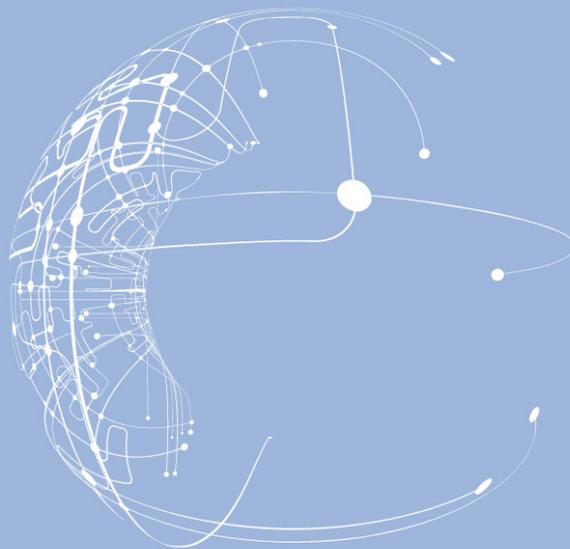


POLICY PAPER
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10 proposals to reconcile youth with the labour market

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Informative appendix

This report is commissioned as part of the JPMorgan Chase New Skills at Work in Europe, a three-year programme focused on addressing unemployment through macro strategies and specific innovations to boost job creation, expand labour market participation and develop the skilled workforce for the future in Europe. The programme is the European component of JPMorgan Chase's New Skills at Work; a five-year \$250million global initiative announced in December 2013 in Washington, DC. It is private-sector effort aimed at addressing the skills mismatch that exists across many industries globally, and creating greater economic opportunities in communities around the world.

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Diagnosis – the many faces of French youth

Number one imperative: Evaluate commonly held ideas and misconceptions about youth employment

Youth unemployment or simply unemployment

Youth unemployment, a European and French affliction: How could such a seemingly obvious statement be questioned after witnessing a five years economic crisis? The general discourse on youth describes them as stuck in a “precarious” situation, “overqualified,” “underemployed,” and scarred for life by unemployment. To be young in France in 2014 means, to worry about your future, have difficulty finding housing, finding steady employment, and accessing credit. The most commonly cited statistics reinforce this general impression – almost 25% of young people aged 15 to 24 are unemployed, while one third of 15 to 29 year olds are employed on a fixed-term contract (CDD) or as temp workers.

Yet, behind these alarming numbers lies a much more complex reality that is simultaneously reassuring and disconcerting. The rate of youth unemployment is misleading, as it is calculated on the basis of a reduced workforce, of which the youth with little or no education are disproportionately represented. Moreover, for over thirty years, the unemployment rate has been two times higher than that of the average workforce and changes in relation to the average workforce. **France is therefore not suffering from youth unemployment, but simply unemployment in general.** Since the late 1970s, the unemployment rate in France never dropped below 8% except for a few months prior to the 2008 crisis. Youth unemployment has evolved in parallel, oscillating between 15 and 25%, depending on the period.

Moreover, because of the low rate of participation of young people in the workforce, the youth unemployment rate is a misleading number, covering only 37.5% of 15-24 year olds. In this population, troubled youth, who left the education system prematurely without a high school diploma, are overrepresented. The majority of young people under 25 are in school pursuing their education, not looking for work. If we take the case of Greece as an example—an extreme case—we see that 60% of young Greeks are unemployed (an issue the press loves, and that is at the heart of the European political agenda¹). But as their rate of participation in the labor market is 13%, it follows that only 16% of young Greeks are actually actively looking for a job. In France, in comparison, the proportion of young people between the ages of 15 – 29 who are unemployed is about 11%, admittedly 4 percent above

¹ <http://www.latribune.fr/actualites/economie/union-europeenne/20130704trib000774048/emploi-pourquoi-merkel-s-interesse-tant-aux-jeunes-et-pas-au-chomage-en-general.html>

the average rate of unemployment for 15-64 year olds (7%). But this is a significantly lower difference than the disparity usually reported.

In an article published in June 2013, the German economist Daniel Gros, Director of the Center for European Policy Studies, asks provocatively: Is not the fight against youth unemployment just the latest European “fashion”? (Gros 2013). Obviously, Daniel Gros does not deny the youth employment problem, but he advocates for a more precise analysis of the situations.

This is in fact a very serious question that goes well beyond any statistical coquetry, as it shapes the form youth policy takes. If we consider the youth to *all* be victims of the way the labor market functions, then our policies intended for the youth will be misguided (employment subsidies for young people, exceptions to labor law, etc.)². In order to avoid this trap, employment policies must first seek to create the conditions for employment more generally before turning their attention to helping certain subcategories of youth in need.

The lexical field of “the” youth, in a “precarious” situation, overqualified, for whom numerous measures and proposals have been put forth (First Recruitment Contract 2005³, numerous proposals for Youth minimum wage SMIC), indicates that France insists on repeatedly trying the same approach, even if the data at our disposals tells us to do otherwise.

The radically unequal situation youth face when it comes to unemployment

The situation youth face, at first glance seems challenging, but much less so than most analyses would lead you to believe. The reality is much more complex, more reassuring, but also more worrisome.

Youth is defined as a transitional stage. To better understand the situation of young people, we must stop addressing the issue of unemployment statically. Except in exceptional cases, it takes a recent graduate a few weeks or months to find a job. Whether or not he or she is unemployed at this point is much less important than

² Let us note that this argument can be translated by seemingly opposite propositions, from claims for a Youth Minimum Wage to the establishment of a universal student income and through decreased financial costs for the youth.

³ In 2005, the French government tried to set up the “new employment contract” (CNE) for small businesses (having less than 20 employees). This contract came with a first two years contract termination clause during which time the employer could fire at will, subject to severance payment nonetheless. At the end of this period, the company would be held to offer a fixed term contract to the affected employees. Subsequently the government tried to extend the scope of this contract to all youth under 26 by creating the “first employment contract” (CPE). That proposal fell after yielding strong trade union and student dissent, particularly due to the duration of the trial period, deemed excessive.

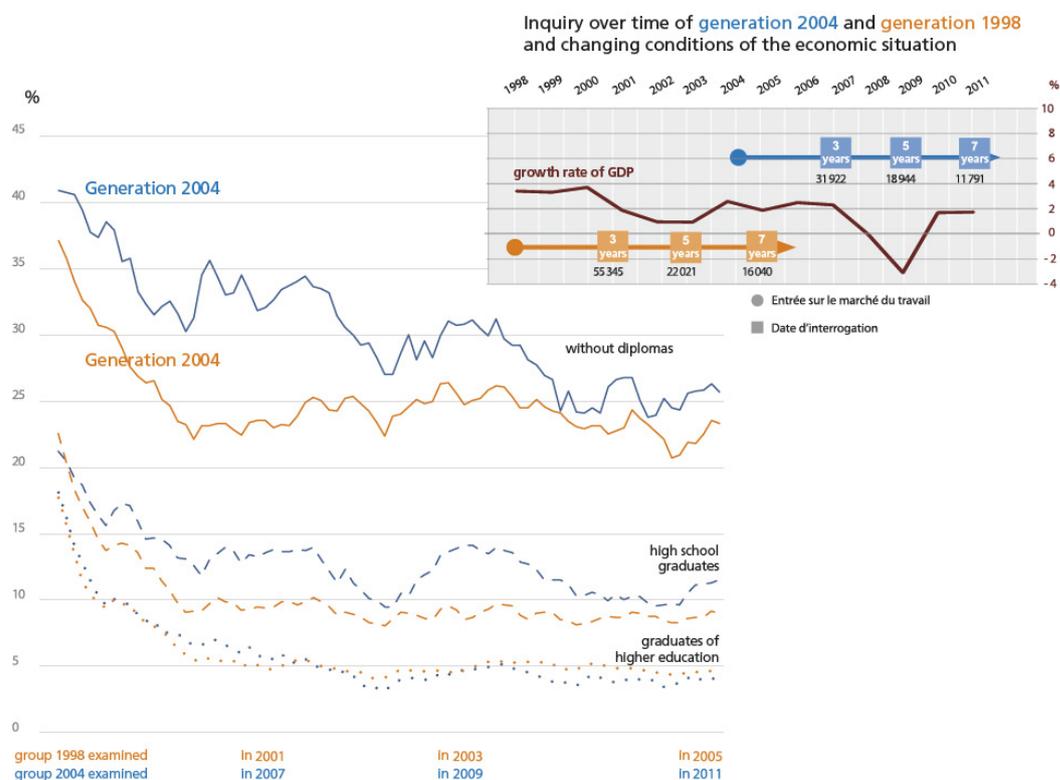
whether or not he or she is unemployed 6, 12, or 18 months down the road. France, from this point of view, has the chance to make use of a research institute dedicated specifically to the study of the transition from education to employment (Céreq – Center for Research on Qualifications). This institute bases its research on a group of young people – a cohort – they follow over a period between 3 and 10 years.⁴ This long-term study provides insight into the “black box” of youth employment. This data reveals the radical heterogeneity of this population.

