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Integration of Formal Low-skilled Workers into the Labor Market

Selected Results of an ibw-öibf Study¹ Commissioned by the Arbeitsmarkts Service Österreich (Public Employment Service)

Formal low-skilled workers, in other words people whose highest completed level of education is compulsory schooling, are considerably more often affected by unemployment than people who have completed secondary education (apprenticeships, lower and upper secondary schools, universities). People without a formal education beyond compulsory schooling make up almost half of all those registered as unemployed with the AMS (Public Employment Service) in Austria, yet not even a fifth of all those working or employed. Although the percentage of the work force whose highest completed level of education is compulsory schooling will (continue to) decrease in the coming years, the need/demand of companies for such workers will also decrease. Measures to support the integration of formal low-skilled workers will therefore also be of great importance and necessity in the future.

The current study examines the opportunities for increasing the integration of formal low-skilled workers, in other words people whose highest completed level of education is compulsory schooling, into the labor market. This topic is of such particular interest mainly because this group is confronted with certain challenges and disadvantages on the labor market: Their unemployment rate is at least two to three times higher than those who have completed secondary education (apprenticeships, lower and upper secondary schools, universities). Furthermore, almost every second (48%) employee (and unemployed person) whose highest completed level of education is compulsory schooling is affected by unemployment at least once a year. Not even one in five of those who have completed secondary education are affected by unemployment.

Due to the high rate and frequency of unemployment, people who do not have a formal education beyond compulsory schooling make up almost half of all those (regis-

tered) as unemployed in Austria, namely 47% in 2007, yet they only make up 17% of those working or employed! They are therefore **the** central target group for the party who commissioned this study: the Arbeitsmarktservice (AMS) Austria.

Among those whose highest completed level of education is compulsory schooling, **women, and above all female foreign citizens, are over-proportionately represented**. In the later case, this applies to a high degree of younger people as well. Not even 12% of the 25 year-old female Austrian citizens did not have a formal education beyond compulsory schooling in the population census of 2001, while the same was true for almost half (48%) of the 25 year-old female foreign citizens. For this reason the companies questioned in a representative company survey see the largest/most common deficit among formal low-skilled workers as also being a lack of German language skills.

¹ See Dornmayr, Helmut/Lachmayr, Norbert/Rothmüller, Barbara (2008): Integration of Formal Low-skilled Workers into the Labor Market, Vienna. The complete final report for this study is available for download from the AMS research network (<http://www.ams-forschungsnetzwerk.at/deutsch/publikationen/BibShow.asp?id=3996&sid=915182174&look=2&jahr=2008>).

It would certainly not be correct however, to view the issue of integration of formal low-skilled workers into the labor market exclusively from the aspect of their deficits, disadvantages and difficulties, but rather it is necessary to also raise awareness of the **strengths and advantages** that this group of people specifically have to offer companies. In this respect companies named above all a **lack of arrogance**, the **uncomplicated and direct nature of personal contact**, as well as a **willingness to work hard**.

A particular challenge in promoting the employment of low-skilled workers appears to be the question of the **positive (work) motivation under particularly difficult working conditions** (low wages, low chances for advancement, in part monotonous activities, work in shifts, at night and on weekends, etc.). In addition to the necessity to provide opportunities for success, self development and social recognition under these difficult circumstances, it is also necessary to of course address the question of (often negative) societal and public image of supposed (cognitively) simple physical labor.

For the future development of work opportunities for formal low-skilled workers, the following must be noted: For demographical reasons (retirement of older generations with a particularly high percentage of people whose highest completed level of education is compulsory schooling from the work force), a **decrease in the number of employees with no more than compulsory schooling** is to be expected. However, according to the representative company survey conducted within the framework of this study, it is expected that at least in the short and medium term there will also **continue to be a (rather) decreasing demand** for unskilled and semi-skilled workers, or in other words exactly those people whose highest completed level of education is compulsory schooling. **Measures for supporting the integration of formal low-skilled workers into the labor market** will therefore **also be of great importance and necessity** for at least the near future.

From the standpoint of the companies surveyed, the (100%) **subsidization of CVET costs** (incl. reimbursement of wages) as well as **assuming the costs for wages during a trial period** (6 months) appeared above all particularly effective and attractive (see Illustration 2).

Also **unlimited combination wages**, in other words permanent, government wage subsidies, would in the case of appropriately high public co-financing have a strong effect on employment of low-skilled workers, however, this would also be linked with very high costs for

the government and windfall effects that would hardly be avoidable. Unlimited combination wages therefore hardly play a role for the Austrian discussion and practice.

