FRIEDRICH EBERT STIFTUNG

STUDY

Youth Unemployment in Europe

Theoretical Considerations and Empirical Findings

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- The concept of youth unemployment as dealt with in this paper covers the problems encountered by young people below 25 years of age entering the labour market and finding permanent employment.

- In most European countries youth unemployment has risen significantly as a result of the economic crisis. Compared to youth unemployment, adult unemployment experienced the effects of the crisis with some delay. But in the long run, the recession has affected all age groups. In the 2000s there were significant changes in the pattern of youth unemployment due to gender, citizenship or educational level.

- The results indicate individual avoidance strategies such as reducing labour market participation (prolonging of or returning to education) or interregional mobility. Reviewing the literature on labour market policy there are no clear and universal solutions for the prevention or reduction of youth unemployment, whether in terms of active labour market policy and labour market institutions or regulation/deregulation. However, national experiences differ in different areas.

- Individual and familial guidance and counselling on both educational and occupational choices can help young people in their school-to-work transitions and in the labour market. Workers' associations and unions can also help young people entering the labour market.

Content

Foreword

The most recent Eurostat data – from spring 2012 – paint a stark picture: over 50 per cent youth unemployment in Greece and Spain, over 30 per cent in Bulgaria, Italy, Portugal and Slovakia and a European average of 22 per cent. The danger of a »lost generation« is no longer merely the writing on the wall, but is becoming a terrifying reality.

There are many reasons for youth unemployment: besides the general situation on the labour market, one might mention education and training systems, labour market and employment policies, but also the stratification and distribution of opportunities in society. As things stand at the moment, the escalating youth unemployment rates in many European countries can be attributed predominantly to both the global financial and economic crisis of 2007–2010 and its modulation in the ongoing crisis gripping the European Economic and Monetary Union. The policy of unrelenting austerity that has dominated European crisis management thus far can be held responsible for the most recent increase in youth unemployment rates in the abovementioned countries.

In the present study **Hans Dietrich** analyses the background of the phenomenon of youth unemployment in all its economic, social and political aspects. Central to his approach is an empirical examination of the emergence of unemployment among those under 25 years of age in the past decade, the identification of those affected and contextualisation in terms of the economic cycle, demography and employment patterns. Looking at the figures confirms the suspicion that the crisis has caused a significant increase in youth unemployment, but also that rates vary widely within the EU: for example, in Germany, Luxemburg and Malta youth unemployment rates have in fact fallen since 2007, while in Germany, Austria and the Netherlands they are currently at a low of under 10 per cent.

The different points of departure and a host of specific national reasons for the level of youth unemployment make it difficult to come up with a universal European solution. A European emergency programme that makes funding available is very welcome. However, concentrating efforts on greater labour market flexibilisation and improved transnational labour force mobility as the simplest and most widely applicable solution will fall short. The present study drives this home with an analysis of the literature on possible areas in which youth unemployment can be tackled, identifying numerous national best and worst practices.

The Friedrich-Ebert-Stiftung would like to explore this approach more deeply and has commissioned 12 country studies on youth unemployment as follow-up to the present analysis. Experts from Bulgaria, the Czech Republic, Estonia, France, Germany, Greece, Italy, Poland, Portugal, Slovakia, Spain and the three Scandinavian countries Denmark, Norway and Sweden are analysing the country-specific reasons for and risks attached to youth unemployment. The Friedrich-Ebert-Stiftung will publish these studies in early autumn 2012. The goal is to showcase policy recommendations and strategies for overcoming this alarming development, one which for some time now has cast a shadow over the younger generation's attitude towards European integration.

Björn Hacker
International Policy Analysis

1. Youth unemployment from a European perspective

The first signs of recession in the late 2000s – also known as the »Great Recession«: Bell and Blanchflower (2011) – came as problems began to emerge concerning subprime loans in the United States in autumn 2007, leading eventually to the crash of Lehman Brothers on 15 September 2008. Subsequently, the financial crisis spilled over into the real economy and labour markets worldwide. GDP growth and employment experienced a sharp downturn from autumn 2008, with some country-specific variations. GDP growth fell in late 2008 and turned negative in 2009 (–4.3 per cent in the EU). European youth unemployment rose sharply from 2008 to 2009 and continued to increase in 2010.

The »great recession« thus reflects a long-familiar relationship between changing economic conditions and the development of youth unemployment (Blanchflower and Freeman 2000). Numerous studies have addressed the question of the effects of the current business cycle on young people (see Contini 2010; Bell and Blanchlower 2010, 2011; Verick 2011). However, business cycle effects are not sufficient to explain country differences in the level of youth unemployment and the intensity of response of youth unemployment to the business cycle's development.

Two observations may serve as a starting point. For a number of years country-specific effects have been evident with regard to the (average) level of youth unemployment and the relationship between the youth unemployment rate and the adult unemployment rate. Second, the response of youth unemployment to business cycle conditions differs by country (Blanchflower and Freeman 2000; OECD 2006).

Initially, structural components – structural change in industries, mismatch of qualifications, group-specific characteristics – were the focus of explanation (Clark and Summer 1982; Blanchflower and Freemann 2000), while from the early 2000s the business cycle and institutions gained ground in macro-analytical models. Youth unemployment responds more sensitively to business cycle conditions than adult unemployment (Blanchflower and Freeman 2000; Jimeneo and Rodriguez-Palenzuela 2002; OECD 2006). Besides the business cycle, however, population growth is an important factor. Variation in cohort size depends on both fertility rates and regional mobility or migration (Bell and Blanchflower 2011). However, even public debates on youth unemployment tend to emerge in a quasi-cyclical fashion, mostly driven by business cycle effects.

In the 2000s, research began to focus more on exploring the institutional effects of unemployment. Country-specific labour market institutions and welfare regimes and their characteristic impact on youth unemployment were explored (for more detail see Gangl 2003). A broad set of institutional factors preventing young people from entering the labour market or increasing their risk of becoming unemployed also came under discussion (Dietrich 2001; Martin 2009; Bell and Blanchflower 2011). These include lack of seniority, firm-specific human capital or labour market experience (ILO 2006: 19; Martin 2009: 5), as well as greater likelihood of working under short-term contracts and other forms of precarious employment (Marchand 1999: 336ff). In such circumstances, school-to-work or training-to-work transitions tend to take the form of a chain of temporary episodes of training, education, compulsory or voluntary military or civilian service, labour market schemes or other temporary activities, frequently within an institutional framework characterised by fixed entry dates, outside the market and oblivious to its requirements (Dietrich 2001/2003). Young people undergoing such a trajectory accumulate little experience of job search and do not develop a clear picture of what kind of job and/or what income they should be aiming for (Martin 2009: 5). Furthermore, young people tend to have fewer resources than older workers and in some countries a strong financial attachment to the family, which means that they are less mobile (Martin 2009: 5).

However, even a glance at the official labour market data, both European and national, reveals a pattern of turbulence for youth unemployment rates over the past two decades, with strong national variations. To take some examples, the youth unemployment rate in Finland was about 9.3 per cent in the early 1990s, peaked in 1994 (34 per cent), oscillated around 21 per cent in the early 2000s, improved to 16 per cent before the recession and returned to 21 per cent in 2010. A similar story may be told about Spain: the country entered the 1990s with a 45 per cent youth unemployment rate, the rate fell to 22 per cent in 2000 and reached 46 per cent again by 2010. By contrast, Denmark entered the 1990s at around 13 per cent, falling to 7 per cent in 2000 and rising again

to 13 per cent in 2010. Within countries, we must also consider significant regional variations over time. For example, with an overall youth unemployment rate of 6.7 per cent at September 2010 in Germany, the lowest unemployment rates are found in Upper Bavaria (below 1.5 per cent) and the highest in parts of eastern Germany, above 15 per cent (Statistik der BA: 2010).

Compared to adult unemployment, and especially from a European perspective, the concept of youth unemployment in general and the youth unemployment rate in particular, are more sophisticated. In what follows, the sensitivity of youth unemployment is explored with respect to labour market participation, social exclusion, social disconnection and mental health.

1.1 Youth Unemployment and Labour Market Participation

Unemployment and the unemployment rate are strongly connected to labour market participation. This applies in particular to young people below 25 years of age, a significant proportion of whom have not yet entered the labour market. The entry patterns characterising school-to-work transitions and the average age at which specific types of school-to-work transition are observed depend on qualifications and national systems of general and/or vocational education and training (Dietrich 2003: 83ff; OECD 2010: 444ff). The expansion of education in a given country increases the average age of new labour market entrants over time (Dietrich 2005).

