

Report

Education to employment: Getting Europe's youth into work

Youth unemployment across the European Union remains unacceptably high, to the detriment of current and future generations. Addressing it requires understanding its causes and then relentlessly pursuing solutions.

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The problem of youth unemployment in the European Union is not new. Youth unemployment has been double or even triple the rate of general unemployment in Europe for the last 20 years. The events of the past few years have dramatically exacerbated it, however: 5.6 million young people are unemployed across Europe, and a total of 7.5 million are neither being educated nor are they working. Moreover, while young people are eager to work, more than half of those without jobs say they simply can't find one—all while businesses across Europe insist they struggle to find young people with the skills they need.

To understand this disconnect and what can be done about it, McKinsey built on the methodology used in our 2012 publication, *Education to Employment: Designing a System that Works*. We concentrated on four broad questions:

Is the scale of the youth-unemployment problem in Europe a result of lack of jobs, lack of skills, or lack of coordination?

What are the obstacles that youth face on their journey from education to employment?

Which groups of youth and employers in Europe are struggling the most?

What can be done to address the problem?

To answer these questions, we surveyed 5,300 youth, 2,600 employers, and 700 postsecondary-education providers across 8 countries that together are home to almost 73 percent of Europe's 5.6 million jobless youth: France, Germany, Greece, Italy, Portugal, Spain, Sweden, and the United Kingdom. We also examined more than 100 programs in 25 countries to provide examples of companies, governments, education providers, and nongovernmental organizations that may be relevant to Europe.

Our research led us to the following answers:

1. While there are more people looking for work, employers in Europe cannot find the skills they need.

Clearly, the lack of availability of jobs in Europe is part of the problem, but it is far from the whole story. In many countries, the number of people employed has actually remained steady, and in some countries, increased, since 2005. A greater number of older people are working longer, and more women with children are choosing to join or remain in the workforce. Across the 15 countries that were members of the EU prior to May 2004, for example, the percentage of people aged 55 to 59 who are in the labor market has jumped 11 percentage points since 2005, while increasing 4 percentage points among women aged 35 to 39. This increase in the participation rate in a demand-constrained environment means greater competition for jobs for younger people, who are disadvantaged by their lack of proven experience. Meanwhile, labor-market regulations that discourage hiring and firing, which are common in Europe, make it even more difficult for youth to step onto the first rung of the employment ladder.

Yet despite this availability of labor, employers are dissatisfied with applicants' skills: 27 percent reported that they have left a vacancy open in the past year because they could not find anyone with the right skills. One-third said the lack of skills is causing major business problems, in the form of cost, quality, or time. Counterintuitively, employers from countries where youth unemployment is highest reported the greatest problems. So why is it that young people are not getting the skills that employers need? One reason is the failure of employers, education providers, and young people to understand one another. To cite our 2012 report, they operate in "parallel

universes.”

In Europe, 74 percent of education providers were confident that their graduates were prepared for work, but only 38 percent of youth and 35 percent of employers agreed. The different players don't talk to one another and don't understand one another's expectations and needs. Only in Germany and the United Kingdom did most employers report that they communicate with education providers at least several times a year. In Portugal, only a third did. And only in Spain did most employers report that their interactions with providers were actually effective.

2. Youth face three significant hurdles.

The education-to-employment (E2E) path can be described as a road with three intersections: enrolling in postsecondary education, building the right skills, and finding a suitable job. The problem is that in Europe there are roadblocks at each of these three points.

When it comes to enrolling in further education, the most significant barrier in Europe is cost. Although university tuition fees are usually highly subsidized in Europe, many students find the cost of living while studying too high to sustain. Also, in a number of countries, nonacademic, vocational courses are not subsidized and can therefore be prohibitively expensive. Students also lack information: except in Germany, less than 25 percent said they received sufficient information on postsecondary courses and careers to guide their decisions. And finally, most of those surveyed said they perceived a social bias against vocational education; less than half of those who wanted to undertake a vocational course actually did so.

At the second intersection, young people are often not learning a sufficient portfolio of general skills while they study, with employers reporting a particular shortage of soft skills such as spoken communication and work ethic. Employers and providers are not working together closely to address this.

At the final intersection, young people find the transition to work difficult. One-third fall into interim jobs after graduating, and many more struggle to find a job at all. Many lack access to career-support services at their postsecondary institution. Many more do not pursue a work placement, in spite of this being a good predictor of how quickly a young person will find a job after his or her studies are completed.

