour market policies and high income security). Liberal countries (the UK, Ireland) have low employment protection and low measures of labour market policies. Southern European countries with insider-outsider labour markets have low flexibility coupled with a lack of labour market policies. Continental European countries with OLM (Germany, Austria) have high employment protection (and therefore low flexibility) with dominated passive labour market policies (high income security). Inflex-secure countries have strict labour regulation, relatively high income security and active labour market policies. They are situated on the top left of the figure.

We suppose youth labour market entry pattern in Slovenia, a country characterised by strong employment protection, most generous unemployment insurance (compared with other post-socialist countries) and

relatively high vocational specificity of the educational system, to resemble those found in the continental European countries with OLM (Germany, Austria). In the Baltic countries the vocational specificity of the educational system is low, most pupils graduate from general secondary school. Furthermore, very little coordination exists between schools and employers. It makes the educational system in these countries similar to those of the Southern European countries. Employment protection is considered to be stronger than in liberal countries but weaker compared to Southern Europe. The overall expenditures on labour market policies are very low. We expect that the Baltic countries should cluster together having some features close to Southern European countries (mainly Lithuania), especially strong insider-outsider logic and some characteristics similar to liberal countries (Estonia) (see also Saar 2005).



Source: Modified version of figure 1.1. from Bukodi *et al.* (2006).

Figure 1. Location of countries with respect to the labour entry patterns

In the Czech Republic, Hungary, Slovakia and Poland the moderate support for those who fall out of the labour market is combined with relatively open employment relations. Vocational education remains rather strong in these countries, particularly in the Czech Republic, Slovakia and Poland.

To sum up, we expect that most post-socialist countries are situated at the bottom of the figure, but some of them are more close to the southern European countries, others to liberal countries and Slovenia to continental European countries with OLM (see more details in Saar, Unt and Kogan forthcoming:16-18).

2. RESEARCH DESIGN, METHODS AND DATA

The study consists of five articles which approach the topic from different perspectives. The first two studies focus on youth's transitions on an individual level, the next two papers are searching for typology of the member states compared to EU-15 based on individual and macro-level information. Table 2. gives a summary of data and methods used in these studies.

The first paper (Kogan and Unt 2005) analyses the timing of labour market entry and the match of education and employment in Estonia, Slovenia and Hungary. The second paper (Kogan and Unt forthcoming) includes Slovenia and Hungary and deals only with labour market timing but goes beyond the analysis presented in the first paper because it measures the level of education in a more detailed manner, using the ISCED classification. This makes it possible to analyse the role of vocational specificity of educational credentials in labour market entry. Both studies utilize the European Union Labour Force Survey (EULFS) ad hoc module on school-to-work transitions, which was launched in Hungary and Slovenia in 2000 and in Estonia in 2002. This dataset provides a core set of substantively important variables on school-to-work transitions, including information on the first significant job. Also attractive is the data's linkage to the general EULFS. The peculiarity of the module is that it endows a longitudinal perspective on individual employment careers by offering the measures of the incidence of job search periods and their duration, which together allow assessing processes of labour market entry. The original idea was to cover as many CEE countries as possible. Overall 6 CEE countries took part in the EULFS 2000 ad hoc module: Hungary, Romania, Slovakia, Slovenia, Latvia, and Lithuania. However, the quality of the data for the type of analyses pursued in the study, i.e. focusing on the timing of entry to first significant employment, was satisfactory only for three countries, Hungary, Slovenia and Estonia.

The empirical analysis focuses in both articles on the transition from education to first significant jobs, approached from an event history perspective. *Piecewise constant exponential models* (PCE) (see Blossfeld and Rohwer 1995: 110-119) are run to approximate the shape of the hazard functions and to estimate the impact of independent variables. The PCE model assumes that the hazard is constant not over the whole range of time, but within certain specified intervals of time. Clearly, judicious choice of the cut points should allow us to approximate reasonably well almost any baseline hazard, using closely-spaced boundaries where the hazard varies rapidly and wider intervals where the hazard changes more slowly.

To assess the match of the first significant employment and educational qualification, *multinomial logistic regression* analysis is conducted. As some respondents entered their first significant employment prior to leaving education we additionally estimate the probability of such a scenario using a similar set of independent variables. The propensity of employment entry in such cases is estimated by means of the *probit regression analysis*.

