

## **SUMMARY OF THE PEER REVIEW ON 'PROFESSIONAL TRAINEESHIP FOR YOUNG ADULTS' Portugal, 19-20 November 2009**

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### **1. INTRODUCTION**

The Portuguese Ministry of Labour and Social Solidarity hosted a Peer Review in Lisbon that brought together ministry officials and independent experts from ten countries (Cyprus<sup>1</sup>, Czech Republic, Estonia, France, Greece, Malta, Netherlands, Poland, Romania and Serbia), as well as representatives from DG Employment, Social Affairs and Equal Opportunities at the European Commission.

The '*Professional Traineeship Programme for Young Adults*' presented by the Host Country is a consolidated programme focused on the integration of highly qualified young people into the labour market by complementing their basic pre-existing qualifications with practical on-the-job experience in a company for a maximum period of 12 months. The traineeships allow young people to get a first contact with the labour market and, at the same time, help companies, particularly SMEs, increase their awareness of new knowledge and competences. The programme aimed at enhancing not only the employability of the individual but also the innovation in the host company. The success of this measure has led to its inclusion as an active labour market policy in the anti-crisis package put forward by the Portuguese government.

This summary draws on the contributions from the thematic experts and government officials during the meeting. The papers prepared by independent experts from the host and peer countries in advance of the meeting provide a more detailed elaboration of the issues mentioned in this summary and can be found on the website of the Mutual Learning Programme, <http://www.mutual-learning-employment.net/>. A table summarising the assessment of the host country example by the independent thematic experts from the Peer Countries is also available on the website.

### **2. EUROPEAN POLICY CONTEXT**

The latest data from September and October 2009 show that the EU labour markets continue to weaken, with unemployment on the rise. This is particularly affecting men, the low skilled, migrants and young people.

Youth unemployment has increased in September 2009 by 5.6 percentage point across the EU to an average of 20.2%, with the Baltic States and Spain presenting the highest rates.

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<sup>1</sup> On this occasion, Cyprus was only represented by a ministerial expert.

This situation is particularly concerning because long spells of unemployment among young people have demonstrable negative long-term effects on their employability. Rising youth unemployment has increased the need for targeted measures to better match the skills of young people with the requirements of the labour market. This is also the policy approach taken at EU level.

The EU [‘Recovery plan’](#) highlighted the importance of qualifications and skills to increase employability and support those who have lost their jobs, reinforcing efforts to promote employment and social inclusion, as part of its strategy to deal with the economic and financial crisis. Upgrading skills is critically important to ensure Europe’s growth and productivity, adaptability to change, and for equity and social cohesion.

The [New Skills for New Jobs](#) (NSNJ) initiative presents a first assessment of the EU’s future skills and jobs requirements up to 2020, highlighting that adapting to change and ensuring the correct matching between labour market and supply is crucial for the EU to remain productive and competitive. But upgrading education and skills levels is not all; this should be coupled with ensuring a better match between the supply of skills and labour market demand. In many Member States there are observatories to monitor sectoral and occupational needs.

The [‘EU Shared Commitment for Employment’](#) put forward key priorities and actions to preserve jobs and help those facing difficulties while supporting the recovery. Regarding young people, it went further by showing commitment to support at least 5 million apprenticeships across the EU for young people facing unemployment, setting of targets to provide young unemployed people with opportunities for training or work.

The efforts were supported by the simplification of the [European Social Fund](#) (ESF), re-programming spending and stepping up advance payments during 2009 to reinforce active labour market policies in the Member States, refocus support on the most vulnerable and emphasis on skills upgrading.

### **3. THE HOST COUNTRY EXPERIENCE**

The host country presented its “Professional Training for Young Adults” programme, which focuses on the integration of highly qualified young people into the labour market. The programme, managed by the Instituto do Emprego e Formação Profissional (IEFP, Institute of Employment and Vocational Training, Portuguese Public Employment Service)), is part of a much broader package of measures to ensure the integration of young people into the labour market, designed to address Portugal’s perennial problems with a generally low skills base in the labour force. It is intended to go hand in hand with a reformed economic strategy emphasising the development of higher skilled, higher added value sectors. Indeed, in Portugal low qualified individuals can often find employment more easily than those with

higher levels of qualification and therefore do not require the same levels of support in terms of their transition into employment.