3. The E2E structure is failing for young people and for small businesses.

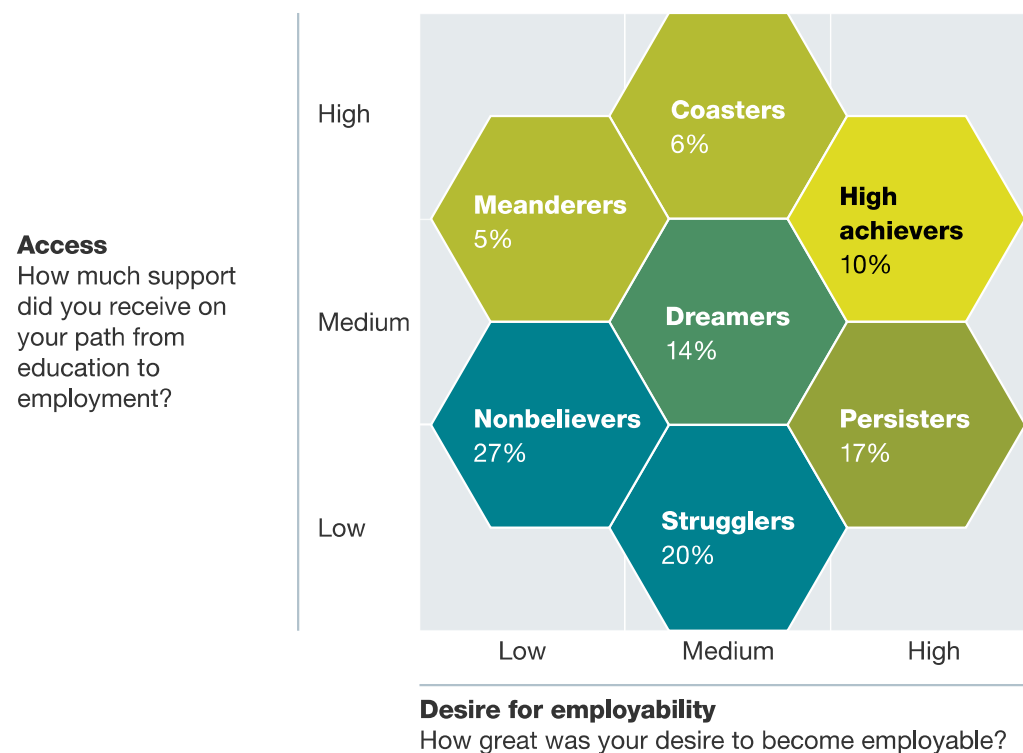
To refine our understanding of the issue, we divided young people and employers into segments to examine different interventions to achieve better education-to-employment outcomes. Specifically, we looked at how much support young people received on their path from education to employment, and the extent of their desire to develop skills that would make them more employable (Exhibit 1).

Exhibit 1

Few young people have a successful journey to employment.

Youth segmentation based on practices, beliefs, and educational achievement,¹ %
(100 = 3,659)

Degree of success²
High  Low



¹Survey included respondents in France, Germany, Greece, Portugal, Spain, Sweden, and the United Kingdom; Italy was not included in segmentation analyses.

²Success of segment based on unemployment rate after secondary education, time to employment, level of job satisfaction, and whether young people found a job relevant to what they had studied.

Source: 2013 McKinsey E2E Europe youth survey

Only one of our segments, the so-called high achievers, which represent 10 percent of the youth surveyed, achieves a good employment outcome. This group succeeded because the young people in it receive a strong education and

good information; they also focus on finding opportunities to build job skills. Another two segments, representing 11 percent of youths surveyed—what we call “coasters” and “meanderers”—receive strong support but are less motivated and end up only moderately satisfied with their job outcomes. The remaining four segments (79 percent) are frustrated by a lack of support and unhappy at their prospects. They exhibit different responses to these circumstances, from fighting for every opportunity they can get (but rarely succeeding) to losing heart and leaving education at the first opportunity.

We based our employer segmentation on the ease with which employers could find new hires and the degree to which they were prepared to invest in training (Exhibit 2). While two of the four segments are basically satisfied with their workforce, they start from very different places. One segment, representing 19 percent of employers, is able to attract strong candidates and invests substantially in training new hires. A high proportion of the companies in this group are large companies with an established market position. The other satisfied segment, representing 26 percent, finds it difficult to attract strong candidates but develops a strong workforce through training and partnerships. Of the two less satisfied segments, one (34 percent) reports moderate satisfaction but tackles the skills problem alone. The other (21 percent) is disproportionately made up of small businesses and is the least satisfied. This group struggles to find people with the right skills yet either does not, or cannot, invest in training.

Exhibit 2

Less than half of employers are satisfied by their workforce's skill levels.

Employer segments based on ease with which they were able to find new hires and degree to which they were prepared to invest in training,¹ % (100 = 2,172)

- Addresses skill shortage
- Partly addresses skill shortage
- Does not address skill shortage



¹Survey included respondents in France, Germany, Greece, Portugal, Spain, Sweden, and the United Kingdom; Italy was not included in segmentation analyses.