As the graph below makes clear, at the end of their studies, many young people experience, over a period that ranges from three months to one year, difficulty entering the labor market.

⁴ The studies led by the Céreq yield irreplaceable data to understand the link between training and employment. They allow to effectively and very regularly question a vast representative sample of youth having left the education system in a given year. For example, “Generation 1998” of the Céreq studies corresponds to students having left school between January 1st and December 31st of 1998, whether they did not graduate or received their doctorates. By construction, these studies thus involve youth of very different age groups and hence overestimate the weight of degrees (a young 25 year old masters graduate, compared to an 18 year old high school graduate, is not only favored due to his level of education, but also his age).

Does youth unemployment continue ? The results of the inquiry for generations of 1998 and 2004

Evolution of the unemployment rate over the first seven years of working life
Comparison of the generation of 2004 and the generation of 1998



Beyond that however, destinies diverge depending on the level of education, and amongst the graduates, between the different courses of study and different career paths chosen. Let us first take a look at the “pre-crisis” generations, 1998 and 2004. For college graduates, despite many misconceptions, the first year after leaving school may be marked by a high level of unemployment, which feeds a very legitimate anxiety when entering the labor market. But after the first year the situation improves in such a way that these youth experience a somewhat reduced rate of unemployment (below 5%). Hardship, for this population, is thus concentrated at the beginning of ones working life.

As for those who did not graduate at all or only graduated from high school, their vulnerability, which is high the first few years, eventually subsides. Full employment seems unobtainable and their situation seems to worsen from one generation to the next.

While approximately 25% of the “dropouts” from the 1998-generation found themselves unemployed three years after leaving school, almost 35% of those who

left school in 2004 found themselves in the same situation. The minimal differences in economic conditions between 1998-2001 and 2004-2007 cannot explain this growing disparity.

Let us now compare the 2004-generation, which entered the job market before the onset of the economic crisis, to the 2010-generation, which did not meet with favorable conditions upon entering the job market⁵.

Unsurprisingly, the unemployment rate of youth three years after having left the education system, at all educational levels, considerably increased for the 2010-generation: **22% of young graduates (or dropouts) in 2010 were unemployed in 2013, versus 14% of the 2004 generation in 2007.**

Results are even more striking when we look only at high-school dropouts, the unemployment rate for the 2010-generation is 16 percent higher than for the 2004-generation. 48% of 2010 dropouts were unemployed three years after leaving school, in 2013. The increase is also remarkable for CAP or BEP holders (certificate of professional aptitude and diploma of occupational studies), for which the unemployment rate has doubled and reached 32%. It is amongst these youth with fewer credentials, representing approximately 25% of the youth population, that we can identify a generation that is truly under strain.

More than ever, divisions are deepening within “the youth.”

“Precarity” or the double sentence for those least qualified

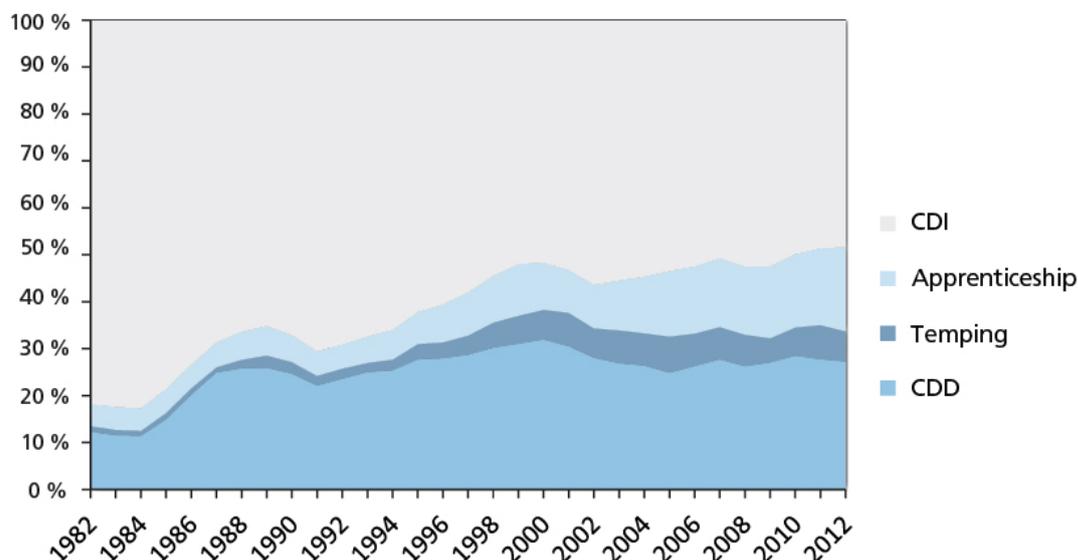
If young people are not “all unemployed,” as we have just established, perhaps they are all in “precarious” positions?

It is in any case one the more common presumptions about the youth situation in France, as the following graph demonstrates.⁶

⁵ Christophe Barret, Florence Ryk, and Noémie Volle, “Face À La Crise, Le Fossé Se Creuse Entre Niveaux de Diplôme,” *Bref Du Céreq*, no. 319 (2014).

⁶ Even if we can observe, at odds with multiple speeches, the stagnation in “atypical” employment since the end of the 1990’s. The decrease of the number of youth having permanent contracts (CDI) can since be explained by the increase in learning, that only a dishonest presentation of statistical data could assimilate to “precarious employment”

Relative weight of the different types of employment among 15-24 year olds



Source: Insee

In this field, however, it is once again the (increasing) heterogeneity of youth that is surprising.

It is indeed necessary to dig deeper into this “black box” of “precarious” jobs. Doing such we found that by tracking cohorts of a large number of young people, that for many, temporary work is a step towards obtaining long-term “permanent” contracts. It is a way of breaking into the labor market that doesn’t necessarily put these young people in a “precarious” position in the proper sense of term.

	Portion of CDDs (including financially aided contracts)		Portion of temping contracts		Portion of CDIs	
	1st year of employment	3 years later	1st year of employment	3 years later	1st year of employment	3 years later
Without diplomas	51 (19)	41	23	14	20	45
CAP-BEP-MC	47 (16)	28	20	12	29	55
Bac	55 (16)	35	18	7	24	52
Bac+2	48 (8)	23	18	4	30	68
Bac+5	39 (2)	16	7	1	51	79
Total	49 (12)	27	16	6	31	61

Source : Enquêtes Génération 2004 Céreq - calculations by Institut de l'entreprise

For those with college and masters degrees (Bac+2 and Bac+5 in France), a period of temping and to a lesser extent, a period working on a CDD, constitutes a transitional step. While those with only a high school education or less, have difficulty moving out of temporary work: the rate of CDD employment never

decreases more than 10 percent (from 51% to 41% in three years) for those with only a high school education. The proportion of young people in jobs considered “precarious” decreases faster than young people are graduating: about 2 out of every 3 young person with a college education begins their career in jobs on a CDD or with an internship, but 70% of them attain a permanent CDI three years later.