Taking labour market participation into account, the extent and dynamics of youth unemployment have changed between European countries over time. Concerning young people below 25 years of age, both the share of unemployed young people and the variance between European countries have narrowed (Dietrich 2003). In Section 2 we argue that an age-based definition of young people underreports the whole field of school-to-work transitions, in what follows we apply a statistical concept of young people referring to the age group below 25 years of age. This is due to both data restrictions and comparative considerations.

1.2 Youth Unemployment and Social Exclusion

Social exclusion was a key concept in the Fourth Framework Programme of Targeted Socio-Economic Research (TSER), financed by the European Commission. According to Berghman (1997: 5), social exclusion was introduced by the European Commission, not by the researchers, to avoid the term »poverty« due to political reservations on the part of EU member states. Social exclusion was supposedly a more adequate and less pejorative expression for existing problems and definitions (Bruto da Costa 1994: 3, cited by Berghman 1995: 16). Room (1995) mentioned civic integration and political participation, social protection, integration in the welfare state and interpersonal integration in family and community systems, besides integration in the labour market as core components of social exclusion. Paugam (1995/1996) and Walker (1995) shifted the focus from a static observation of the situation to a dynamic perspective with regard to the occurrence and maintenance of poverty from an individual or household perspective. Integrating both streams of research, Berghman (1995/1997) enlarged the concept of social exclusion, expressing both a theoretical shift from the perspective of financial deprivation, resulting especially from long-term unemployment, towards non-financial aspects of life, such as social isolation from a multi-dimensional perspective and a shift from the static viewpoint associated with poverty to the process-oriented framework characteristic of social exclusion. From this point of view, social exclusion underlines the ways in which disadvantages in one dimension of life can result in a new and more debilitating set of disadvantages (Hammer 2003: 3).

In what follows, we consider major comparative cross-country studies financed by the TSER framework programmes such as »Youth unemployment and social exclusion: objective dimensions, subjective experiences and innovative institutional response in six European countries (YUSEDER)« (Kieselbach et al. 2000, 2000a, 2001) or »Youth unemployment and social exclusion in Europe (YUSE)« (Hammer 2003).

Kieselbach et al. (2001a: 43ff) theoretically distinguish six dimensions of social exclusion (labour market exclusion, economic exclusion, institutional exclusion, exclusion through social isolation, cultural exclusion and spatial exclusion). Kieselbach et al. conclude their main project

findings as follows: »The fact that a young person is unemployed seems in itself not to be a sufficient predictor of the risk of social exclusion … long-term unemployment cannot even necessarily be equated with exclusion from the labour market« (Kieselbach et al. 2001a: 52). The youth unemployment and social exclusion project (YUSE) arrived at similar results.

However, these studies failed to capture both the process character of social exclusion and to compare the treatment effects of unemployed with a relevant non-treated comparison group. Besides methodological objections, the social exclusion debate on youth unemployment showed that exclusion from »quality of life« does not seem to be the main issue for unemployed young people themselves. However, the relevance for an individual's life-course expectations seems clear, although with variations for countries and subgroups, such as level of qualifications.

1.3 Youth Unemployment and Disconnected Young People

The linkage between education and the labour market is not as well defined as it might be. Concepts such as »idleness rate« or »disconnected young people« indicate transitions between education and the labour market which have more relevance to young people than to other age groups. The idleness rate describes the share of young people neither in education nor in employment, of which the unemployed comprises a subgroup (Martin 2009: 15). An alternative appellation is »NEET«, an acronym for »Not in education, employment or training« (see Furlong 2006; Yates and Paine 2006; Robson 2010) which emerged in the social exclusion debate and became a benchmark indicator in British youth policy and the Connexions service for under 18s (Yates and Paine 2006). However, »NEET« has been criticised for its conceptually narrow focus on »problematic transitions« (Furlong 2006). Subsequently, however, the acronym NEET acquired a broader substantive and more statistical meaning (see Robson 2010).

The concept of »disconnected youth« (Fernandes and Gabe 2009; Pfeiffer and Seiberlich 2010) is closely related to the idleness rate and NEETs. The central assumption is that young people tend to lack strong social networks able to provide assistance in the form of job connections and other support, such as housing and financial assistance. »Without attachments to work or to school, disconnected youth may be vulnerable to negative outcomes in the transition to adulthood« (Fernandes and Gabe 2009: 15ff). Furthermore, this definition typically includes non-institutionalized young people (aged between 16 and 24) who did not work or attend school at any time during the previous year and are presently not working or in school (usually sometime in the first quarter of the current year).

> This definition is intended to exclude youth who may, in fact, be connected for part or most of a year, and may be between jobs or taking an extended break after school. Unlike all of the other studies, youth who are married to a connected spouse *and* are parenting are also excluded from the definition. (Fernandes and Gabe 2009: 13)

Generally speaking, disconnected young people lack both employment and networks to provide emotional support and financial assistance. »They fail in school, lack intimate relationships or are not employed and may face serious problems during the transition to adulthood. Educational investment may suffer as well as integration into society, contributing to a vicious downward spiral« (Pfeiffer and Seiberlich 2010: 14). Comparing disconnected youth and unemployed youth, empirical findings show that lacking access to work on the part of young school-leavers explains only one-quarter of the disconnected youth population in the United States, for example. Further important factors are non-severe or severe disabilities or taking care of family members and/or children (Fernandes and Gabe 2009: 16).

More challenging and heavily underreported is the fact of homeless and illegal young people, who are both more or less undocumented and have only marginalised or no access to social and medical support, education and labour protection (Gonzales 2011). Questionable is the fact that the problems facing such disconnected youth, which do not show up in official statistics or survey data, are not being investigated systematically. Vogel and Aßner (2010: 7) point to a systematic gap in research on young unregistered children below 6 years of age and young people above 16 years of age.

1.4 Youth Unemployment and Labour Market-related »Scars«

The literature on the effects of youth unemployment on the likelihood of future unemployment or labour market success is large. However, to date the results are not particularly clear. Thus we must distinguish between short-term and long-term unemployment effects (where the notion of duration itself may be country-specific) and between the occurrence- and duration-dependant effects of unemployment experience (Mroz and Savage 2006). From a methodological point of view Heckman and Borjas (1980) amplified the distinction between the effects of state dependence and selectivity and fostered a still ongoing methodological debate on the causes and effects of unemployment. According to the findings of Heckmann and Borjas (1980) the dependence effects of youth unemployment are largely a consequence of sample selection bias. »In our data, we find little evidence that current unemployment causes future unemployment« (Heckman and Borjas 1980: 277 f). In line with Heckman and Borjas, Doiron and Gørgens (2008) present evidence of occurrence dependence, but not lagged duration dependence. »People who remain active in the job market in the sense that they have employment experiences, have higher probabilities of finding a job in the future, regardless of the length of time previously spent in employment«. According to Doiron and Gørgens the same is true of unemployment spells and »it is easy to undo the benefits of previous employment experiences with additional unemployment spells« (Doiron and Gørgens 2008: 95).

By contrast, others present evidence that unemployment or non-employment in early working life indeed has a scarring effect on individuals' subsequent employment chances. Arulampalam (2001) distinguishes between three scarring mechanisms: precluding accumulation of work experience and deterioration of general skills; negative signalling effects on future earnings and impeded future work transitions; and social network losses. Employing NLSY data, Mroz and Savage (2006) examined the long-term effects of youth unemployment on later labour market outcomes. Involuntary unemployment may yield suboptimal investments in human capital in the short run. A theoretical model of dynamic human capital investment predicts a rational »catch-up« response. Using semi-parametric techniques to control for the endogeneity of prior behaviour, Mroz and Savage (2006) provide evidence for the response argument. They also present evidence of persistence in unemployment. Combining semi-parametric estimates with a dynamic approximation to the lifecycle, they find that unemployment experienced as long as ten years ago continues to affect earnings adversely despite the catch-up response. Along similar lines, Luijkx and Wolbers (2009) found long-lasting scarring effects with regard to both non-employment and unemployment for labour market entrants on the Dutch labour market.

Based on difference-in-difference propensity score matching, Gangl (2006) shows post-unemployment earnings losses for the United States and European countries, which are largely permanent and particularly significant for high-wage and older workers, as well as for women. Gangl's results also indicate negative effects of unemployment on workers' subsequent earnings, but they are mitigated through either generous unemployment benefit systems or strict labour market regulation (Gangl 2006). Appling panel models to German survey data Manzoni and Mooi-Reci (2011) find evidence that unemployment »breeds« unemployment and increases career complexity over the life course. However, unemployment at older ages leads to much higher career complexity than at younger ages.