Independent variables that entered the multivariate analyses are summarized in Kogan and Unt 2005: 232 and in Kogan and Unt forthcoming: 34.

The next two articles (Kogan, Unt and Saar 2007; Saar, Unt and Kogan forthcoming) assess the patterns of youth transitions in the enlarged European Union. They draw upon data from the European Union Labour Force Surveys (EULFS) conducted between 1998 and 2004 in 15 old and 8 new EU countries (see Eurostat 1998 for details). While the fourth article (Saar, Unt and Kogan forthcoming) uses only data from 2004 (UK data from 2000), then the third article intended to include as many observations for each country as possible, but due to data deficiencies the number of observations per country had to be limited (see details Kogan, Unt and Saar 2007: 190-191). The basic idea is thus in both studies to use the available data on labour market entrants, to compare them to more experienced workers, and to generate a set of macro-level indicators describing youth labour market entry patterns in the CEE countries using other European countries as background information.

The choice of indicators has been related to the theoretical axes in both articles. In Kogan, Unt and Saar 2007 indicators included in analysis are the proxies of the signalling power of the education system and the degree of labour market regulation. Alongside a number of simple rate indicators, such as the youth unemployment rate or rate of fixed-term contracts, measures of the association between individual education and unemployment incidence are included. These measures, as well as gradients for labour market entrants (compared to experienced workers) in unemployment incidence and duration, and fixed-term employment are estimated from a set of auxiliary logistic regressions fitted for each of the 67 country-year cases. These regressions control the composition of the sample in terms of gender, marital status and the interaction between the two (exact definitions of all indicators included in the cluster analyses can be found in Kogan, Unt and Saar 2007: 206).

In Saar, Unt and Kogan (forthcoming) indicators were chosen to cover unemployment features, the intensity of job mobility, the relative risks of having fixed-term contracts and the occupational downgrading associated with youth employment (exact definitions of all indicators included in the cluster analyses can be found in Saar, Unt and Kogan forthcoming: Appendix 1). Previous analysis has shown that macro-institutional differences play a much more limited role in respect of employment outcomes than of unemployment risks (see for example Gangl *et al.*, 2003). Therefore we decided to pay special attention to unemployment features and include the ratio of unemployment rates as well as three measures of unemployment rate at different levels of education into the cluster analysis. Several studies have noted that the risks of employment flexibility (we have included measures for exit from unemployment, mobility and fixed-term contracts) vary for different groups in the labour market. Whereas mid-career men who are typically the ‘insiders’ are still relatively well sheltered in most countries, the groups that are outsiders of the labour market are much more endangered (OECD, 1998; Blossfeld *et al.*, 2005; Blossfeld *et al.*, 2006).

Finally, based on the macro-level data the analysis of both studies then attempts to identify empirically distinct country clusters. The cluster analysis is carried out in both articles by the Ward algorithm, using a squared Euclidean distance matrix based on the z-standardized transformations of labour market indicators. The Ward algorithm belongs to the broad class of hierarchical clustering algorithms and has been selected due to its property of producing a small number of rather homogeneous clusters, which is achieved via a sequential fusion of least-deviant cases (Bacher 1996; Gordon 1999).

Table 2. Data and Methods

	Article	Data	Methods
1.	Kogan and Unt (2005)	European Union Labour Force Study (LFS) 2000 ad hoc module, Estonian LFS 2002 ad hoc module, Estonian LFS 1995, 1999, Luxembourg Employment Survey	Event history methods, multi-nominal logistic regression techniques (Blossfeld and Rohwer 1995)
2.	Kogan and Unt (forthcoming)	European Union Labour Force Study (LFS) 2000 ad hoc module, Estonian LFS 2002 ad hoc module	Event history methods (Blossfeld and Rohwer 1995)
3.	Kogan and Unt, Saar (2007)	European Union LFS 1998-2004	A set of auxiliary logistic regressions fitted for each of the 71 country-year cases, the cluster analysis using a squared Euclidean distance matrix (Aldenderfer and Blashfield 1984; Everitt 1993)
4.	Saar, Unt and Kogan (forthcoming)	European Union LFS 2004, United Kingdom LFS 2000	The cluster analysis using a squared Euclidean distance matrix
5.	Unt, Saar (2007)	European Union LFS 2004, Estonian LFS 1995-2005	Descriptive statistics