While the target group for the programme may have completed secondary or indeed tertiary education, they are considered to lack the appropriate skills to translate their formal learning to the needs of the labour market. The majority of beneficiaries in this programme are social science and humanities graduates who generally find it more difficult to translate their qualifications into the labour market. Furthermore, the training is considered to help with the development of soft skills which young people are often seen to lack. Through the programme, young people complete a 12-month traineeship which enables them to gain practical on-the-job experience to complement their qualifications. It was strongly emphasised that this on-the-job learning complements their educational qualifications and is therefore not formally certified. IEFP undertakes checks on the companies to ensure that the relevance of the trainee plan. They monitor the programme by visiting the companies and receiving six-monthly reports from both the trainees and the company.

IEFP defined, through specific regulation, the required procedures to implement the programme. The procedure starts with a tender that must be submitted by each promoter organisation. Since 2008, applicants must tender online. In order to tender, promoter organisations must have previously registered their profile in NETEMPREGO.

After the submission of the proposal, IEFP has 30 days to notify the promoters of its decision.

The promoters must provide a tutor responsible for:

- a) The technical and pedagogical supervision of the trainee, following up their progress towards the objectives stated in the Traineeship Individual Plan;
- b) The assessment of the results obtained by the trainee at the end of the process, by means of a "Trainee Follow-up and Evaluation Report".

If IEFP approves the traineeship, a contract will be signed between the trainee and the promoter organisation. At the end of the 12 months, the trainee will be asked to present an evaluation form of their participation in the traineeship and IEFP also provides an evaluation form through its national network of Employment Centres).

The trainees receive a grant, of variable value according to the qualification levels, as well as allowances for transport and meals, paid for by the IEFP. The company also contributes to the grants for the trainees, according to its legal status and size.

The "Professional Traineeship Programme" is a simple and effective active labour market policy. Over the last 12 years, over 170 000 young unemployed individuals aged under 30 years (who have completed a minimum of six years of formal education) have benefitted from the programme, as well as a large number of organisations who provided the participants with the opportunity to undertake a traineeship in their work environment.

Participating companies highlighted a number of benefits from their participation in the programme such as the incorporation of highly qualified staff at reduced costs; helping fill the gap between universities and companies, generating a change in staffing cultures, encouraging investment in career development and improving productivity and competitiveness. For the trainees, it appears to provide a smoother transition between the academic environment and the professional life.

Transition rates from the traineeship programme to employment have been consistently high (over 70%), with many young people staying in employment with the same company. Since 2009, companies are more actively encouraged to hire trainees as those participating companies that have not hired at all in the past two years or have kept on at least one third of their trainees are automatically excluded.

On average, the programme helps 12 763 highly qualified individuals into employment per year; this represents 25% on the total annual inflow of highly qualified people into the employed population. These results make this programme one of the most effective active labour market policies in Portugal since 1997. Within the specific context of the country, the programme can also be considered efficient (despite representing a considerable financial investment) when compared with similar measures targeted at the same population.

The programme priorities are linked to those set out as strategic priorities by the government, with the creation of traineeships focusing on sectors with clear potential for the future. The programme has also been included as an active labour market policy in the anti-crisis package put forward by the government. The Portuguese Initiative for Investment and Employment (*Iniciativa para o Investimento e Emprego (IIE)*) has as one of its structural axes support to employment, economic activity and exports; it offers a wide array of measures to companies and the workforce. In order to reduce the negative effects of the downturn in employment and economic growth, the IIE articulates measures to support national firms, mainly through credit lines and specific training programmes for their employees and employment policies that expand incentives to firms to hire new workers, and increase the number of internships for young people. The effect has been to increase the target of the programme to 37,000 trainees and to extend the age limit to 35. The programme is expected to support enterprises, particularly SMES, more reluctant to invest in the recruitment of new employees, particularly those more qualified who represent higher staff costs.

As indicated previously, this programme is part of a much broader package of measures aimed at the integration of young people. Other examples of measures include:

- A measure to subsidise employment offered to young people (now up to age 35) which exempts companies from social security contributions for 36 months if they offer an open ended contract

- A measure supporting business creation among young people that includes advice and guidance as well as assistance with access to micro-credit.