1.5 Youth Unemployment and Mental Health

As Fernandes and Gabe (2009: 15f) show, disconnection from the labour market is manifold. Health seems to be a major factor. Research into the relations between mental health and unemployment and disconnection has a long history in social science, starting with the Marienthal study (Jahoda et al. 1932). In the context of unemployment and social exclusion the mental health dimension has become a key indicator (see Gallie 1999; Kieselbach et al. 2000). Even though the instruments for identifying mental health problems (Warr scale or GHQ scale; see Gallie 1999: 158) and the literature report an association between youth unemployment and poorer mental health on average (see overview in Álvaro and Garrido 2003: 173) the empirical design of the above-mentioned cross-country studies on youth unemployment and social exclusion were characterised by fundamental limitations as their cross-sectional design do not allow testing for causal relations between mental health and unemployment. Alvaro and Garridos show that labour market position is less important for well-being; the main driving factors are

financial worries and lack of social support (Alvaro and Garrido 2003: 183ff). Recent studies on well-being and labour market participation confirm the association between mental health and atypical employment contracts. However, the causal structure of the association cannot be tested using the cross-sectional data Langhoff et al. (2010) used for their study. With reference to the psychological literature, a significant range of mental disorders that initially occur in childhood or adolescence may continue into adulthood. Mental disorders may be connected with other spheres of social life, such as career progress, partners or social network development (Wittchen and Jacobi 2005) and a lack of economic and social capital, but also with a high level of co-morbidity (Hoyer 2006; Langhoff et al. 2010: 345). It is also noteworthy that both early recognition and appropriate treatment are underdeveloped (Hoyen 2006; Langhoff 2010: 346). This is the case with young unemployed people, perhaps to a considerable extent. A regional study on job centre clients below 25 years of age (U25) identifies a systematic under-recognition of mental disorders in the process of job counselling and guidance (Reissner et al. 2011). Job centres have been poorly prepared to identify psychotic and personality disorders among the young unemployed and to address any observed dysfunctions appropriately.

To summarise, youth unemployment is embedded in a multidimensional and extremely complex field of social and mental interactions, which we shall examine in more detail in what follows. In the remainder of the paper we explore youth unemployment in Europe in the 2000s and especially during the last recession. Section 2 addresses youth unemployment from a life-course perspective, analysing the institutional and context-specific framing of individual risks of becoming unemployed. Section 3 presents data and definitions. Section 4 looks at findings on youth unemployment in the EU27 and Euro17 country aggregates and countries from 2000 to 2010, with particular regard to the Great Recession. Section 5 reflects on options and limitations of political and social action to fight youth unemployment. Section 6 summarizes and concludes.

2. What Is Different about Youth Unemployment?

An Explanation of Youth Unemployment from a Life-course Perspective (Heuristic Framework)

We shall analyse youth unemployment from a school-to-work-transition perspective. This perspective serves as a framework for analysing an individual's path from education to stable employment on an institutional basis. In these terms, individual paths from school to work comprise successive specific status episodes, such as higher and academic education, vocational training, temporary or other atypical jobs, military or civilian voluntary service, participation in training and labour market schemes, job search and unemployment episodes or other activities, including leisure time, staying at home to take care of family members and children or institutionalized episodes, such as being in prison or hospitals (Dietrich 2001). From a school-to-work-transition perspective, these episodes are typically of a temporary nature: the target destination is satisfactory integration into the labour market – whatever this means from an individual or country-specific perspective (Ryan 2001).

From a life-course perspective, unemployment episodes are seen not merely as transitional episodes like others, but interpreted as a possible outcome at the end of each status episode within the school-to-work transition process. From the theoretical and empirical perspectives episodes of unemployment are interpreted differently or may perform different functions within the school-to-work transition. From a neo-classical perspective, unemployment episodes are interpreted as periods of voluntary job search. Given time-fixed entry dates for schools, apprenticeship training or military service, unemployment episodes may function as waiting time. From a biographical perspective, unemployment episodes might serve as periods of vocational (re)-orientation or career planning. Thus periods of unemployment can be interpreted as the intended or unintended result of individual action in more or less market-organized matching processes embedded in specific institutional settings.

Thus the individual's school-to-work transition is conceptualized as a sequence of status episodes with individual and group-specific variations. Thus the number and types of status episodes within the school-to-work transition vary among individuals and social groups.

Each individual transition is connected to an individual and episode-specific risk of becoming unemployed. From an empirical perspective, individual characteristics such as gender, general and vocational qualifications, social background, including social class, family and household formation or socio-cultural background measured in terms of nationality, migration background or ethnicity not only affect access to and outcomes from education and employment but also the risk of becoming unemployed at the next transition. Social class–related family resources and decisions have a strong effect on educational and labour market opportunities (Boudon 1974).

Empirical research has identified country-specific patterns of school-to-work transition, connected with the country-specific settings of institutions involved in the school-to-work process (Heinz 1991; Furlong and Cartmel 1997; Shavit and Müller 1998; Müller and Gangl 2003; Raffe 2003). The key element is access to higher education and vocational training, which decisively shapes the school-to-work transition. However, countries vary with regard to the structure of general and vocational education, training and lifelong learning. The same applies to entry positions into the labour market, company-specific arrangements and social and labour law provisions. Employment systems are organised nationally, even though there have been many attempts to harmonise them at EU level.

Esping-Andersen (1990), Gallie and Paugam (2000) or Müller und Gangl (2003) have tried to cluster European countries along such dimensions as labour market protection, social security and other parts of the welfare state. The upshot is that the country-specific clusters are not as robust as expected, and even then substantial country-specific variation remains unexplained.

The same applies to country-specific instruments of active labour market policy for young people. All countries have developed labour market schemes for young people, such as additional education, qualifications or training and employment schemes to help young people into the labour market. However the design of active labour market policy for young people and the instruments implemented (also known as youth schemes; cf. OECD 2002) vary significantly between countries (OECD 2002; Serrano Pascual 2001; Dietrich 2003). Country-specific labour market policies are closely connected to a country's educational and vocational systems: the constitution of the employment system, the country-specific labour market situation and the welfare system, which are the core elements of the national school-to-work transition framework.

Nevertheless, the school-to-work transition – and the emergence of unemployment – depends on organisations and institutions, as determined by the general and vocational qualification system or the employment system. The extent to which access to these institutions is market-organised depends on the type of organisation and on the country. Access to market organisations is influenced by demand-side and supply-side factors such as demographics (cohort-specific birth rates, migration and life expectancy), business cycles, cohort-specific qualifications and job choices of individuals, as well as labour demand on the part of companies and the problem of mismatch in terms of skills, competences or qualifications. However, access to public organisations, such as upper secondary schools and universities for applied sciences may be limited, depending on individual performance, financial hurdles or other factors.

To summarise, compared to adults' life-course perspective young people are strongly affected by the school-to-work transition. The relevant institutional mechanisms are connected to a higher risk of becoming unemployed compared to the average life-course risks of adults. Thus the institutional motivation of unemployment episodes is more relevant for young people. Furthermore, these school-to-work-transition institutions are more sensitive to socio-economic macro-factors such as business cycle or demography. Even if the mechanisms of school-to-work-related institutions remain stable at the macro level opportunity structures change in general and modify individuals' or groups' risks of becoming unemployed rather than passing successfully to the next stage in the school-to-work transition.

3. Data and Measurements

3.1 Data

The European Union Labour Force Survey (EU LFS) is conducted in the 27 Member States, the three candidate countries and the three countries of the European Free Trade Association (EFTA). The country data come from Austria, Belgium, Bulgaria, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Hungary,

Malta, the Netherlands, Poland, Portugal, Romania, Slovenia, Slovakia, Spain, Sweden and the United Kingdom, as well as Iceland, Norway, Switzerland, Croatia, the Republic of Macedonia and Turkey.[1]

The LFS data used in this publication derive from Eurostat's online database (more specifically, the EU-LFS data),[2] which contains the full range of available public data. The database provides multi-dimensional tables, based on individual compilation on a range of dimensions and accessible within the framework of various selection features and export formats.

The EU-LFS is a large household sample survey providing quarterly results on the labour participation of people aged 15 and over, as well as on persons outside the labour force. All definitions apply to persons aged 15 years and over living in private households. Persons engaged in obligatory military or community service are not included in the target group of the survey; nor are persons in institutions/collective households.

The national statistical institutes are responsible for selecting the sample, preparing the questionnaires, conducting the direct interviews among households and forwarding the results to Eurostat in accordance with the common coding scheme.