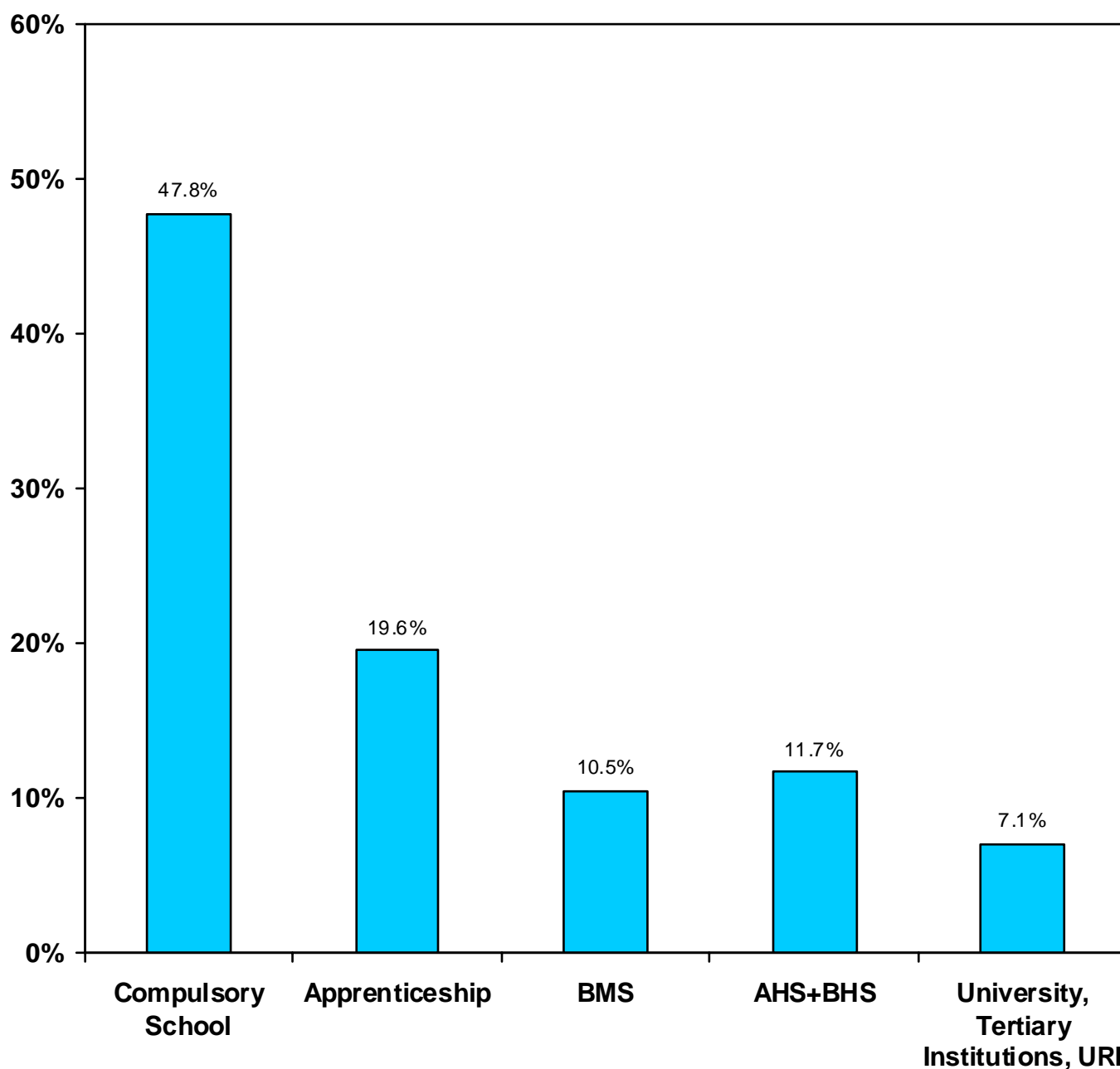
Both the companies surveyed and the experts from temporary employment agencies and personnel leasing companies who were interviewed during the course of the study all agree: **The focus** of all the measures and strategies for increasing the integration of formal low-skilled workers into the labor market should be on **(raising) their qualifications**.

Based on the current study², the following **suggestions** can be formulated for concrete measures for qualifying and generally promoting the integration of (unemployed and employed) people whose highest completed level of education is compulsory schooling into the labor market:

- Greater **public subsidies and support for the further education/qualification** of people whose highest completed level of education is compulsory schooling
- (Still) **greater focus on the target group by the AMS**
- (Financial) **support during a trial period and promotion of practical training**
- Greater enabling of **flowing transitions between unemployment and employment/work**
- Forced development and strengthened offer of **short- and job training within the apprenticeship training for unemployed adults** (e.g. machine operators, installation assistants, kitchen assistants, etc.)
- Promotion of **modular upgrading of occupational qualifications**
- Recognition of the **driver's license** as a basis qualification worth promoting for unemployed 25 year-olds whose highest completed level of education is compulsory schooling
- Expansion of **health promotion, coaching and anonymous consultation services**
- (Bureaucratic) **simplification and support in the employment of people who are not Austrian citizens**
- Optimized **pre-selection** of the applicants by the AMS

² See Dornmayr, Helmut/Lachmayr, Norbert/Rothmüller, Barbara (2008): l.c.