This is a consolidated programme that has inspired a number of initiatives targeting different groups and objectives such as INOV-Jovem (contributing to the innovation of small businesses), INOV-Contacto (providing training in an international context), INOV-Vasco da Gama (promoting a greater growth and competitiveness of the Portuguese economy), INOV-Mundus (promoting training on international development) and INOV-Art (focused on the cultural and artistic field). This shows the potential for transferability of the Professional Traineeship Programme.

#### **4. DISCUSSION AND LEARNING**

##### **a. Target group for these measures**

Most of the countries participating in the PR activity have placed their focus on measures aimed at the low skilled young people rather than young graduates. However participants agreed that young graduates are emerging as a key target group as a result of the economic crisis. Countries such as Czech Republic, Poland and Greece reported a rise in unemployment for young graduates. Malta also expressed concerns over the rise of under-employment of graduates, particularly in the early stages of their careers. Participants felt that initiatives such as the Portuguese traineeships can help to address both graduate unemployment and underemployment by providing 'real' work experience.

##### **b. Facilitating transition into work**

The "Professional Training for Young Adults" programme was considered to be a good way of facilitating a smooth transition from education into the labour market. Traineeships are increasingly popular measures to stimulate enterprises to recruit individuals at a lower cost, while young people benefit from a first contact with the labour market. This is a trend observed in a number of countries. In France, for instance, the 2 plans announced during 2009 targeting youth unemployment have strongly emphasised part-time training measures (offering increased financial support by the state, company incentives etc..) and support for micro and small enterprises. It must be emphasised, however, that in France such traineeships must combine on the job learning with formal training, which is certified at the end of the traineeship. In Poland, the general policy measures addressing youth unemployment concentrates on offering work experience. PES can fund 12 month apprenticeship, with 170,000 young people benefited from such internship programmes in 2008. Another example is Serbia that has recently launched *the "First Chance" Youth Employment Programme*, as one of the urgent measures to cope with the economic crisis. Launched in April 2009, the main objective of the programme is to enable young

people finding their first job after completing their education and supporting private companies employing qualified human resources.

Measures combining work experience with formal or indeed informal training seem to be effective in ensuring a smooth transition into the labour market with countries such as Portugal, France and Netherlands reporting high success rates of around 70%.

As highlighted by the trainees, the benefit of the on-job-training is that participation in 'real' projects but with a learning approach, provides opportunities to practice skills in real workplace settings without the pressure for immediate results or high productivity, get immediate feedback and receive support from a tutor (work colleague) that can help the successful integration of the trainee into the team.

The current economic situation puts an increased emphasis on education and training systems being open to the needs of those entering the labour market on the one hand, and to employers on the other. At the same time, in the current downturn, it is even more important to focus on the quality of training, and its relevance to employment.

Participating companies acknowledge the existence of a gap between the supply and the demand and how programmes like the Portuguese one can bridge that gap, '*turning graduates into experienced professionals*'. A recent change in the programme allows promoter organisations to submit its tender in conjunction with a preselected trainee. IEFP will then check if the candidate matches the legal and technical requirements in order to be able to benefit from the Programme. This was established so as to better ensure the match between the demand and supply of traineeships.

Participants agreed that cooperation between education and training institutions and social partners is needed to clearly define the needs of these parties and how to fulfil them. This dialogue is essential in order to encourage employers to maintain and/or increase their investment in human capital, and it will help education and training systems to provide the skills that are relevant for labour market needs.

The Programme has shown the important role of PES in understanding labour market needs and developing necessary responses. In general it is acknowledged that PES should be strengthened and modernised in response to the needs of the labour market, in order that they facilitate matching of people to job vacancies as well as contributing to the upskilling of the labour force. The IEFP representatives highlighted not only the value of their local knowledge but also the participation of the social partners in the management of PES and the development of the programmes. The IEFP is also focusing on the generation of traineeships on sectors that show potential for the future, although this has not been done in a systematic way.

It was also agreed that guidance services should be strengthened to encourage students to pursue degrees/ qualifications relevant to skill shortages in the labour market, making

them more aware of skills needs, and in general, being more forward looking. With this in mind, the 'Youth Action Plan' launched in June 2009 by the Dutch government indicates that the PES work coaches will provide intensive support and guidance to young jobseekers in the matching process to better link their skills and competences to the demand of employers. Support and guidance will be implemented by the 30 regional employment centres. In Malta, they are incentives for students opting for certain degrees and there is an increasing focus on career guidance with particular schemes to train those providing the guidance.