Data collection covers the years since 1983. In general, data for individual countries are available depending on their accession date. The Labour Force Surveys are conducted by the national statistical institutes across Europe and are centrally processed by Eurostat, using the same concepts and definitions, following International Labour Organization (ILO) guidelines, using common classifications (NACE, ISCO, ISCED, NUTS) and recording the same set of characteristics in each country.

The LFS sample size is about 1.5 million people every quarter. The sampling rates in each country vary between 0.2 per cent and 3.3 per cent. The LFS is now a continuous quarterly survey. Initially, from 1983, its results covered one quarter per year only (usually spring), but from 1998 to 2005 it underwent a transition to a continuous survey – interviews are distributed across all weeks of the year – designed to give more reliable quarterly results.

The EU-LFS is a large sample survey among private households which provides detailed annual and quarterly data on employment, unemployment and inactivity.

The data can be broken down along many dimensions, including age, sex, educational attainment and distinctions between permanent/temporary and full-time/part-time employment. The data cover people aged 15 and over in the EU, the European Free Trade Association (EFTA) – except Liechtenstein – and candidate countries.

In 2010, the annual LFS sample size covering 33 countries represented 19 million young people 15 to 24 years of age, employed, unemployed or inactive.

The data used here cover the abovementioned 33 countries and at most the observation window 2001 to 2010, although for some countries data are available only for some years (Croatia, the Republic of Macedonia and Turkey) and not all countries deliver the whole set of variables used in the following analysis.

3.2 Measurements and Definitions

The category of »young people« is defined as those aged 15 to 24 years. This definition goes along with national and European definitions of young people, for example, in labour law. Different concepts may be used in other domains of law or social science. However, from a school-to-work-transition perspective, this is a technical definition of young people, not fully covering the school-to-work transition process, which varies due to individual characteristics, educational groups or countries and might even include individuals beyond their 30s (see Dietrich 2001).

Unemployment: in contrast to national statistics which differ in terms of definitions and statistics, the Labour Force Survey concept of unemployment is used which applies an ILO definition of unemployment:

The »unemployed« comprise all persons above a specified age who fulfilled the following criterion during a defined reference period:

1. In what follows two regional concepts are used: EU27 reports data from 2001 to 2010 for all current EU Member States; EURO17 includes the 17 current Euro countries constant over time; in the country-specific perspective available data from all European LFS participation countries are reported, namely the EU27 countries, three candidate countries and three EFTA countries.

2. See http://epp.eurostat.ec.europa.eu/portal/page/portal/microdata/lfs.

(a) »without work«, that is, were not in paid employment or self-employment;

(b) »currently available for work«, that is, were available for paid employment or self-employment during the reference period; and

(c) »seeking work«, that is, had taken specific steps in a specified recent period to seek paid employment or self employment. The specific steps may include registration at a public or private employment exchange; applications to employers; looking for jobs at worksites, farms, factory gates, market or other assembly places; placing or answering newspaper advertisements; seeking assistance from friends or relatives; looking for land, building, machinery or equipment to establish their own enterprise; arranging for financial resources; applying for permits and licenses, and so on.

This concept is more flexible compared to national definitions of unemployment which may require registration at labour offices (as in Germany) and also include people who are looking for employment on their own, but also labour market scheme participants, who are seeking work but not included in national unemployment registers. In fact, the registered unemployed do not have to be active jobseekers. This explains some notable differences between national (more technically oriented concepts) and the LFS concept of unemployment rate. The latter represents a more subjective kind of unemployment measure.

The unemployment rate is calculated as the percentage of unemployed in the labour force: Unemployment rate = unemployed / labour force (= unemployed + employed).

Group-specific unemployment rates are calculated as a percentage of group specific labour force; here youth unemployment rate = unemployed youth / youth labour force (= unemployed + employed youth).

The youth unemployment ratio is calculated as the ratio of the youth unemployment rate to the adult unemployment rate:

Labour market participation is a substitute for the labour force or the »currently active population«, which comprises all persons who meet the requirements for inclusion among the employed or the unemployed.

Gross domestic product (GDP) is a measure of economic activity, defined as the value of all goods and services produced minus the value of any goods or services used in their creation.

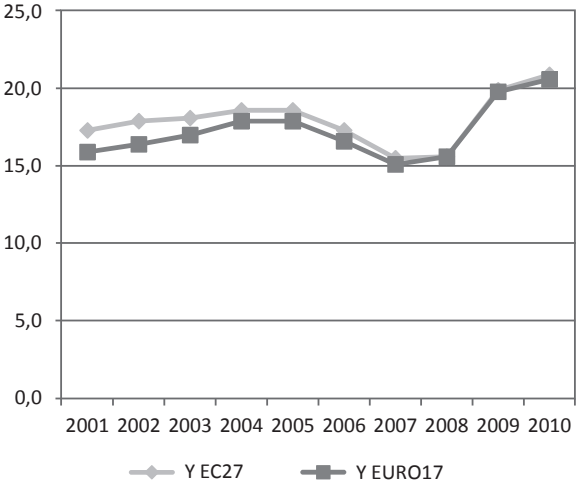
The Euro17 includes all current Euro countries and the EU27 includes all current EU Member States.

4. Empirical Findings

4.1 Youth Unemployment in European Countries since 2001

Youth unemployment rates at both the European and the national level experienced considerable turbulence in the 2000s. Within the Euro17 youth unemployment rates reached their lowest level in 2007 (15 per cent) and their peak in 2010 (22 per cent). The youth unemployment rate of the EU27 countries converged to the Euro17 pattern in the early 2000s and followed the Euro17 rate from 2007 onwards (Figure 1).

Figure 1: Youth unemployment rate, EU27 and Euro17 regions, 2001–2010

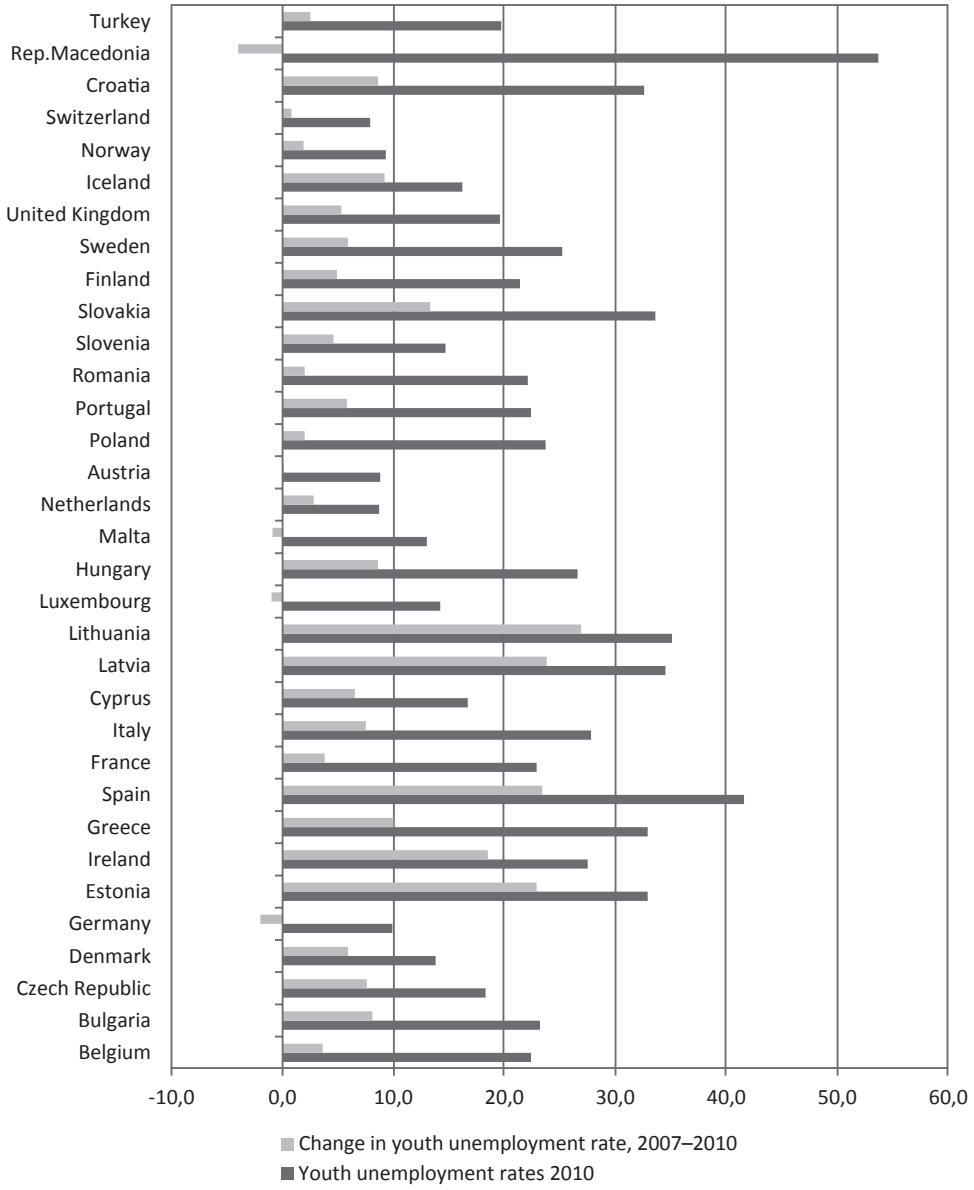


Source: Eurostat LFS; author's calculations.

