



# The impact of within country heterogeneity in vocational specificity on initial job matches and job status



Stefan Vogtenhuber

*Institute for Advanced Studies, Stumpergasse 56, 1060 Vienna, Austria*

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## ABSTRACT

This paper analyses the impact of vocational specificity on school-to-work transitions in terms of initial job mismatches and socioeconomic status at the individual level. Considering heterogeneity amongst the various qualifications in Austria, the study finds that the positive impact of specificity on initial labour market placement known from cross-country research also holds within the highly stratified Austrian system in which various vocational specialisations are provided at the upper secondary level. Independent of the level and field of the qualification obtained, vocational specificity facilitates initial labour market placement, resulting in a reduced mismatch risk and an increase in initial jobs status. In the course of subsequent labour market adjustments, however, holders of general qualifications attain higher status gains when changing jobs. Likewise, the over-qualified can make up for a good part of their initial status penalty on labour market entrance through job changes. Implications for policy and practice are discussed.

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## 1. Introduction

The financial and economic crisis again has shown that young and inexperienced job seekers are disproportionately vulnerable to be either unemployed or to find themselves in mismatched employment (e.g. Bell & Blanchflower, 2011; Scarpetta, Sonnet, & Manfredi, 2010). Whilst some studies regard job mismatches amongst labour market entrants as a temporary phenomenon that diminishes over time after accumulating work experience and job-related skills (for a review see Quintini, 2011), a considerable body of evidence points to the long-term negative effects of a mismatched labour market entry (Brunner & Kuhn, 2010; Genda, Kondo, & Ohta, 2010; Kahn, 2010; Oreopoulos, von Wachter, & Heisz, 2012).

Job changes are more frequent amongst school leavers who start with a job that does not match their qualification as compared to well-matched labour market entrants. Even subsequent changes into better-matched jobs cannot fully compensate for the disadvantages of a poor initial job-match: it has been shown that the negative consequences in regard to job satisfaction, occupational status and career prospects as well as lifetime earnings are rather persistent (Oreopoulos et al., 2012; Scherer, 2004; Wolbers, 2007). According to Scherer (2004), this finding applies in particular to countries with strongly regulated and segmented labour markets, where labour market entrants are at risk to be entrapped in the entry position, whereas in more flexible labour markets it is easier to make up for a poor initial match.

School-to-work-transition is a complex process that is reflexively constituted by integrating individual agency with the opportunity structures in which young people find themselves in under conditions of increasing transition discontinuities, contingency and unpredictability. As a result, youth transitions have become increasingly fragmented and individualised (Heinz, 2002; Brzinsky-Fay, 2007; Schoon et al., 2007). At the same time, the individualised biographies are embedded in institutional arrangements at the national and regional level. These arrangements, which are established by education, training, employment and welfare systems, shape

*E-mail address:* [vogten@ihs.ac.at](mailto:vogten@ihs.ac.at)

young people's transition processes and outcomes. Whilst young people actively decide to move between and within educational and vocational pathways (Raffe, 2008) according to their individual characteristics and familial resources, the biographies are bounded by structural factors such as institutional environments and socio-economic conditions (De Graaf & van Zenderen, 2013; Evans, 2002).

Comparative research on country variation in youth labour market integration has increasingly paid attention to the structure of the education and training system and, more specifically, to the extent to which vocational specific skills and qualifications are provided within upper secondary schooling. Many studies found that young people in countries with strong initial vocational education and training (VET) systems fare better than their counterparts in countries that provide mainly general education (e.g. Breen, 2005; Brzinsky-Fay, 2007; De Graaf & van Zenderen, 2013; Müller & Gangl, 2003; Scherer, 2005; Wolbers, 2007). Education systems that provide specific skills within secondary schooling and through the dual system have been found to ease entry into the labour market because of their positive influence on employment opportunities of school leavers and on the speed of the transition process. As a result, not only youth unemployment is lower in such systems, but also the quality of the initial job match is higher, as compared to countries that offer mainly general education at the upper secondary level (Gangl, 2003; Wolbers, 2003, 2007).