The crisis has exacerbated this phenomenon as well. The share of young people with college (*Bac+2*) and masters (*Bac +5*) degrees that are employed and work on a permanent contract CDI has not changed, whereas that number is decreasing for dropouts (-8 percent compared to the 2004-generation) and high school graduates (-4 percent).

The problem of the youth labor market is thus *less* a product of *general* unpredictability of employment than of exposure to employment precariousness that unequally affects different types of young people⁷. Here we see the trend of the “segmentation” or “dualism” of the labor market that economics has been describing since the 1970s⁸

Diplomas: incentives for vocational and selective pathways

This important protective effect of the diploma must nonetheless be further examined, and examined more closely.

A few illustrative examples:

- 76% of those with a professional or vocational degree quickly gain access to stable employment, 91% of those with a *baccalauréat* and professional education in the field of health or social services. Masters in math, science, or technology only find stable employment quickly about 62% of the time. PhDs are only at 77%.
- When zooming on those with a BA or a Masters in Humanities, we note that **their rate of employment is significantly lower (81%) than for students from BTS courses who didn't even get their degree (88%)**
- In general, students who graduate from business or engineering schools achieve the best outcomes. They hardly see any unemployment and over 90% of them secure a permanent contract after just a few years.

Higher education and more advanced studies do not necessarily lead to an easier time finding a job on the labor market

The crisis of the last few years has hence increased the divide amongst the youth. In place of a “lost generation” or “precarious generation,” one can infer an

⁷ Claude PICART, « Flux d'emploi et de main d'œuvre en France : un réexamen », *Document de travail de l'INSEE*, 2007, n° 05, p. 28.

⁸ Peter B Doeringer and Michael J Piore, *Internal Labor Markets and Manpower Analysis* (Lexington, Mass: Heath, 1971); Michael J Piore, “Dualisme in the Labor Market: A Response to Uncertainty and Flux. The Case of France,” *Revue Économique* 29, no. 1 (1978).

extraordinarily heterogeneous youth, sometimes perfectly equipped to capitalize on the new economic framework, sometimes, on the contrary, increasingly marginalized in today's working world.

The major challenge for today's youth: finding their place in a fundamentally changing labor market

Young people clearly do not possess the same assets and strengths to meet the demands of the labor market. Hence, depending on their qualifications and the skills they've been able to acquire, in certain cases they will find themselves in very favorable situations, while in others they will find themselves marginalized.

Indeed, more than ever, the "compatibility" of their skills with the expectations of their future employers is becoming a determining factor, failing which they will be faced with a particularly troubled beginning to their working life. By reducing the companies' margins of maneuver, the crisis is regarded as an indicator and accelerator of the structural tendencies of the labor market.

Expansion, polarization of the labor market, baby boomers retire: significant changes are happening in the labor market

What follows is a summary in a number of broad trends taking place in the current and upcoming structure of the labor market, within which the youth must find their place.

- On the one hand, there has been an increase in knowledge- and skill-intensive occupations, which now account for about 40% of employment. The proportion of employees in occupations considered "elementary"⁹ also increased¹⁰. Despite their differences, these jobs, categorized as "interactional" by the McKinsey Global Institute¹¹, are spared automation. Instead, technology would tend to reinforce the importance of instances of human coordination¹² and thus favor them. These jobs require most of the 10 key skills identified by the Institute for the Future¹³ (ability to determine the deeper meaning of what is expressed, find and invent solutions beyond the rules and memorization, connection to others, use big data to derive reasoning, concepts, understanding, the ability

⁹ European terminology avoids using the concept of unskilled employment

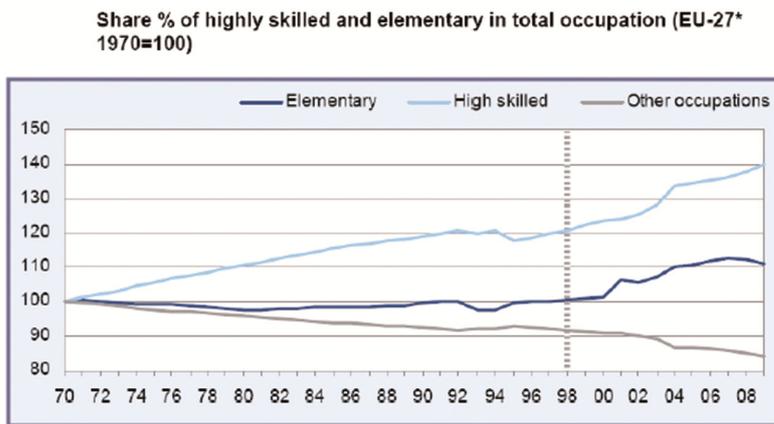
¹⁰ Cedefop, *Skill Mismatch in Europe*, 2012, http://www.cedefop.europa.eu/EN/Files/9023_fr.pdf.

¹¹ McKinsey Global Institute, "The World at Work: Jobs, Pay, and Skills for 3.5 Billion People," juin 2012; McKinsey Global Institute, "Help Wanted: The Future of Work in Advanced Economies," 2012.

¹² L'Atelier de l'emploi de ManpowerGroup, *Des Emplois et Des Hommes*, 2013, http://manpowergroup.fr/wp-content/uploads/2013/09/Des_emplois_et_des_hommes.pdf.

¹³ <http://www.iftf.org/iftf-you/programs/future-of-work/> "Are You Ready? Here Are The Top 10 Skills For The Future," *Forbes.com*, May 12, 2014, <http://www.forbes.com/sites/sap/2014/05/12/are-you-ready-here-are-the-top-10-skills-for-the-future/>.

- to work in different cultural settings, etc.). This evolution therefore affects all types of jobs, regardless of the skill-level demanded of the job.
- On the other, a regular slowdown of the overall employment of workers and mid-level employees. The latter were until recently spared automation and relocation, but are now considered to be particularly at risk due to the emergence of *big data*, which tends to shift the boundaries between human and non-human work¹⁴.



France is seeing this same trend: between 1990 and 2010, over 450,000 jobs were destroyed in manufacturing, while almost 1 million were created in corporate services and 900,000 in services to individuals and communities.

The same can be said from a qualifications point of view: in addition to the collapse of small business owners, over 600,000 jobs for low skilled workers have disappeared, skilled workers fairsing just a bit better; by contrast, on both extremes of the qualification scale, the number of low skilled employees explodes (+ 1 million) just like the number of the intermediate professions and executives (+1.8 million).