In general, this picture confirms what has already been reported for the 1990s (Dietrich 2003; 2005): youth unemployment rates are characterised by marked and country-specific ups and downs, and from a country-specific perspective they are more or less strongly correlated over time, although with various exceptions (Figure 1).

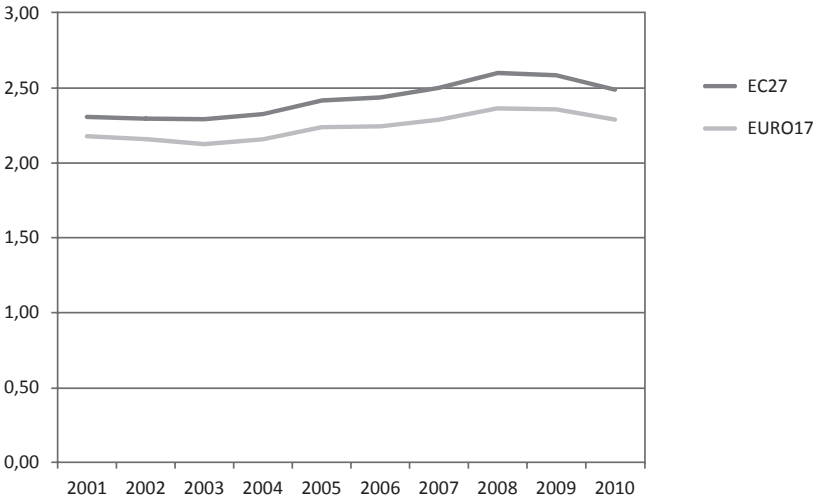
Next, we take a closer look at what has happened with regard to youth unemployment in the Great Recession from a country-specific perspective (Figure 2). As Figure 2 illustrates, youth unemployment rates in European countries differed considerably in 2010: in countries such as Switzerland, the Netherlands and Germany youth unemployment rates were below 10 per cent; however, in some countries youth unemployment rates were above 30 per cent and in Spain and Macedonia even above 40 per cent. Second, youth unemployment rates generally rose significantly in European countries between 2007 and 2010. The rise in the Baltic countries was particularly dramatic. On the other hand, in Germany, Macedonia, Malta and Luxembourg youth unemployment rates fell between 2007 and 2010.

Figure 2: European youth unemployment rates in 2010 and change of youth unemployment rate 2007–2010



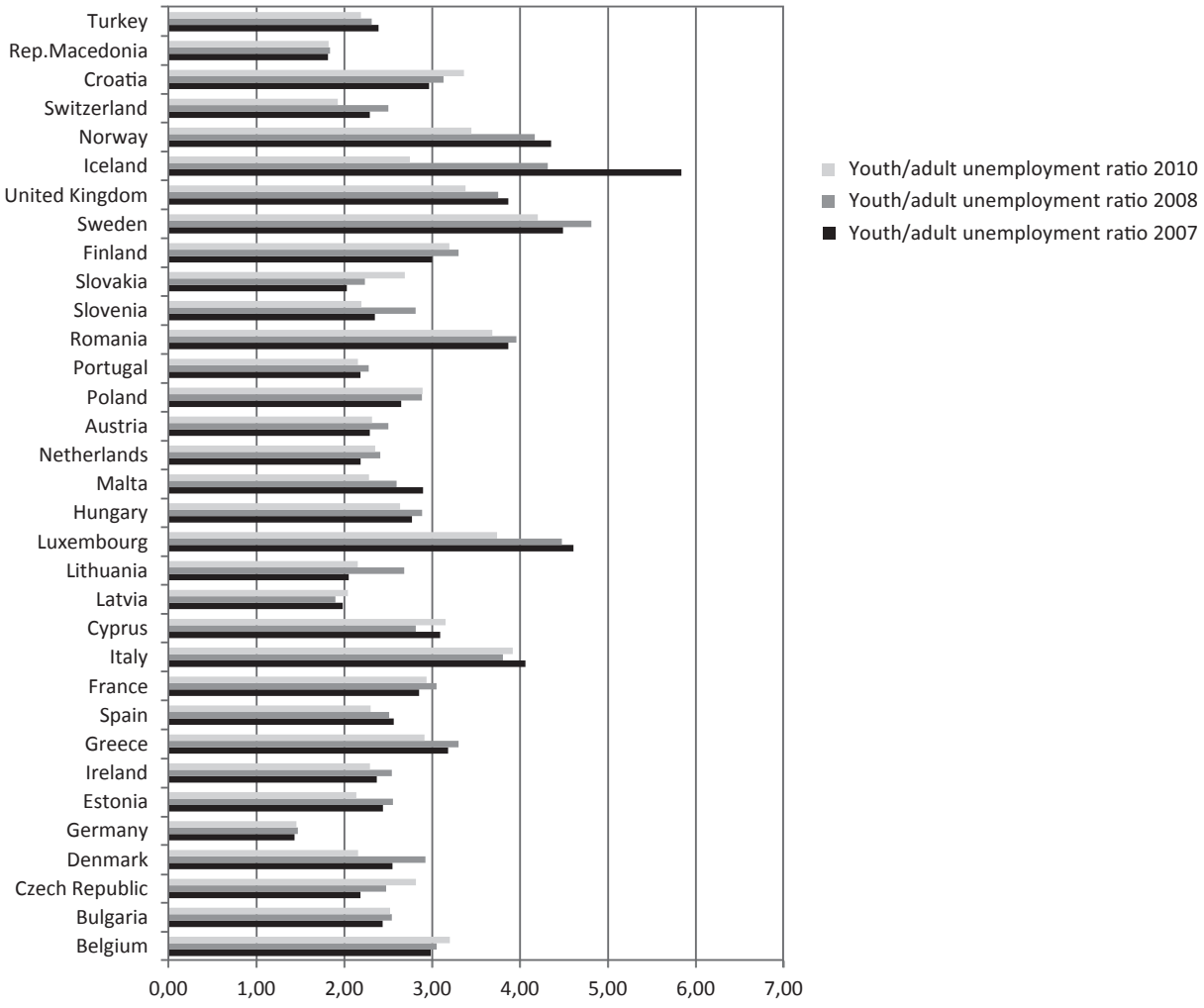
Source: Eurostat – LFS; author's calculations.

Figure 3: Ratio between youth (15–24) unemployment rate and adult (25–64) unemployment rate, EU27 and Euro17, 2001–2010



Source: Eurostat – LFS; author's calculations.

Figure 4: Ratio between youth (15–24) unemployment rate and adult (25–64) unemployment rate, selected European countries, 2007, 2008 and 2010



Source: Eurostat – LFS; author's calculations.

Next, we relate youth unemployment rates to adult unemployment rates. This relationship is expressed by the youth unemployment rate/adult unemployment rate ratio. On average, youth unemployment rates are more than double those of adults. Furthermore, this ratio increased during the 2000s and even more in the first year of recession (Figure 3). However, in the course of the last recession adult unemployment rates increased more rapidly, as expressed by a slightly decreasing youth unemployment rate/adult unemployment rate ratio at the end of the decade.

As shown in Figure 3, the recession affected youth unemployment rates earlier than their adult counterparts. In the course of the recession, however, the relationship was reversed and adult unemployment rates rose more rapidly until 2010.

From a national perspective, in most of the countries reported in Figure 4 the youth/adult unemployment rate ratio did not change dramatically if we compare 2010 with 2007, with the exceptions of Ireland and Norway. However, when we take into account the fact that youth unemployment rose in almost all countries between 2007 and 2010 (see Figure 2), our catch-up hypothesis with regard to adult unemployment is confirmed.