Source: 2013 McKinsey E2E Europe youth survey

In contrast to the findings of our global survey, in Europe, small firms were more likely than large ones to report problems in their business due to lack of skills. They also have the greatest problems in identifying and recruiting new hires and are less likely to work with education providers or other employers to tackle their skills problems. This phenomenon is particularly acute in Greece, which has both very high rates of youth unemployment and a high reliance on small businesses as a source of employment. Understanding the mix and concentration of employer and youth segments by country is critical—each segment requires a different set of interventions to reach its

potential.

4. There are proven ways to improve the E2E journey.

Europe's governments, employers, education providers, and families are operating in difficult circumstances, but there are ways to ease the burden on all of these groups.

Innovate with design, course delivery, and financing to make education more affordable and accessible

To reduce the cost of courses, one solution is to break up degree or vocational programs into individual modules that focus on building a particular set of skills while still counting toward a degree or formal qualification. Each of these modules would be short (weeks or months) and self-contained, enabling young people to combine and sequence them in the order that makes most sense for their career aspirations. This model also enables young people to take a break in their studies to work for a period, and then return and pick up where they left off.

To improve financing, governments and private financial institutions can offer low-interest loans to students pursuing courses that have a strong employment record; they can also explore initiatives that allow young people to repay loans in the form of services, such as tutoring younger students. Employers can play a role by promising jobs to young people (following a rigorous recruitment process) and then assuming responsibility for part or all of the costs of education in return for the opportunity to select the most successful graduates, trained with the most relevant skills they need. This latter option is only likely to be successful, however, for employers in sectors that face either a skills scarcity or high employee churn.

Focus young people, employers, and education providers on improving employment readiness

Young people, employers, and providers must change how they think about the E2E process. To make rational decisions, young people need to think more strategically about their futures. This is particularly important in Europe, where students often have to make life-defining decisions about their educational future by age 15—the

time when many choose whether to pursue academic or vocational tracks. Students need more and better-quality information about different career paths, and need to be motivated to use it.

Education providers should focus more on what happens to students after they leave school. Specifically, they should track graduates' employment and their job satisfaction. To improve student prospects, education providers could work more closely with employers to make sure they are offering courses that really help young people prepare for the workplace.

Employers cannot wait for the right applicants to show up at their doorsteps. In the most effective interventions, employers and education providers work closely to design curricula that fit business needs; employers may even participate in teaching, by providing instructors. They might also consider increasing the availability of work placements and opportunities for practical learning. Larger enterprises may be able to go further, by setting up training academies to improve required skills for both themselves and their suppliers.

Build the supporting structures that allow the best interventions to scale up

At a national level in Europe, responsibility and oversight of the E2E highway is split across multiple government departments, resulting in a fragmented and confusing picture. One way to improve this is to create a “system integrator” to gather and share information on the most salient metrics: job forecasts by profession, youth job-placement rates, employer satisfaction with the graduates of different programs, and so on. The system integrator would also identify and share examples of successful programs and work with employers and educators to create sectoral or regional solutions based on these. Technological solutions can also help to compensate for shortages of apprenticeships and other forms of short-term work placements. “Serious games” that mimic the workplace context, for example, are low-cost, low-risk ways for students to receive a personalized learning experience through repeated “play” of the game. While not a full substitute for an actual apprenticeship, this approach offers a substantial step forward in providing the applied skills that employers say young people lack; furthermore, such initiatives can be made available to greater numbers of young people without needing to find more employers to provide work placements.

Involve the European Union

To help the most successful interventions reach the greatest number of young people, the European Union has a critical role to play in three areas:

Information. The European Union could develop and share a more comprehensive labor-market platform incorporating the most relevant data to capture employment trends in each sector and region. This would help institutional decision makers, employers, and job seekers make better decisions, for instance, by helping users understand the implications of the data—whether on the courses they should offer as an education provider or the skills gaps they should try to fill as a group of employers within an industry.

Mobility. The European Union can improve educational and labor mobility by working to make vocational qualifications transferable across borders, as has already largely been achieved in the university-education process in Bologna.

Sharing relevant practices on matching labor-market demand and supply. The European Union is in the best position to take the lead on helping national public-employment services compare their successful interventions, and then disseminate and promote those that are relevant to similar-context countries.

Youth unemployment is a profound challenge to the future of Europe, and both individual countries and the European Union recognize this. Only by reaching across their parallel universes can all parties affected by the crisis of youth unemployment create an education-to-employment system that works more effectively and benefits all.

For more on this research, download the full report, [Education to Employment: Getting Europe's Youth into Work](#) (PDF—7,235KB).

For more on the 2012 methodology on which this report builds, download [Education to Employment: Designing a System that Works](#) (PDF—8.30 MB).

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