**c. Cost-sharing arrangements**

Since its creation the programme is financed by the European Social Fund (ESF) and by the IEFP budget. From 2009, ESF and IEFP co-fund the programme by 70% and 30% respectively. The grants for the trainees are co-funded by the promoter organisations and IEFP.

The fact that the participating companies are contributing to the costs was considered particularly positive. It shows the company's commitment and in turn, ensures a recognisable return on investment by hiring the trainee. The cost-sharing arrangements take into account the size and type of company, with larger companies contributing a bigger share than SMEs and thus, supporting those small and medium companies to invest in training and modernising their organisational practices.

Countries like Portugal and Greece have longer traditions of ESF co-financing but others countries have generally acknowledged the relevance of ESF funding for policy implementation at national level, in particular to mitigate the negative effects of the downturn. Other countries such as Cyprus, Malta and Czech Republic with less experience in utilising ESF funding for such measures were keen to explore how they could enhance their existing apprenticeship programmes by using such funding. In the case of Romania, this would offer the opportunity to design similar type of measures if the need arises.

**d. Monitoring and evaluation**

Good monitoring and evaluation processes are required to inform investment in this type of measure through evidence of their effectiveness. During the discussions some potentially negative aspects were also highlighted as the risk of creating a dependency culture in the companies and potential deadweight effects of this type of measures. A follow up after a year or more will help identify any potential deadweight effects, particularly the employment or recruitment that would have happened even without the programme, the impact on wages of graduates and their career development and progression and the quality of the contracts. A further concern raised revolved around the potential knock on effect of low wages for trainees on other job starters as well as on future wage development.

**e. Role of the tutor**

Young people on the Programme are supported by tutors who ensure that they follow the specific training plan designed by the enterprise in its application for support. Tutors are designated by the company with the responsibility of providing technical and pedagogical support to the trainee, monitor his/her progress against the goals set up in the traineeship individual plan and provide an evaluation of the results.

Tutors play an important role in making the job training as effective as possible by sharing their knowledge, allowing time for feedback and proper support.

It was also suggested that the tutorship could also be seen as a valuable opportunity to build on learning that brings different generations together, as it already happens in France.

One of the changes recently introduced is the removal of specific funding for the role of the tutor. The reason is that experience demonstrated that, in many cases, promoters and tutors would regard this financial support more as a salary complement (particularly for those with two or three trainees) rather than a compensation for an extra task of supporting trainees in pedagogical and technical issues. The impact of this new provision has not been evaluated yet.

**f. Changing employers attitudes towards training**

Measures such as the Portuguese one can also help change employers' attitudes towards investment in training. The crisis is having an effect both on jobs and on training budgets; but investing in training now will put companies in a stronger position for the recovery. Schemes like the were seen by the participating companies as a cost effective way for the company of imparting skills and knowledge that are specific to the company's needs. Over time, increased investment in skills and training can also significantly reduce skills shortages.

This type of initiatives needs to be widely promoted as a high proportion of employers seem to be unaware of apprenticeships/traineeship schemes available and the wider support for training and skills offered by the governments.

**g. Simplification of the procedures**

In "Professional Training for Young Adults" programme, the procedure starts with a tender that must be submitted by each promoter organisation. The online application includes the "Skills Profile", the "Traineeship Individual Plan", the "Curriculum of the Traineeship Tutor" and the "Curriculum of the Trainee" when this is proposed by the promoter. These different forms are used to ensure the match between demand and supply for the

traineeship. “Skills profile” is the document where the promoter organisation states the competences required for the job that the trainee will be performing during the traineeship. The “Traineeship Individual Plan” sets the work plan for the 12 months of the traineeship, defining objectives and results to be achieved, skills to be developed, etc. Finally, another form is used to provide the profile of the intended tutor, who must have the relevant skills and experience needed to support the trainee in attaining the objectives of the individual plan.

The simplification of the application procedure, the requirements for the online application and the tendering procedure have greatly reduced the administrative burden and facilitated the participation of the companies, ensuring greater transparency and visibility.