Cross-country studies on the impact of VET on initial job placement rely on simple concepts of specificity of national education and training systems (ETS) that cannot adequately account for differences in VET across countries, let alone within country variation. However, difficulties related to youth transition from school to work vary not only across countries but also within: there is substantial heterogeneity within the whole spectrum of qualifications and certificates provided within national ETS, especially in highly differentiated and stratified ETS, which corresponds to strongly regulated and segmented labour markets. The Austrian ETS is a good example for studying within country variation in vocational specificity because it is stratified hierarchically and strongly segmented by occupational fields. At the upper secondary level, numerous vocational specialisations are offered, including full-time VET schools and colleges, as well as the dual system (Lassnigg, 2011).<sup>1</sup> These programmes differ according to the extent of their entrance and process selectivity (Hefler & Zimmer, 2012) and to their labour market outcomes (Musset, Bloem, Fazekas, & Field, 2013). Since most of the available cross-country studies do not account for within country variation, it has remained unclear how within-country differences in specificity relate to overall performance of national ETS. But knowledge about a country's configuration in the provision of different kinds of general and vocational skills is important for improving understanding of why national ETS fare better than others in responding to ever changing labour market demands.

Thus, the aim of this paper is to develop an approach to measure skill specificity at the programme level that is able to account for heterogeneity in the skills national ETS supply. Then, the impact of vocational specificity on the initial job-match and job-status is analysed based on the first significant job after entering the labour market. Though the approach is applied to the Austrian ETS in this paper, it is designed to be used in cross-country research by extending its multilevel framework to the country level, enabling cross-level interactions between the country and the programme level. Evidence on the impact of the vocational specificity on initial job placement that takes into account heterogeneity within national ETS allows for better-informed assessments of the responsiveness of ETS to labour market demands both at the national and the cross-national level. This paper analyses whether conventional wisdom gained from comparative research that vocational specificity is beneficial in terms of initial job-matches and job-status, also holds within the context of a highly vocational specific system like the Austrian ETS. Within such a system, does the degree of vocational specificity of educational programmes make a difference beyond the average country effect captured by comparative studies? Besides bringing forward theory in the field, this paper is also relevant to policy makers and curriculum developers who have to decide about the weighting of general and specific skills. Practical implications are discussed against the backdrop of individual characteristics and human selection behaviours.

## 2. Vocational specificity and the transition from school to work

One reason for the positive impact of a strong VET sector is associated with the institutionalised links between ETS and the labour market, which facilitate the from-school-to-work transition (Allmendinger, 1989; Shavit & Müller, 1998). Depending on the strength of the coordination between skill supply and demand, the skills needed by employers are incorporated in the VET curricula. To the extent that the skills provided by VET programmes are transparent to the employers, VET is able to remedy the information problem in the matching process because it allows assessing the productivity of young school leavers. Hence, the relative advantage of VET is that employers recognise holders of a given (and known!) VET qualification to possess vocational skills that make them job-ready, i.e. they can start as a productive worker right away without the need for much additional training after labour market entry (Blossfeld, 1992). VET programmes that combine learning at school and at the workplace are held to be particularly conducive in this respect compared to school-based VET systems: strong and highly regulated apprenticeship systems have been shown to reduce the likelihood of young people entering low-skilled jobs (e.g. Müller & Jacob, 2008). Eurostat figures on youth unemployment in Europe regularly show that countries with a strong "dual system" like Germany, Austria, Switzerland and the Netherlands fare best. In addition to lowering training costs for employers, the dual system has the additional advantage of decreasing the hiring costs because it allows employers to screen the apprentices during their training and train them in a way that best fits the company's needs. The social partners, who are strongly involved in maintaining and developing the dual system (Streeck, 2012), help to organise pathways into the labour market and support public and private engagement in this particular type of training.

<sup>1</sup> Seventy per cent of upper secondary students pursue vocational tracks, half of which are apprentices in the dual system and the other half attends various forms of full-time vocational schools (OECD, 2013). Whilst the dual system provides training for about 250 trades, full-time VET schools and colleges are offered at different levels in several fields (e.g. business administration, engineering, etc.) with various specialisations within each field.

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