	Workforce 2020 (in thousands)	Net employment (thousands)			Annual growth rate (%)		
		1990-2000	2000-2010	2010-2020	1990-2000	2000-2010	2010-2020
Professional sector							
Agriculture	910	-532	-116	-15	-4	-1,1	-0,2
Construction	2027	-69	128	136	-0,4	0,7	0,7

¹⁴ Race Against the Machine: How the Digital Revolution is Accelerating Innovation, Driving Productivity, and Irreversibly Transforming Employment and the Economy, Erik Brynjolfsson, Andrew McAfee, 2012, quoted by Manpower Group's Employment Workshop: <http://www.manpowergroup.fr/davos-ou-la-grande-transformation-demain-tous-au-chomage/>

Manufacturing	3425	-74	-384	37	-0,2	-1,1	0,1
Transport, handling	1948	176	-32	61	1	-0,2	0,3
Trade, hotels & restaurants	4250	176	410	288	0,5	1,1	0,7
Corporate services	4563	421	532	352	1,2	1,4	0,8
Services for individuals and communities	3320	507	378	291	2,1	1,3	0,9
Education, health, culture	4578	642	616	415	2	1,6	1
Public administration army, postal services	2128	-181	-58	-109	-0,8	-0,3	-0,5
Altogether	27149	1065	1475	1456	0,5	0,6	0,6

	Workforce 2020 (in thousands)	Net employment creations (thousands)			Annual growth rate (%)		
		1990-2000	2000-2010	2010-2020	1990-2000	2000-2010	2010-2020
Dominant levels of qualifications of the FAP							
Independent	2123	-706	37	36	-2,8	0,2	0,2
Poorly qualified worker	1191	-312	-309	-25	-1,8	-2,2	-0,2
Qualified worker	4450	212	-285	91	0,5	-0,6	0,2
Poorly qualified employee	3602	617	342	264	2,3	1,1	0,8
Qualified employee	4756	-92	-73	93	-0,2	-0,2	0,2
Intermediary profession	5490	626	690	442	1,6	1,5	0,8
Executive	5538	720	1072	556	2	2,4	1,1
Altogether	27149	1065	1475	1456	0,5	0,6	0,6

Source: DARES-CAS ¹⁵

French youth face new requirements on the job market

In light of these changes, one can better understand how the youth with the best credentials fare better than their counterparts. Indeed, due to the late rise of higher education (see below), amongst those in the workforce, between 25 and 49 years of age, only 21% currently hold a higher education degree, versus approximately 42% of current generations. Among those 50 to 64 years of age, this percentage falls to 11%¹⁶. Hence the most qualified youth appear to occupy a stronger position on the labor market.

¹⁵ DARES, "Les Métiers En 2020. Progression et Féminisation Des Emplois Les plus Qualifiés ; Dynamisme Des Métiers D'aide et de Soins Aux Personnes," *DARES - Analyses*, no. 022 (March 2012).

¹⁶ Insee data 2012

At first glance, the situation of those with fewer credentials seems intriguing. How can we make sense of the situation of young people with and without degrees face? Shouldn't young people with a *baccalauréat* or *bac +2* be the last to suffer?

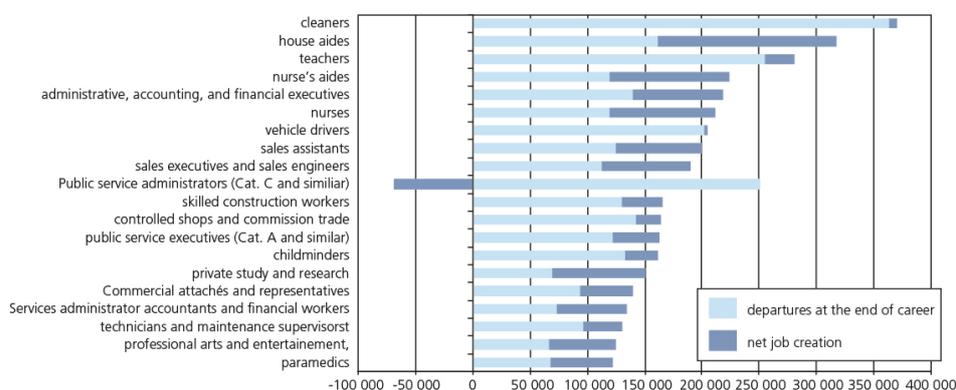
Several answers are combined here:

- First off, for this first group of youth, the unskilled, there are too many of them for this type of employment. Projections to 2020 indicate that France will experience a deficit of highly skilled workers and an excess of low-skilled workers, the number of which are increasing faster than the economy needs. Their entry into the workforce is hampered by the poor quality of many of these low-skilled jobs. It prevents workers from using them as stepping-stones to stable and desired careers.
- Moreover, in the context of an economic crisis, the matching process in the labor market is characterized by the "waiting line" phenomenon and competition for jobs¹⁷. According to this model, "characteristics of productivity are understood to be the product of workstations not individuals. Companies will look to hire people who will be cheap to train, and the diploma will be an indicator of one's ability to be trained. They therefore select the most qualified candidates among all job-seekers"¹⁸. Less educated youth, then find themselves at the end of the employment "waiting line," while those with advanced degrees tend to accept these lower level jobs, well below their originally desired level. This model is particularly applicable in France, where the stigmas associated with failure in school are considerable.
- Finally, the large number of retirements explains the rather favorable situation of those with a professional degree. As the graphic below shows, demand for "traditional jobs" remains fairly high. If the number of service jobs, low and high skilled, grow across several decades, taking retirement into account, the need for "traditional" jobs will remain, only slowly declining. Thus, we should not confuse trends with needs of the labor market.

¹⁷ G. Forgeot and Jérôme Gautié, "Insertion Professionnelle Des Jeunes et Processus de Déclassement," *Economie et Statistique* 4, no. 5 (1997): 304–5; Lester C. Thurow, *Generating Inequality: Mechanisms of Distribution in the U.S. Economy* (Basic Books, 1975).

¹⁸ Emmanuelle Nauze-Fichet and Magda Tomasini, "Diplôme et Insertion Sur Le Marché Du Travail : Approches Socioprofessionnelle et Salariale Du Déclassement," *Economie et Statistique* 354, no. 1 (2002): 21–48.

Trades that will provide the most available jobs between 2010 and 2020



According to the Employment center (Pôle emploi)¹⁹, the most difficult profiles to recruit are indeed professional health workers and paramedics (nurses, midwives, doctors, dentists, pharmacists, caregivers), but also skilled workers in manufacturing and construction (boilermakers, sheet metal workers, mechanics, carpenters, electricians), and the food industry (butchers, bakers, etc.)²⁰.

In brief, two types of youth find themselves particularly at a loss with regards to the labor market:

- Those with little or no qualifications: affected by the underlying trends of the labor market, challenged by their more qualified classmates who accept low-skilled jobs. They are also victims of the growing precariousness of these low-skilled jobs
- Those who are neither dropouts nor graduates in the most profitable fields of secondary education (major business of engineering schools, certain types of BTS or IUT). These youth have gotten sidetracked in satisfying educational requirements that unfortunately have little connections to the labor market.

The cult of the diploma or the stalemate of a quantitative vision of youth training

Clearly, our education system and the institutions that help handle the transition between education and employment are today in a situation of semi failure.

We can't however blame the various governments for not having grasped the considerable challenge presented by the emergence of a "knowledge-based society."

¹⁹ Pôle Emploi et al., "Enquête 'Besoins de Main-d'Oeuvre'. Une Amélioration Des Perspectives D'embauche Pour 2014.," *Eclairages et Synthèses* Avril, no. 1 (avril 2014).