To sum up, European states vary dramatically with regard to the level and development of youth unemployment rates in the 2000s. Most experienced a sharp increase during the recession. However, adult unemployment rates were also affected, overtaking youth unemployment rates from 2008. Thus, the effects of the recession were not confined to young people. In the end most of the here observed countries YUER and AUER were touched comparably by the last recession however with a age specific timing.

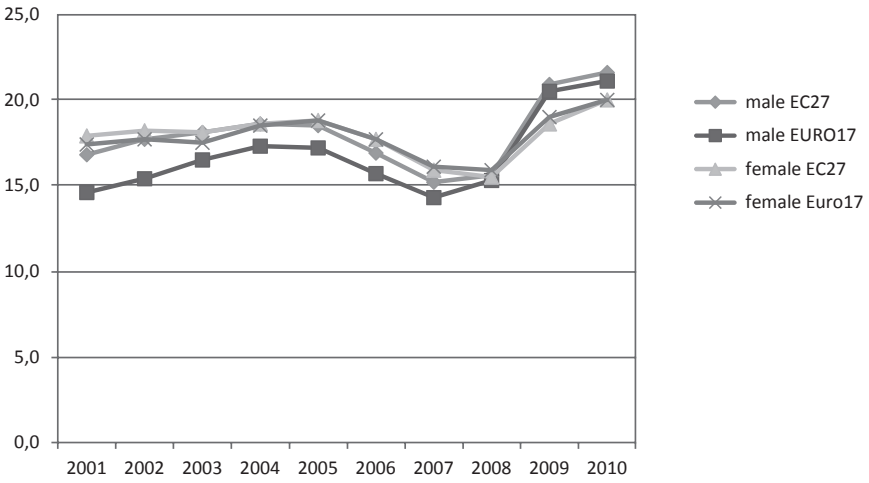
4.2 Who Are the Unemployed Young People? Group-specific Unemployment Rates

Gender

Measured by unemployment rates young males have been more strongly affected by the last recession than young females. Before the recession the male youth unemployment rate was significantly lower than its female counterpart in both the EU27 and the Euro17. This relationship has changed since 2008, when the male youth unemployment rate rose above the female rate (Figure 5).

During the recession the male youth unemployment rates increased more than the female rate in almost all observed European countries, with the exception of Malta, Cyprus, Switzerland and Turkey (Figure 6). In Germany and Macedonia the female youth unemployment rate decreased more than the male rate during the recession (Figure 6). The extent to which this gender-specific change in the unemployment risk was affected by a structural

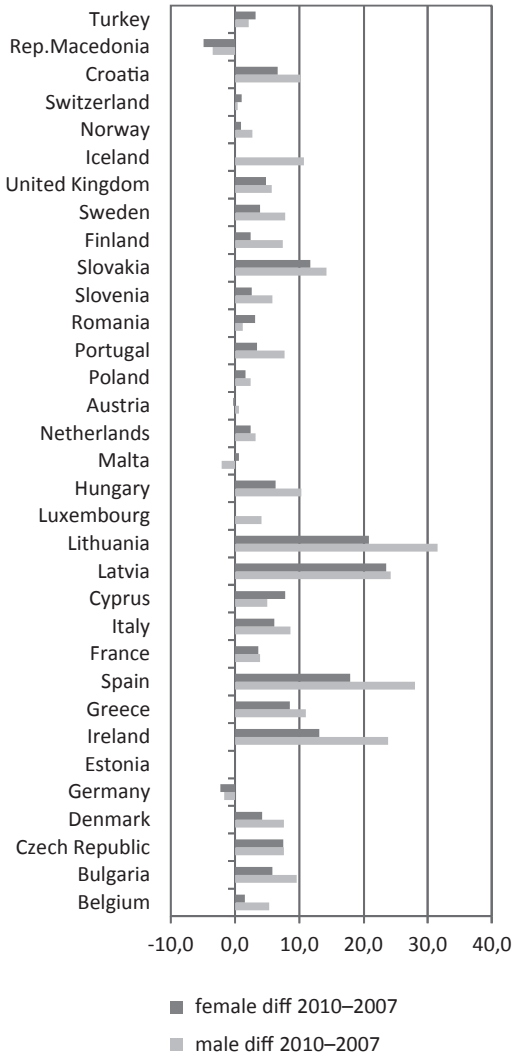
Figure 5: Youth unemployment rate by gender, EU27 and Euro17, 2001–2010



Source: Eurostat – LFS, author's calculations.

change or by short-term industry or occupation-specific effects whether of the crisis or other gender-specific mechanisms has not been examined and requires further analysis.

Figure 6: Change in youth unemployment rates by gender and European countries, 2007–2010



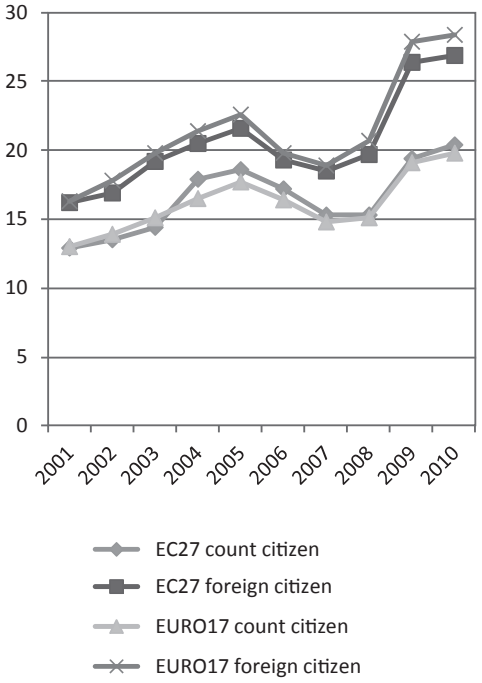
Source: Eurostat – LFS; author's calculations.

Citizenship

Citizenship is here defined in relation to the data reporting country. Thus, people who are citizens of a country other than the data reporting country are labelled foreigners. As regards immigrant background as the intended latent variable, the quality of data vary for different countries. Furthermore, not every country provides data on citizenship or the data on non-citizens are too sparse. (Countries for which data are lacking are identified by an asterisk.)

In the EU27 and Euro17 the youth unemployment rates of young non-citizens are higher than those of natives. Furthermore, the gap increased during the recession in both the EU27 and the Euro17 (Figure 7).

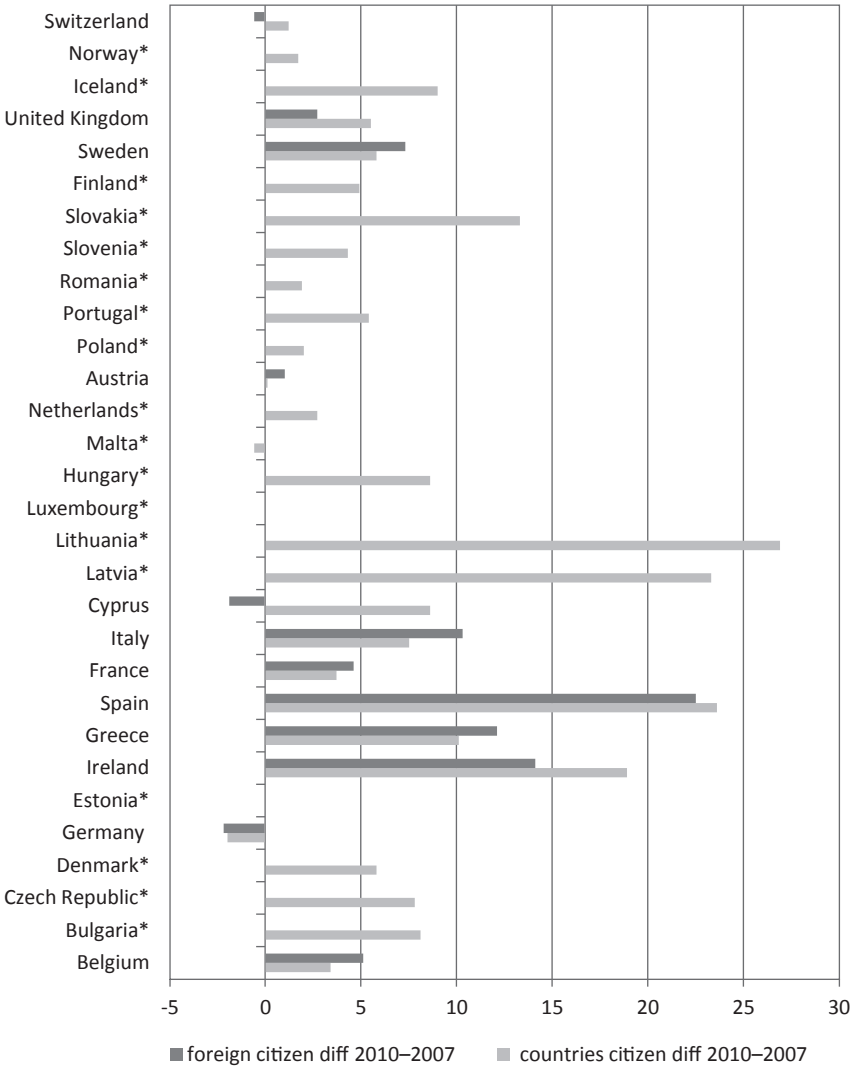
Figure 7: Youth unemployment rate by citizenship and EU27 and Euro17 regions, 2001–2010



Source: Eurostat – LFS; author's calculations.