UNDERSTANDING THE CROSS-NATIONAL DIFFERENCES IN SCHOOL-TO-WORK TRANSITIONS

The central concern of the current thesis has been to arrive at a more appropriate understanding of the individual, structural, and institutional determinants of successful school-to-work transitions in enlarged Europe. In particular, we have sought to identify how institutionally different systems of education and training and labour market affect youth labour market outcome patterns in the new EU member states compared to the EU-15.

1. THE DYNAMICS OF LABOUR MARKET ENTRY AFTER THE FALL OF SOCIALISM

One might expect that the role of education and social networks in determining youth opportunities in the labour market have changed during the transformation years. While analysing Hungary, Estonia and Slovenia (Kogan and Unt 2005), we found that when it comes to entry to first significant employment the effect of education has grown profoundly in Hungary and Slovenia during the 1990s. In Estonia, all school leavers experience longer periods between school leaving and labour market entry. While under-education is an almost unknown phenomenon in western countries, it was still possible to acquire a higher status job than education could assume in Estonia and in Slovenia during the reform years. In Hungary, this was not the case. The opposite phenomenon, over-education became more common in Hungary and Slovenia during the stabilization years hand-in-hand with the expansion of tertiary education. In Estonia, entering a job with more education than is normally required in total population did not appear to be as pronounced as expected. It might be that there is a time lag between the expansion of higher education and its effects on the labour market, as only a limited number of students have graduated from the expanded tertiary education system in Estonia.

Consequently, we explored the role of vocational specificity of educational credentials for labour market entry in Estonia and Slovenia (Kogan and Unt, forthcoming). In Slovenia, where most pupils graduate from vocational schools and where the government has launched programmes to further develop a dual system, the ultimate losers of the transformation appear to be school leavers without any vocational training. In Estonia, where most pupils opt for a general secondary track, vocational education does not guarantee quick labour market entry. At the same time, youth with a lower educational level is not as marginalised as in Slovenia. It seems, however, that Estonian employers might get compensated for the insecurity they face upon hiring by paying lower wages, and this would probably not be the case in Slovenia.

While looking at the role of social background, it does not seem to play any role when it comes to the speed of entry to first significant employment, its influence in determining the match of education and job for recent labour market entrants is still noteworthy (Kogan and Unt 2005). In all CEE countries under study, in Hungary, Estonia, and Slovenia, having highly educated parents increase the possibilities of entering employment being under-educated. On the other hand, highly educated parents protect their offspring from over education. These findings point to the importance of social background and networks in the CEE countries particularly when it comes to occupational status or match of educational qualifications to occupation (Iannelli 2003).

2. THE LABOUR MARKET ENTRY PATTERNS IN ENLARGED EUROPE

The results presented in this section focuses on labour market entry in Europe, especially in the new member states. We carried out a series of cluster analyses based on two different set of empirical indicators. The first analysis includes indicators for educational signalling and for labour market flexibility from 1998-2004. The second analysis includes indicators from 2004 EULFS. In addition to previous indicators, it also includes the proxy for youth early career position and additional indicators for flexibility and job mobility.

The clustering of countries from both analyses are summarised in Table 3. The results for Western and Southern Europe are comparable to the previous results (see for instance Gangl 2003b). Yet, there are also some differences which are mainly due to the fact that in addition to indicators reflecting OLM/ILM dichotomy we included indicators capturing the dimension of labour market flexibility. At least two interesting dissimilarities could be mentioned. Our results implicate that there is diversity within the transition

patterns of the Southern European countries. Not only Spain, but also Portugal cluster together with the Northern ILM countries, having considerably more flexible labour markets compared to Greece and Italy (see also Polavieja 2006). Secondly, if we also included exit rates and labour market mobility as proxies for flexibility in cluster solution 2, youth transition pattern in an OLM country, Denmark, resembles the more flexible ILM country UK pattern rather than a typical OLM case – the German one. The flexibility of the labour market in Germany and Denmark is achieved by different means. Denmark has a very well developed unemployment insurance system, which contributes to overall mobility giving youth more chances to exit unemployment and access the labour market than in Germany. Still, it had to be stressed that this result about the UK and Denmark was predictable while in both countries labour market entrants are exposed to numerical and temporal flexibility. One important difference between the two countries is in income security (high in Denmark and low in the UK) which we did not include in the analysis. We suppose that including additional dimensions characterising the labour market entry process (for example the matching quality, earnings etc.) will change the result and both countries will form separate clusters.