²⁰ See Manpowergroup France Blog: <http://www.manpowergroup.fr/les-metiers-en-2020-plus-de-services-plus-qualifies-plus-feminins/>

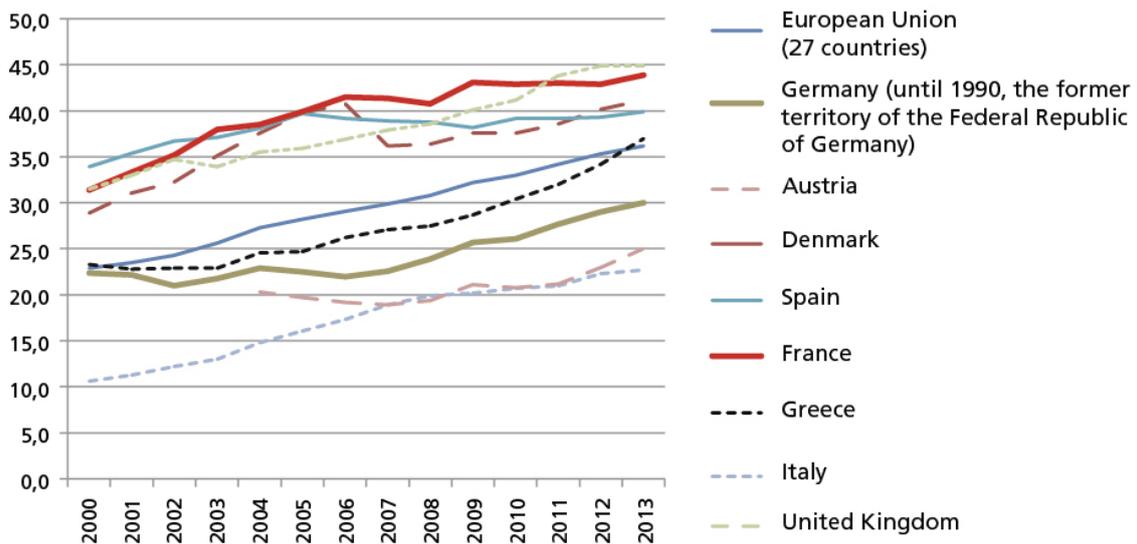
Measured in terms of financial gains, the biggest “joke” of public policy aimed at helping the youth over the last thirty years is undoubtedly the lengthening of the average time spent in school. The share of GDP devoted to education increased from 3.8% to 7% between 1970 and 2009 and stabilized thereafter.

This *quantitative* view of education as a necessary effort did not only dominate the debates and guide educational policy in France. Europe strongly advocated, and continues to do so, for an improvement in the population’s average level of education. The 2020 Lisbon agenda set an objective for Member States to reach: that 50% of an age group achieve post-secondary education, to meet the challenges of the modern economy.

An uncertain link between the number of graduates and the performance of the labor market

At first glance, these measures appear undisputed. However, **there is no clear correlation between performance of the labor market and the number of college graduates.** The countries where the number of college graduates has decreased or not grown over the last few years and are considered to be “lagging behind,” include Italy (whose labor market is not doing that well), and Germany and Austria whose markets are outperforming many other countries. Conversely, the frontrunners in the number of graduates of higher education are Denmark, France, and the United Kingdom...

Evolution of the share of graduates of higher education in a generation



“Human Capital” or “Signaling” ?

This question brings us back to the objectives of public policies and theories of education:

- Are graduation rates and the lengthening of the duration of studies a response to an economic need to increase ‘human capital’ and the level of education and skills of young people? Where applied, did this policy of democratization and of bringing education to the masses work? (see below). Are schools more effective than companies at providing youth the skills and capacities needed for employability?
- Has education become primarily a race to the degree²¹, a quest for distinction, in order to send a “signal” to potential employers?

Develop human capital or signaling: the American debate

There are two opposing economic models: **human capital** and **signaling**. Both models agree on the fact that having a degree can significantly increase one’s salary. But they disagree on the reasons why a degree would have this positive effect.

Human capital theory²² states that individuals are rewarded by employers because of the qualifications and skills they acquire throughout their education. These skills turn them into capable individuals able to perform diverse and varied tasks.

In contrast, for proponents of “signaling” theory, academic credentials and achievements mainly play the role of signaling information about the ability of an employee to employers. The school and the education process are used to “filter” individuals by classifying students according to their level of academic ability, in other words, educational credentials are used to judge a person’s professional potential. The assumption is that the least “intelligent,” the least driven, and the least studious pupils will perform poorly in school. If employers seek to invest in “bright students,” it is not because of or for the knowledge the students acquired in school, but rather, because a long and comprehensive education sends signals that are difficult to otherwise observe (for example, intelligence, perseverance, etc.). Signaling theory (if pushed to its logical limit) undermines the correlation between education and an increase in worker productivity.

20% of non-baccalauréat graduates and then? The double failure of mass education

Like many other European countries, France bet on mass education, estimating that the statistical increase of mid-level education would lead to the capacity to deal with the new challenges presented by the labor market.

²¹ Marie Duru-Bellat, *L’inflation Scolaire : Les Désillusions de La Méritocratie* (Seuil, 2006).

²² Gary S Becker, *Human Capital: A Theoretical and Empirical Analysis, with Special Reference to Education* (Chicago: The University of Chicago Press, 1964).

In 1985, the Education, Minister of the time, J-P Chevènement, put forth a goal of providing **80% of a generation a high-school education (*niveau du baccalauréat*) by the year 2000**. To achieve this goal, a new professional degree (vocational bac) was created, which gave students access to higher education. After 1985, there were three types of *baccalauréats*: general, technological, and vocational.

For once, a proactive public pronouncement resulted in its expected effects. From about 30% in the early 1980s, the proportion of high school graduates (those that passed the *baccalaureate*) in France had already leaped to 43.5% in 1990. Twenty years later, in 2010, the proportion of high school graduates (those that passed the *baccalaureate* exam) in a generation was 65%, of which 34.3% were in the general *baccalaureate*, 16.3% were in the technological *baccalaureate*, and 14.4% were in the vocational *baccalaureate*.

Today, even if the 80% objective has not been reached, the progress is impressive: in 2012, 77.5% of a generation graduated from high school and passed the *baccalaureate* exam. This, it seems, has now become the norm.

This “massification,” though necessary, was initially a quantitative measure more than qualitative. It revolutionized the education system quickly and on an unprecedented scale. It was carried out through a “forced march,” without much forethought put into the conditions of success for those that François Dubet called “*les nouveaux lycéens*” (the new students)²³, in other words, young people from disadvantaged backgrounds or “people of the masses” who had never had access to advanced education before.

However, nothing has really been done to help middle and high schools adapt to meet the changing needs of their students, especially for troubled students.

This attempt to bring education to the masses, already inattentive to the heterogeneity of the youth, did not produce the desired effect. Even worse, the pressure of the numbers game (they were trying to achieve an 80% graduation rate), the lack of budgetary wiggle room, and educational institutions, all led to a decrease in the level of education, a deterioration in student performance, and an increase in inequality (as PISA surveys revealed)²⁴.

In addition to the worsening (in relative and absolute terms) of the average level of the weakest students (Human Capital effect), we see that this approach to education has strengthened the “signaling effect” associated with an increase in academic achievements.

²³ François Dubet, *Les Lycéens* (Seuil, 1991).

²⁴ Nathalie Bulle, “PISA : À Quand La Fin Des Idéologies ?,” *Revue Skhole.fr*, May 21, 2014, <http://skhole.fr/pisa-a-quand-la-fin-des-ideologies>.

Take for example the generation who was in sixth grade in 1995, tracked by the National Education Statistical Services:

- 12.8% left school without a diploma, 7.5% received a diploma for completing middle school, and 16% a CAP/BEP (vocational certificate around the high school level).
- Among the children of unskilled workers, 24.6% have no degree, only 40% passed one of the *baccalauréat* exams at the end of high school (only 13% passed the “general bac”).²⁵

What place do we reserve for these young people who have failed at school and did not receive their *baccalauréat*?

The great university studies mess

Setting a target number of diplomas for a cohort to obtain also impacted higher education, with the same objective—to better prepare young people to face the job market. The explosion of people passing the *baccalauréat* exam at the end of high school dramatically increased the number of students who enrolled in university. This number almost doubled in 30 years, from less than 1.2 million in 1980 to more than 2 million at the beginning of 2000. It should be pointed out that in France, passing the *baccalauréat* exam at the end of high school gives direct access to university, without any sort of selection system or *numerus clausus* policy.

However, at the beginning of the crisis observed in middle and high schools, this considerable growth in enrolled students and the diversification of recruitment didn’t seem sufficiently anticipated or prepared for, as it did not produce the desired effects for young people entering the labor market later on.