Illustration 1: Percentage Affected by Unemployment According to Level of Education (2007)



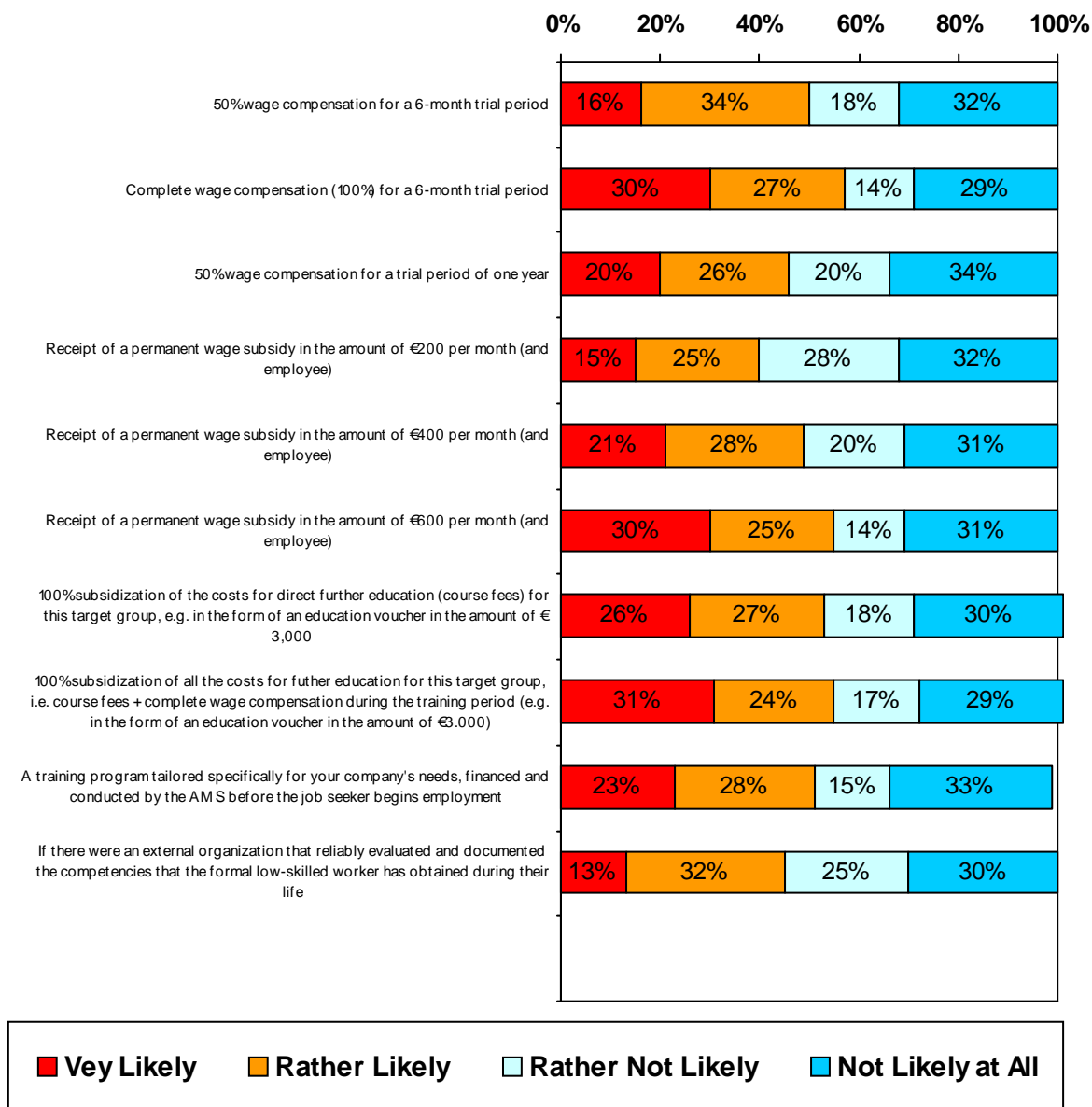
Source: AMS, Statistik Austria (Microcensus Labor Force Survey) + ibw calculations

Note: Affected= Number of people who were registered as unemployed for at least one day during the observation period (2007).

Percentage affected = Percentage of the people affected by unemployment in a certain education level from the labor force potential (= unemployed + employed) of the same education level. The division of the employment basis according to education level was calculated according to the results of the Microcensus Labor Force Survey 2007 (employees according to the Labor Force Concept).

“University, Tertiary Institutions, URI” = University, Tertiary Institutions, University Related Institutions (as of 2004 also includes university courses).

Illustration 2: Conditions for Hiring Additional Employees from (Currently Unemployed) People Who Have (Only) Completed Compulsory Schooling



Source: ibw Company Survey (n=317 companies)

Exact formulation of the question: "Under which of the following circumstances could you imagine hiring additional (currently unemployed) people who have only completed compulsory schooling?"

[Download of the The full \(German-language\) version of the study](#)