## 5. CONCLUSIONS

The main conclusions of discussions have been summarised as follows:

- Due to the crisis, **young graduates are an increasingly emerging target group**. Although most peer countries indicated that young graduates are not traditionally a target for policy making, as they generally find it easy to gain a foothold on the labour market, compared with their lower skilled counterparts, this situation has been changing in many countries following the onset of the economic crisis. This type of initiatives can potentially address not only graduate unemployment but also under-employment. The host country, as well as the peer countries, were keen to emphasise that any measures for young graduates are only part of the package of measures for young unemployed people. Youth unemployment remains at an average of twice the magnitude of overall unemployment in the EU and this target group and measures assisting their integration into the labour market are therefore critical for most Member States. In this context, the policy lesson to be drawn from the host country measure could have wider applicability across the spectrum of measures for the young unemployed and indeed other groups affected by unemployment.
- Measures which **combine “real” work experience with a trainee plan/training seem most effective** in ensuring a smooth transition into the labour market. The Peer Review confirmed the experience of other ALMP evaluations to show that experience gained in a workplace setting combined with training is more effective in achieving labour market reintegration than training on its own. This is not only linked to the experience gained in real life settings, but also to the soft skills which can be more difficult to teach in a classroom. Such findings have clear implications for the design and implementation of ALMP and make good co-operation and partnerships with employers all the more vital. It is therefore important to demonstrate that employers can also benefit from offering apprenticeship placements.

- **Longer traineeship measures appear more effective** than short courses/work placements. It was the experience of the host country, as well as many of the peer countries that an extension of placement periods from between 1-3 to 6 or more months tended to show better labour market integration outcomes. This may seem self-evident as more experience can be gained and an employer has more opportunities to assess the suitability of the trainee for permanent employment. However, it was also emphasised that this should be combined with a mentoring and training plan to ensure that the apprenticeship period is not simply used as an extended trial period or a longer period of obtaining comparatively cheaper labour. Evidence regarding the success or otherwise of longer placement versus shorter training or placement methods clearly has learning implications for wider ALPM measures.
- **Education and training need to be more relevant to labour market needs.** Companies are demanding young people with the right skills for the current employment opportunities and the capacity to adapt to the fast-changing labour market. There is also an emphasis on providing better guidance services to encourage students to pursue degrees/qualifications which faced shortages. Social dialogue is crucial to improve the capacity to anticipate and match labour market and skills needs.
- This type of measure **can contribute to changing employer culture regarding indication and investment in training.** Presentations by companies involved in the delivery of apprenticeship programmes clearly demonstrated that employers valued the experience of designing and implementing training plans for their apprentices and several had subsequently introduced more formal indication and lifelong learning processes for all their staff. This has seen to assist not only with staff retention, but also in ensuring innovation.
- The **role of tutor is important** in supporting the trainee, identifying his/her strengths and development needs. However this should be clearly monitored to ensure that it effectively contributes to the development and progression of the trainee. While the role of the tutor was previously specifically recognised and remunerated in the host country programme, the element of remuneration has more recently been removed. The impact of this on the quality and quantity of tutoring has not yet been assessed. An impact assessment of this innovation would clearly be valuable to inform the design of future programmes.
- **Cost-sharing arrangements ensure better commitment from the employer.** Concern was raised by some countries that a high level of state subsidisation in this area could encourage employers to use apprentices as a source of cheap labour and would potentially get used to being able to access relatively well qualified workers at low cost. However, other countries thought it would be a barrier because of companies not used to that practice and would not recruit young people without state assistance. Further evaluation would clearly be useful regarding the longer term impact of the large scale

subsidisation of the entry of this target group into employment and the level of subsidy required to ensure employer take-up.

- **Link between innovation and employment policy** should be further elaborated. The aim is not only maintaining actual jobs through adaptation but the creation of new and better jobs. The host country clearly emphasised that it saw this and other programmes for the better training of young people as part of its efforts to move from a low-skill, low-added value economy to one aiming to compete on the basis of quality. Although this issue is exacerbated in Portugal, it is clearly an important policy lesson for the EU as a whole. Therefore the design of methods of economic planning combined with the delivery of the relevant skills would be of interest to all countries.
- The **simplification of procedures**, such as the on-line application and the reduction of paperwork, is important to cut bureaucracy and attract the companies. Most peer countries expressed an interest in knowing how this simplification could best be achieved and the cost of implementing such methods.
- **These initiatives must be cost-effective.** More studies and evaluations are needed to provide the evidence to underpin the investment in this type of measure. It is important to understand the potential deadweight effects, what it means for wages of graduates and people progressing in their career and the quality of the contracts obtained. More longitudinal evaluation was considered necessary in this area.