Generally, only 40% of students get their degree in three years. While, 30% of students enrolled in the first year of university, do not re-enroll the following year²⁶. The “children of the mass phenomenon,” those with a technological or professional *baccalauréat*, drop out frequently in an environment that hasn’t been designed to meet their needs. Only 10% of technological *baccalauréat* students get their degree in three years, and 20% in four years. For one out of every two young people with a vocational *baccalauréat* (52%), enrollment in higher education ends in failure.

Lastly, as previously noted, a number of sectors have proved to be less profitable in return for the considerable time investments made by the students, especially: the

²⁵ DEPP, *RERS 2013 - Repères et Références Statistiques Sur Les Enseignements, La Formation et La Recherche*, 2013.

²⁶ Ministère de l’Education Supérieure et de la Recherche, “Parcours et Réussite En Licence et En Master À L’université,” *Note D’information*, no. 13.02 (avril 2013), <http://www.enseignementsup-recherche.gouv.fr/cid49816/parcours-et-reussite-en-licence-des-inscrits-en-l1-en-2004.html>.

students here pay for the absence of an efficient system of academic and vocational orientation.

If we take a step back, we see that instead of an increase in “human capital” of French youth, this approach to education has strengthened the “signaling effect” associated with an increase in academic achievements. More than ever, having a diploma is necessary, not so much for its intrinsic value, but as a way to distinguish oneself from ones’ peers. This trend has increasingly marginalized those who failed in high school or university. It has also turned higher education in France into a race to get the degree, without reflecting on how education can help one prepare for changes in the labor market. It sends many students down paths that lead to dead ends, subjecting them to the humbling experience of working jobs for which they are overqualified.

We must therefore move beyond the “cult of the diploma” and get our educational system back on track. Its objective should be to empower all French youth to be able to choose a path suited to their interests, aspirations, and abilities.

From training to employment: French youth are particularly poorly accompanied

The academic and vocational orientation mess

Apart from the education reforms (which goes beyond the scope of our subject here), the first condition to sorting out this mess that is the secondary and superior education system is to put an end to an ineffective system of educational and professional guidance in France. Those who suffer the most are the students from disadvantaged backgrounds.

As Philippe Merle notes, instead of a true “democratization,” it’s more of a “segregating democratization”²⁷ As for the *baccalauréat*, Merle states that “recruitment is most popular in the series—vocational series—which is more ‘socially open.’ The other tracks, especially the science section, retain about the same level of social recruitment”²⁸

Indeed, respectively 4.6%, 5.7%, and 9.5% of children of unskilled workers, skilled workers, received a scientific *baccalauréat* that is thought to “open more doors,” versus 40% of the children of teachers and the high-skilled work force. (DEPP 2013).

²⁷ Pierre Merle, “Le Concept de Démocratisation de L’institution Scolaire : Une Typologie et Sa Mise À L’épreuve,” *Population* 55, no. 1 (2000): 15–50, doi:10.2307/1534764.

²⁸ Philippe Merle, “La Démocratisation de L’école,” *Le Télémaque* 1, no. 25 (2004): 135–48.

It is not an automatic result of academic performance. The choice of *baccalauréat* focus usually is a result of access to preparatory classes, socially understood to be the most prestigious educational pathway. While 47% of the children of executives receiving an honor on their *baccalauréat* chose preparatory school (*classe préparatoire*), this is only the case for 20% of the children of laborers and employees. This difference shows that in addition to uneven success in school due to socio-economic milieu, there is also a strong effect of self-censorship and a real inequality in the process of selecting academic direction.

Qualitative surveys also highlight the role teachers play. Those who work “in institutions that enroll a rather socially disadvantaged public are less optimistic and the possibilities of success in *baccalaureate* or the pursuit of higher educations are lower for their students than for others”

The same studies bring up the question of “the quality of information provided to their students and their families (in part via their orientation counselors)” (ibid).

As for academic track in Higher Education, the “confusion” or “fuzziness” of general studies and its different branches are often incomprehensible to potential employers of these students, which seems to place more weight and importance on the professional “network,” which these disadvantaged youth usually lack. Inversely, vocational training (DUT, BTS, vocational certificates) and professionalization can “erase” the disadvantages of ones social origin upon entering the labor market²⁹. But they remain inaccessible for many young people.

When you know that 35% of young people find their first job through a personal network, versus 8% through intermediaries to the labor market (employment centers, training organizations, local missions, etc.)³⁰, we see the importance of maintaining and cultivating a network during ones studies. General track university courses today are ill equipped to provide such services to students.

Youth seeking reference points: the “no-man’s land” between studies and the first stable employment

Lastly, to finish our diagnosis, we must also evoke the serious functional problems found in the different institutions in charge of overseeing the transition between education, training, and employment.

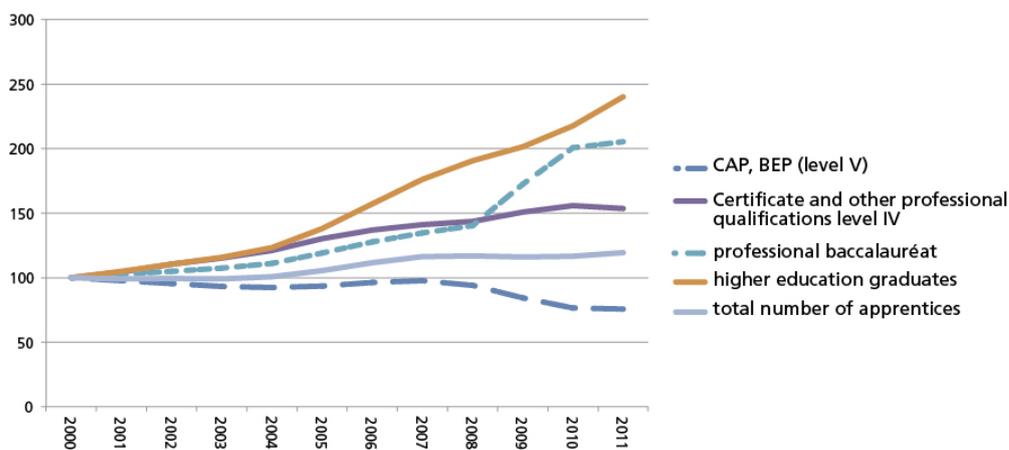
²⁹ Stéphane Jugnot, Dominique Epiphane, and Julien Calmand, “Les Chiffres Des Lettres. L’insertion Des Diplômés de Lettres et Sciences Humaines,” *Bref - Céreq* 274 (mai 2010).

³⁰ Barret, Ryk, and Volle, “Face À La Crise, Le Fossé Se Creuse Entre Niveaux de Diplôme.”

The first of these and the most efficient, learning, is currently in crisis. Apprenticeships, despite proactive public policies and significant subsidies, reach only 400,000 young people a year (either in their first or second year of apprenticeship). A new apprenticeship reform was undertaken in December 2013, which aims to reach 500,000 apprentices by 2017. But the figure will remain low compared to the 1.5 million in Germany.

In addition, the recent development of apprenticeships in France is related to the increase in apprenticeships in higher education (cf. table below). More than a quarter of French apprentices are students in college or higher, while this proportion of the population almost doesn't exist in Germany.

Progression of the number of apprentices since 1999 due to higher education diplomas (base 100 in 1999)



Source : DEPP, calculs IDEP

Besides, the difficulties met when convincing employers, the administrative hassle, inability to adapt to changes in the labor market, means that apprenticeships are not a solution for everyone. The idea to promote a greater overlap between education and employment should be retained, but we need to find a way to do so with greater innovation and flexibility in its implementation.

As for employers, can it really be said that they are looking to help the youth enter the workforce overall? A few facts cast strong doubts on this.