The country-specific findings are not uniform: in some countries non-citizens have been harder hit by the recession than citizens of the data reporting countries. Furthermore, in some countries the total number of young non-citizens increased – for example, Italy, Spain or Greece – while in others (such as Ireland) the number of young non-citizens fell significantly (Figure 8).

Figure 8: Youth unemployment rate by citizenship and European countries, difference 2007–2010

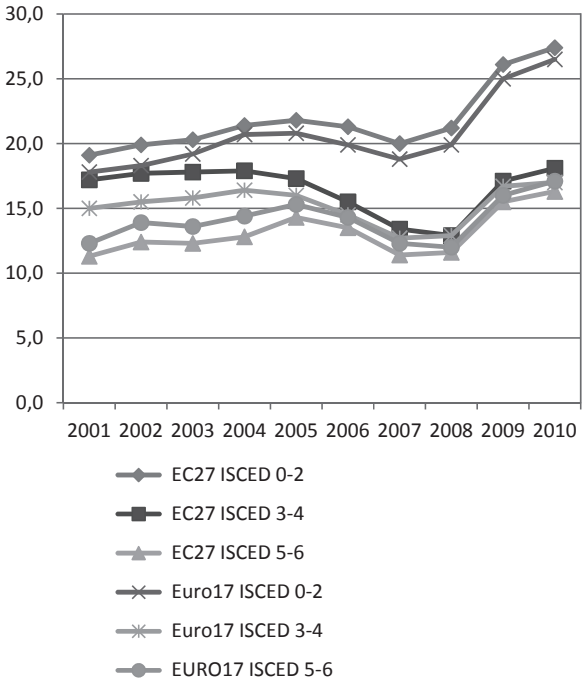


Source: Eurostat – LFS; * missing data for foreigners or citizenship (sample too small or question not asked); author's calculations.

Educational level

The International Standard Classification of Education (ISCED 1997 re-edition) (UNESCO 2006) is used to classify general and vocational qualifications on a comparative basis. In this paper qualifications are grouped at three levels: ISCED 0–2 (no qualifications, lower secondary qualifications), ISCED 3–4 (general and vocational qualifications at upper secondary level) and ISCED 5–6 (tertiary qualifications). It is important to take into account with regard to their life-course that people aged 15 to 24 may still be in education. Furthermore, the higher the educational level, the higher the proportion of young people who still have not attained their final qualifications. Expansion of education systems or restructuring of educational institutions – for example, Bologna Process, expansion of vocational training and so on – continued in the 2000s at different rates and on different bases in European countries.

Figure 9: Youth unemployment rate by education, EU27 and Euro17, 2001–2010

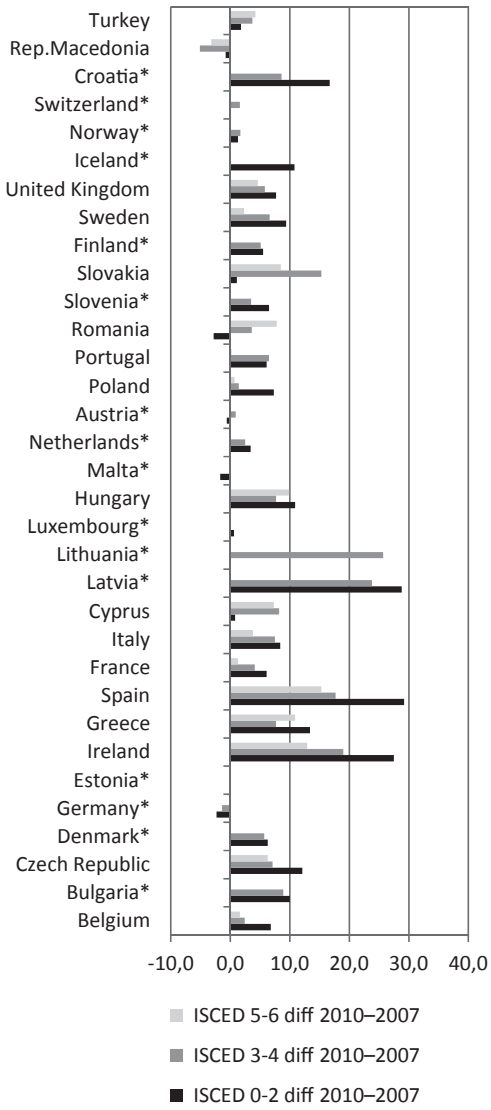


Source: Eurostat – LFS; author's calculations.

Beyond this institutional processes within Europe as a whole (Bologna Process) and country-specific developments at the aggregate level in the EU27 and Euro17, Figure 9 indicates a fundamental change in the qualification-specific risk of unemployment. While at the beginning of the 2000s we observe a pronounced risk pattern: relative low risk for tertiary graduates, a middle level of risk for upper secondary graduates and a high risk for low level graduates or young people without qualifications. Within the decade and already before the recession this trichotomy converged towards a dichotomous pattern contrasting those with low qualifications and those with medium and high level qualifications (Figure 9).

At the country level, again, the analysis is limited due to incomplete data, mainly due to small samples in the upper group (ISCED 5–6), which prevents the calculation of youth unemployment rates for educational subgroups at national level (such as ISCED 5–6 for Germany). However the general picture (presented above) is confirmed here, especially the fact that the lower qualified group (ISCED0–2) has suffered most from the recession (Figure 10).

Figure 10: Youth unemployment rate by education and European countries, difference 2007–2010



Note: * countries with incomplete data or small sample.

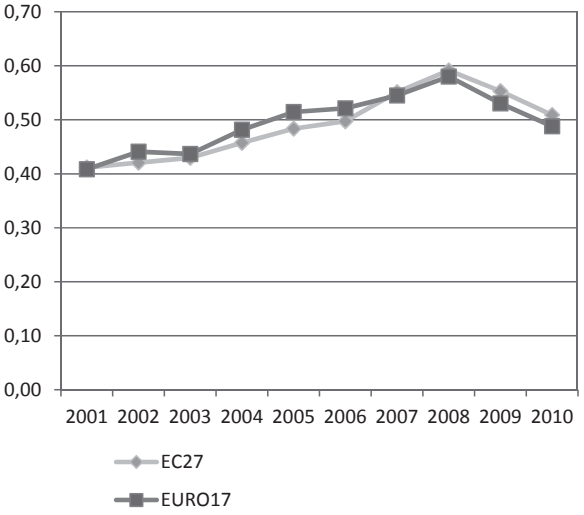
Source: Eurostat – LFS; author's calculations.

Duration of unemployment

On average, about 50 per cent of all unemployment episodes of young people below 25 years of age lasted less than six months (»short-term unemployment«) at the time of the Labour Force Survey. However this means the total duration of unemployment episodes is longer, due to the right-hand censoring effect of cross-sectional

observations. However, even if this cross-sectional measurement is not a perfect measurement of duration information, it provides helpful proxy information. Taking this methodological limitation into account, short-term unemployment increased in Europe in the 2000s, with a peak in 2008. According to the overall picture, unemployment duration increased during the last recession. The share of short-term unemployed in all unemployed young people fell from 60 per cent in 2008 to below 50 per cent in 2010 (Figure 11).