2.1. Distinct pattern of labour market entry in the CEE countries?

There is at least one immediate result visible from both analyses: that a joint clustering of all the CEE countries proved to be unrealistic, since the levels of vulnerability among labour market entrants differ in these countries. Two countries differ remarkably from the others in both cases: Slovenia and Poland. In the second case, if labour market mobility is also taken into account, Slovakia clusters together with Poland as having a less dynamic labour market than the other new EU members.

Table 3. Results of the cluster analysis

1	<i>1 cluster</i>		<i>2 cluster</i>		<i>3 cluster</i>		<i>4 cluster</i>	
	Austria		Belgium		UK		Greece	
	Germany		France		Estonia		Italy	
	Denmark		Finland		Latvia		Poland	
	Netherlands		Spain		Lithuania			
	Ireland		Portugal		Czech Republic			
	Luxembourg		Slovenia		Slovakia			
					Hungary			

2	<i>1 cluster</i>		<i>2 cluster</i>		<i>3 cluster</i>		<i>4 cluster</i>		<i>5 cluster</i>		<i>6 cluster</i>	
	Germany		Belgium		Estonia		Poland		Greece		UK	
			France		Latvia		Slovakia		Italy		Denmark	
			Spain		Lithuania							
			Portugal		Czech Republic							
			Slovenia		Hungary							

Note: Clustering is carried out by the Ward algorithm using a squared Euclidean distance matrix based on z-standardized transformations of labour market indicators

Source: EULFS 1998-2004

We will now, in more detail, turn to the classification of youth transition patterns in the CEE countries based on cluster solution 2. First, there are clear distinctions within the group of the CEE countries in terms of youth transition to labour market. **Slovenia** clearly contrasts with the other CEE countries clustering together with Sweden, Belgium, Spain and Portugal. Although, we expected the Slovenian transition pattern to be similar to the German one, it seems that in Slovenia the link between the educational system and the labour market is still not quite as strong, and furthermore, the youth labour market is more flexible than in Germany.

Poland and **Slovakia** form a cluster where the labour market entrants are strongly disadvantaged as the labour market insiders' power is relatively strong, which, accompanied with the low vocational specificity of the educational system, narrows down the chances of youth to compete in the labour market. The result of clustering somewhat contrasts with our previous expectations because patterns in Slovakia and Poland have not clustered together with those in the Czech Republic and Hungary.

The last cluster comprises the rest of the CEE countries. **Hungary and the Baltic States** are clustered together as countries where the vocational specificity of the educational system is low, and also the **Czech Republic** where the educational system is vocationally orientated. Once again, the result is somewhat different from our hypothesis. We expected the Baltic states to form one cluster and Hungary and the Czech Republic another one. The unemployment risk inside this cluster is on a medium level. There is a moderate risk of long-term unemployment as new entrants have relatively good chances to move out of unemployment. The effect of the educational level on the unemployment rate as well as on exit from unemployment is high, being especially pronounced in the Czech Republic. The downgrading risk for new entrants is on a medium level (in the Czech Republic it is exceptionally high, comparable with Southern European countries). Job mobility is also intermediate. A specific feature for countries belonging in this cluster is a low rate of labour market entrants having fixed-term contracts.

Summing up, the institutional outcomes are not so easily predictable in the CEE countries. One theoretical conclusion from this would be that due to the variety and inconsistency of institutional systems, it is hard to predict the way these systems in the new member states will shape the process of labour market entry. Wolbers (2006) has found that national institutional differences regarding employment protection legislation and the vocational specificity of the educational systems affect differences in labour market entry patterns among school leavers between the EU-15 countries. We argue that this result cannot be generalised or applied directly to the CEE countries because the variation between the CEE countries in the impact of these institutional factors on labour market entry is greater compared with the EU-15 countries.