Let us take the case of the least qualified youth: this sub-category of young people seems to be increasingly confined to low quality, unstable jobs. Amongst the employed youth, the rate of access to a permanent contract falters considerably for dropouts, CAP or general *baccalauréat* holders. Since 2000, the duration of CDD contracts have been decreasing, from less than a month, to less than a week. In 2000, of 13.6 million hires (excluding temping), there were 6.6 million CDD for less than a month. In 2010, it was 12.4 million of 19.3 million. In 2013, it was 14.9 million of 21.7 million. At the same time, given the stability of the proportion of CDI

employees and the average length of employment, we deduce that employers play a decisive role in the current labor market segmentation and thus reinforce the effects of the school system.

With regards to university graduates we can here also note the reluctance of employers to recruit them. Remarkable yet very limited initiatives, such as the “Phoenix” operation, paints a fairly accurate picture of their reluctance to change their recruitment practices.

Ultimately, the youth of today facing these difficulties seem to be lost in the “no-man’s land” located between the end of their studies and the beginning of their professional life. Neither the orientation system, nor the training system, nor the companies, seem to be able to help them “find their way”. This “buffer zone” between the end of studies and employment is indeed for them a very perilous time.

Creating the conditions for real autonomy for today's youth

Axis 1 – Structural reforms to help develop (youth) employment

The purpose of this first set of proposals is to introduce structural changes that would create favorable employment conditions and increase autonomy for the various categories of youth identified in this report.

In addition to the typical discourse on youth employment, the welfare system, labor laws, and economic policies all seem geared toward a defense of the status quo, rather than toward a “Schumpeterian” state, which is more open and more favorable to the youth. This impacts the most educated and skilled youth, for whom France does not always offer ample opportunities that match their ambition. But is also the case for the less educated and less skilled, who often seem expendable in the labor market and suffer from the same cultural and regulatory constraints that impede the development of services.

Proposal 1 – Restore financial balance between generations to establish a fairer and more effective solidarity

Between 1970 and 1996, a real anthropological revolution took place, that saw the financial situation of retirement gradually improved, eventually catching up with those still working. At the same time, the relative share of poverty amongst the youth has steadily increased. It has far surpassed the percentage among retirees: 18.9% of young men (respectively 23.2% of young women) live below the poverty line versus 7.7% of men ages 65 to 74 years (respectively 8.5% for women).³¹

The logic of the social protection system itself is based on the sharing of risk and solidarity between generations. However, today it seems like the financial risks are *inversed*.

It thus seems important to continue and encourage the movement to transfer social security costs to those with a bigger piece of the financial pie. The alignment of Generalized Social Contributions of retirees (CSG 6.6%) to those of working age (7.5%) is always promised but never implemented. Its implementation could be a first step.

³¹ Nathalie Augris and Catherine Bac, “Évolution de la pauvreté des personnes âgées et minimum vieillesse,” *Retraite et société* n° 56, no. 4 (March 4, 2009): 13–40.

Proposal 2 – Ensure equal treatment between new entrants and “insiders” in the labour market (ending the French “flexibility compromise”)

- Develop mechanisms to support internal “flexibility”
- Equalize the social status between full-time permanent employees on CDI contracts and flexible atypical jobs (CDD) that serve as stepping-stones for young people.

Changes in employment during the crises continued to negatively affect employees with flexible contracts, who were often youth. During the crisis, redundancies represented 4% of job centre (the French *Pôle Emploi*) enrolments, whereas terminated temporary work contracts represented more than one-third of enrolments. Most employees with permanent jobs were not largely affected by these changes.

For the less educated, we see a troubling trend, *the deteriorating quality of jobs* (shortening of the length of the short-term CDD employment contract, an increase in part-time work).

For this reason, it is essential we *re-evaluate the “flexibility compromise” that exists today on the labor market:*

- To encourage internal flexibility mechanisms (partial unemployment, supervised fluctuations in salaries during crises, mobility) so to better share the “burden” of flexible work arrangements.
- To submit the use of atypical contracts to negotiations between trade unions for each sector on the following topics:
 - Work hours and conditions of renewing contracts.
 - Professional training / securing career paths.
 - Social action.

The employment security law of June 14, 2013, that imposed widespread health insurance, was a first step in this direction. But much remains to be done to reduce the “dualism” of the French labor market.

Proposal 3- A Schumpeterian state, serving the creation of innovative businesses

This state should:

- Encourage changes in the French economy by refocusing governmental efforts towards the development of growth sectors, rather than the preservation of pensions.
- Create a tax and regulatory environment that encourages business creation and development.

How to encourage the creation of innovative businesses that present a favourable age pyramid to youth unlike large French companies? In the United States, the average age of employees is 42.3 years. However, at Facebook, Google, Zynga, monster.com, infosys, the average age hovers between 28 and 30 years. According to recent studies, French “start-upers” are 32 years old on average³².

In this context, the French industrial policy may seem disconnected from these real-world issues, not only because of the targets it chooses but also because of the methods it adopts. The economic action of the state favours traditional economic sectors, well-known by the public (telecoms, automotive industry...) rather than the creation of conditions favourable to the emergence of a French “Google”.

Proposal 4 – Give more respect to “low skilled” service sector jobs

- Encourage the reform and development of the service sector
- Accompany this liberalization with measures toward the professionalization of the sector

There are few initiatives from the state that promote the use of the plethora of service industry jobs, wrongly labeled “unskilled,” to jumpstart ones professionalization. This, as we noted, is one of the major challenges facing disadvantaged youth. Increasing access to these “unskilled” service industry jobs and turning them into springboards to future careers through greater recognition of the skills they create in employees could be a way to improve their reputation.

Public policy must 1) promote the reform of the service sector by liberalizing it, 2) engage with social partners, National Education, training organizations, business, to brainstorm about how to develop employee skills and recognition for these skills, by building “pathways to change, to help people avoid getting locked into low-skilled jobs based on access to skills and training.”³³

Axis 2 – Reduce *skills mismatch*

Proposal 5 – Create new pathways for training to unite young graduates with companies that are recruiting

³² EY and France Digitale, “La Performance Économique et Sociale Des Startups Numériques En France. Baromètre 2014,” 2014, <http://www.ey.com/fr/fr/services/strategic-growth-markets/barometre-ey-france-digitale#.U54Pgxaeg7s>.

³³ Valoriser l’enseignement professionnel sur le marché du travail, <http://www.cereq.fr/index.php/articles/Focus/Dans-le-debat-Refondons-l-ecole>

One of the problems we addressed in this report is that of young people who are neither dropouts nor graduates of the most “profitable” or “money-making” tracks within higher education (*grandes écoles*, certain types of BTS or IUT)³⁴. These young people are lost in academic pathways that are hardly connected to the labor market. To improve the situation of young people, especially those who have acquired a skill base but are struggling to find a job, the transition between high school or university and business, needs to be structured. One idea is identifying the various occupations that have difficulty recruiting, and have them offer a form of “light” apprenticeship or short and flexible forms of training.

Aware of the difficulty of establishing degree courses, some businesses set up training modules to train for communications and IT in partnership with universities, public employment services, and training organizations within the industry. These actions are effective tools, and a good example can be seen in ManpowerGroup’s Pen Breizh site³⁵.