Still, even in the current state of analysis, it is evident that labour market entry patterns are dispersed in the CEE countries. The implication of this result is significant not only in the transition research but also much more widely in the area of studies in which the starting point is that institutional settings influence life-course outcomes. It is not possible to put the CEE countries under one denominator due to the pronounced variety among the institutional outcomes.

3. DIRECTIONS FOR FURTHER RESEARCH

The analysis of the new EU member states is a challenge since their institutional packages are yet under formation. Furthermore it is necessary to acknowledge the limited scope of the study due to the limitations of the available databases. The studies in current thesis rely heavily on one particular data source, namely the European Union Labour Force Survey (EULFS). As this study is carried out in all EU member states, the main strength of this data source is its size and the substantial degree of comparability. As a matter of fact, no other comparable data are available for studying school-to-work transitions which would cover all the EU member states. Among the main issues are a modest range of variables covered by the survey and in the case of the ad hoc module a small number of CEE countries with reliable longitudinal information.

Another problem is connected to the indicators characterising institutions in the CEE countries. The construction of some of them derives from the legislation but the legislation does not reflect the real situation in most CEE countries because of informal practices that are widespread. Eamets and Masso (2004) also conclude that for the CEE countries, the estimated strictness or flexibility need not to be determined inasmuch by formal legislation but also by enforcement, degree of violations *et cetera*. The evidence may suggest that labour markets – and especially the youth labour market – in the CEE countries are more flexible than one might have thought when considering only the applicable formal legislation. It means that while in the EU-15 countries, flexibility is attained by using flexible employment contracts (temporary contracts, temporary work agency employment etc.), in the CEE countries (especially in the Baltic countries) employers often attain flexibility simply by not following the regulations.

One additional methodological concerns implies that, one should be cautious about entailing a direct causal effect of a particular institution using indicators measured at the individual level as alternative driving forces behind the observed patterns in the above-mentioned indicators cannot be absolutely rejected. We agree with Gangl (2003b) that by using macro level country classifications one can encounter problems with disentangling the relative power of rival explanations. In future studies, it would be fascinating to include further dimensions of labour market entry and early career, such as the speed of LM entry, earnings, or the persistence of inequalities, which are ignored here.

Despite the limitations of the current thesis, I trust it is fair to conclude that this dissertation contributes to a deeper understanding of the cross-national differences in school-to-work transitions in enlarged Europe.

ÜLEMINEK KOOLIST TÖÖLE LAIENENUD EUROOPAS

Kokkuvõte

Doktoritöö keskne eesmärk on analüüsida, kuidas riikide institutsionaalsed raamistikud, eriti haridussüsteem, tööturg ja heaolu režiimid, mõjutavad noorte liikumist haridussüsteemist tööturule uutes Euroopa Liidu liikmesriikides, võrreldes vanade liikmesmaadega. Töös otsitakse vastuseid järgmistele küsimustele: kas noortel on raskenenud tööturule lülitumine, kuna institutsionaalne raamistik on muutunud?; kas hariduse mõju noorte tööturuväljavaadetele on tugevnenud või mitte?; kas hariduse ja töö vastavus on suurenenud või vähenenud?; kas noorte päritolu mõjutab nende võimalusi tööturul? Kuna tegemist on võrdleva uurimusega, siis on lisaks püütud leida vastus küsimusele, kas noorte üleminek koolist tööle on Euroopa Liidu liikmesmaades muutunud eri suundades, ja kui nii, siis mis on selles kesksed aspektid. Või kas saabki rääkida ühest uusi liikmesmaid iseloomustavast noorte tööturule lülitumise mustrist? Analüüsis kasutatakse Suurbritannias 2000. aastal läbi viidud Euroopa Liidu Tööjõu-uuringut, kõigi teiste Euroopa Liidu maade kohta sama uuringu 2004. aasta andmeid. Lisaks kasutatakse Eestis, Sloveenias ja Ungaris läbi viidud Tööjõu-uuringu 2000. ja 2002. aasta lisaplokki "Koolist tööle". Peamiste andmeanalüüsi meetoditena kasutatakse juhtumianalüüsi, binaarset, lineaarset regressioonanalüüsi ja klasteranalüüsi.

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