Proposition 6 – Revolutionize recruitment practices using digital tools

In France, probably more than anywhere else, the degree plays an extremely important role in one’s chances of finding a job. Not having a degree is often an insurmountable obstacle to finding employment. This degree, however, may not be enough. It is important to have a “*good degree*,” in other words a degree that is clearly identifiable by a potential employer. Encouraged by the rise of digital technologies, new methods of recruitment are now possible that bypass the normal use of the CV as a filtering device, and can instead use “big data” to address the problem of *skills mismatch*:

- In the United States, E-testing platforms³⁶ are being developed and used by large companies like IBM or T-Mobile to replace the signaling effect of the degree
- Another innovative initiative to encourage is the **development of start-ups specialized in intermediation**, for example the company WorkAmerica³⁷, created in 2013, that helps the unemployed and under-qualified embark on new careers. The idea: when a candidate gets a job, it is suggested that they enroll in a partner university to acquire the specific skills needed for the job. Of course a candidate is only directed toward training once future employment is guaranteed.
- Lastly, in Europe, Peter Hartz suggests the use of big data to help young people find employment on par with their skills. The idea is to make a

³⁴ <http://www.francoisegri.com/887-ni-surdiplomes-ni-decrocheurs-ces-jeunes-dont-on-parle-peu-et-qui-faut-aider>

³⁵ <http://www.penbreizh.fr>

³⁶ <http://www.executiveboard.com>

³⁷ <http://workamerica.co>

widespread practice of the methods usually reserved for “high-flyers” or high potential employees, by modifying a computer test that detects the aspirations and abilities of young jobseekers, what P. Hartz calls the “talents diagnostic.” After this test, each young person would receive a personal development plan. Using the same algorithms to locate sources for existing and new jobs. Given the geographic disparity between employers and job seekers, every young person would be given the opportunity to settle temporarily in another EU Member state for work or training. These young people would then have the status of Europatriots (“*europatrie*”). The training and mobility of young people within the European Union (if necessary) would be funded by the European Investment Bank.

Axis 3 – From education to employment: education policy and “capacitating” guidance

Proposal 7 – From opacity to transparency: making educational and professional trajectory a priority at schools and universities

- **Develop partnerships between all parties invested in youth entry into the labor market (public and private sectors)**
- **Introduce young people and their parents to the academic trajectory options and the “pay off” of diplomas early on**

Of all the problems with the French education system, academic orientation and trajectory are probably the most serious, but also the easiest to fix.

- It is first necessary to implement longstanding partnerships between parties that can impact employment (public and private sectors), to propose the reduction in the number of specialized agencies and help from their “project mode.” It is especially important for companies to be present in the educational arena, not to influence academic choices, but to open young peoples’ eyes to the realm of career possibilities very early on.
-
- We also need to reduce self-censorship in selection of an academic track by providing personalized information regularly to students and their parents, that is honest and open about the consequences that will result from the choice of one academic track over another. This support should take place continuously, so as to gradually change the perceptions of students, over time. Impacting or altering a student’s academic ambition through strategically timed meetings with high school’s guidance counselors.

Proposal 8 – Increase institutional autonomy to meet the individualized needs of different educational pathways

How can institutions adapt their education to fit their students? In France, posing such a question is taboo. Changes like providing facilities leeway to recruit teachers and offering innovative pedagogies would appear to challenge the Republican ideal of equality in schools.

In contrast to this situation, it might be interesting to examine the British projects that encourage the development of establishments' autonomy. Interestingly, despite notable differences, both the Labor party and the Conservative party have attempted to empower the scholastic establishments since the beginning of the 2000's. Thus, in 2002, Andrew Adonis created academies with the objective of permitting stakeholders from civil society or the private sector (philanthropic organizations, SMEs, charities) to support, sometimes financially, schools in difficulty, and then become a "sponsor". When a school becomes an academy, it is directly financed by the Department – not by the local authority – and so achieves managerial autonomy.

As to David Cameron's government, it decided to generalize academies but also introduce "*free schools*" based on the Swedish model. The principle is as follows: groups of parents or teachers, charitable or religious organizations, have the right to apply to the Ministry of Education to found a high school or an elementary school³⁸. The *free school* has considerable autonomy to define the way it functions internally – programs, education, recruitment of teaching staff, salaries, organization of school timetables, etc.

In terms of results, it is still too early to assess the long-term impact of this reform, but at first glance it seems promising. Whether the French model could follow this path or not raises numerous questions. But **it's at least striking to see the innovative nature of these reforms in Britain and the level of public support when compared to the negative response to potential small-scale educational reforms in France**. Where France believes its marginal reforms to "school rhythm" bold, Britain did not hesitate to entrust the whole school system to groups of parents or to associations and organizations.

In France, a more culturally and socially acceptable solution would consist of empowering teachers and heads of schools. But, we are still far from this...

³⁸ In the UK for-profit organizations are prohibited from setting up a free school, whereas they are allowed in Sweden.

Axis 4 – Eliminate the role of the state: use the private sector, associations, and social entrepreneurship to build an advantageous system for the young

Proposal 9 – The “sacred union” in favor of the youth: co-construct pro-youth policies with invested parties

In all the proposals we presented, there are few that recommend that the state act alone. For more reasons than budgetary constraints, the actions of the state cannot be effective without the help of the main beneficiaries and stakeholders.

As Elisabeth Lulin argues in *Service public 2.0*³⁹ we must invent a “new model of public administration, based on the involvement of citizens in the production of public service. In this model, the administration, now defined as ‘platform’ (‘government as a platform’), remains at the heart of the design and implementation of public policies, while encouraging and facilitating contribution from beneficiaries of the service.”

And also notice social, technological, and economic changes over the past three decades that:

Enable us to consider this idea of participatory public service concretely: the extent of volunteering in France (40% of the population according to the most recent France Volunteer survey), the evolution of society towards more individual initiatives, new technologies that make decentralized modes of organization easier than before, and lastly, the recognition of new forms of exchange and the creation of value.

In other words, in order to make the changes that will give young people more autonomy, we need to take a gamble and entrust independent actors and organizations with some autonomy as well.

Proposal 10 – Encourage a culture of experimentation and evaluation in France

Proposal 10a – towards a practice of evaluating youth education policy

While the evaluation of public policies and programs became widespread in the United States in the 1960s, this practice did not appear in France until much later. The practice of evaluating policies did not take formal root in state institutions until the 1990s.

It was primarily in 2005 that social experimentation really took root in France, with the committee report “Families, poverty, and vulnerability” chaired by Martin

³⁹ Lulin, Elisabeth. *Service Public 2.0*. Paris: Institut de l’Entreprise, 2013.

Hirsch. The work of Esther Duflo⁴⁰, the subject of much media attention, played an important role in the relatively late conversion of some policy makers toward the support of a culture of evaluation.

If these experiments were not always as successful as expected, they at least introduced a culture of evaluation in France that continues to develop today, in particular through the introduction of social impact measures alongside econometric studies.

Proposal 10b- Financial innovation in the service of youth? The example of social impact bonds

Thanks to this new culture of evaluation, it is now possible to imagine other types of policies, based on financial mechanisms inspired by the world of business and finance.

Social Impact Bonds (SIB, also called *Pay for Success Bonds* or *Social Benefits Bonds*, in the US) are **programs that raise private funds to finance social projects**. Contrary to what their name suggests, SIBs are not obligations but a particular form of public-private partnership. For the investor, there is always an element of uncertainty when the social impact is not guaranteed.

The main innovation of SIB is to transfer the financial risk from the public to the private sector while maintaining a public service mission.

In practice, when funded projects reach a certain maturity level, an independent assessor is responsible for determining whether the original objectives have been achieved. If they have, **the government repays investors their capital, which is added a rate of return commensurate with what was saved by the government (financially speaking).**

SIB makes it possible to introduce an evaluation system that enables the selection and dissemination of successful experiments. The approach also helps to make the sector more sensitive to the effectiveness of its action, and therefore moves beyond the sterile opposition between some for-profit and not-for profit in the sector.

⁴⁰ Esther Duflo, *Lutter contre la pauvreté : Tome 1, Le développement humain* (Paris: Seuil, 2010); Esther Duflo, *Lutter contre la pauvreté : Tome 2, La politique de l'autonomie* (Paris: Seuil, 2010).

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