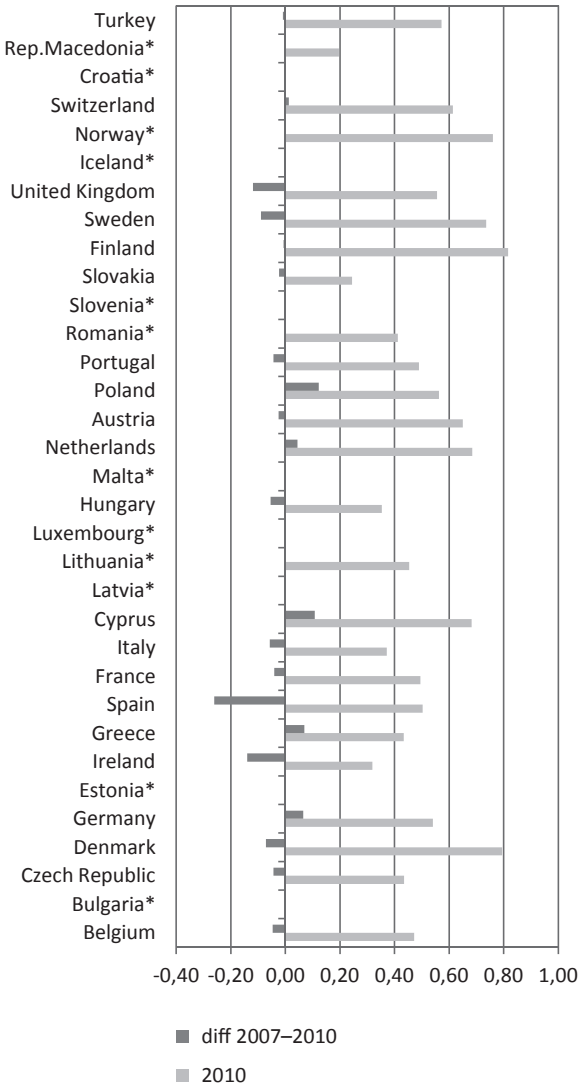
Figure 11: Share of short-term unemployed (below 6 months) in all unemployed young people, EU27 and Euro17, 2001–2010 (%)



Source: Eurostat – LFS; author's calculations

Figure 12 presents information on the share of short-term unemployed young people in all unemployed young people in 2010 and the change in the share between 2007 and 2010 in percentage points at national level. According to these figures, the pattern of unemployment varies significant between the observed countries. While in some Scandinavian countries up to 80 per cent of all unemployed young people reported unemployment durations below six months, in Central and Southern European countries we find more or less an equal distribution between short-term and long-term unemployed young people. In some of the Eastern European countries the group of long-term unemployed young people is over-represented compared to the other countries.

Figure 12: Share of short-term unemployment (below 6 months) at all unemployed young people in 2010 (%) and change of share 2007–2010 (percentage points), Euro-countries

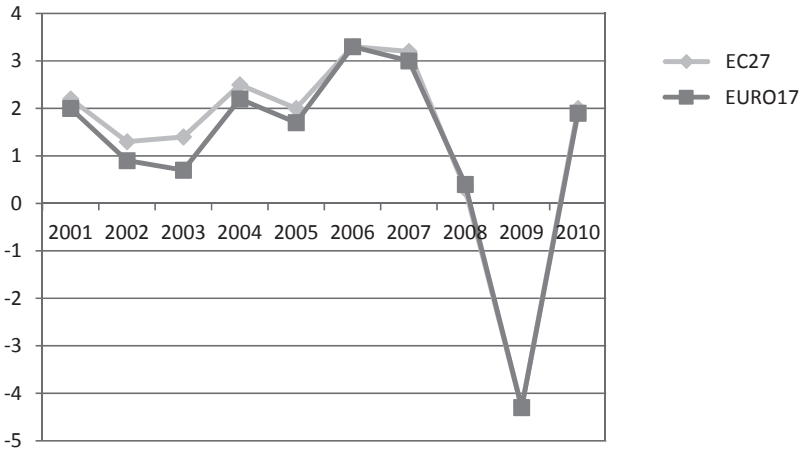


Note: * missing or incomplete data.

Source: Eurostat – LFS;; author's calculations.

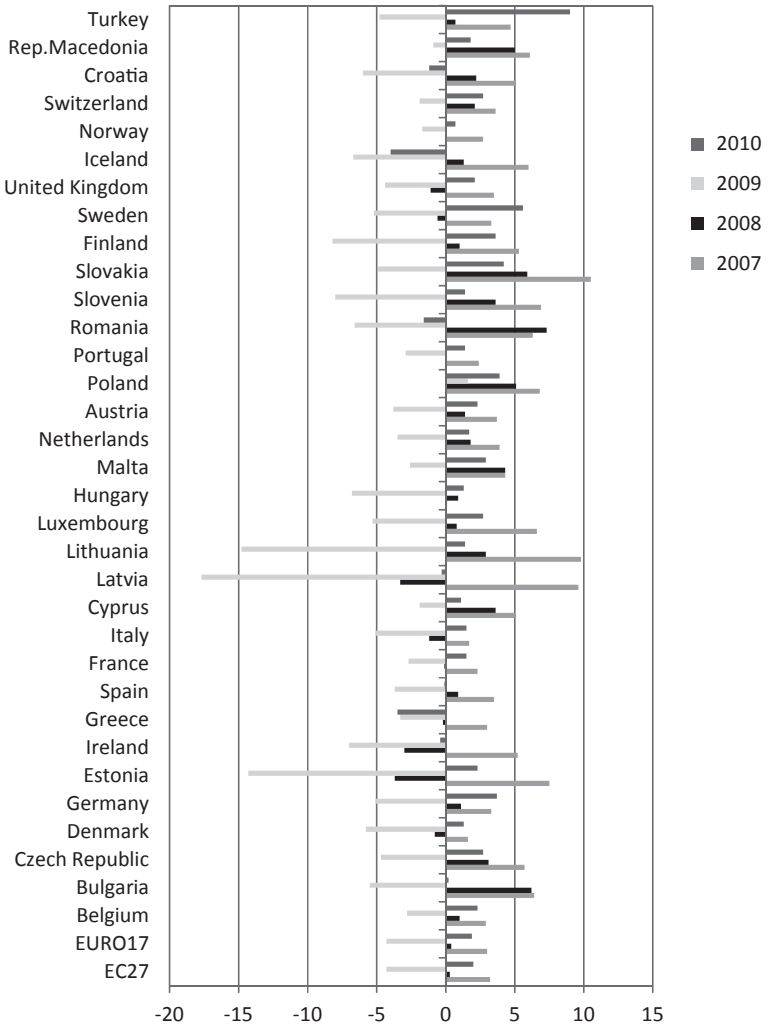
With regard to the recession two effects are noteworthy: (a) more people become unemployed and/or (b) individuals remain longer in unemployment. Typically, both mechanisms are found, but to what extent? Figure 12 identifies a decrease in short-term unemployment among all unemployed young people in Spain (–26 percentage points), Ireland (–14 percentage points) and the United Kingdom (–12 percentage points), which means that the

Figure 13: Real GDP growth rate, volume, EU27 and Euro17, 2001–2010



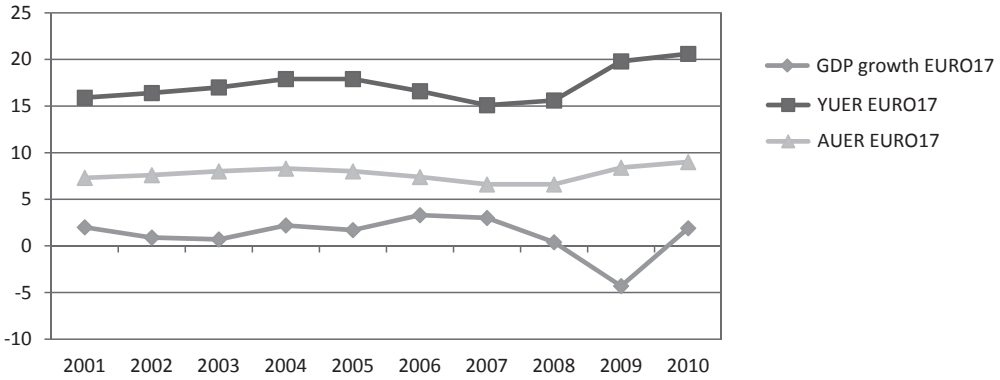
Source: Eurostat – LFS; author's calculations.

Figure 14: Real GDP growth rate (percentage change on previous year), European countries, 2007–2010



Source: Eurostat; author's calculations.

Figure 15: GDP growth, youth unemployment and adult unemployment, Euro17, 2001–2010



Source: Eurostat LFS; author's calculations.

share of young long-term unemployed increased, beyond a general increase in the number of unemployed young people within the same period. By contrast, in Poland (+12 percentage points) and Greece (+7 percentage points) the share of short-term unemployed young people increased, which means that more young people became unemployed, but they tend to remain unemployed for shorter (below 6 months) periods than usual. This indicates a more dynamic population of unemployed young people.

4.3 Youth Unemployment in the Context of the Business Cycle and Demographic Factors

The emergence of youth unemployment is due to both macroeconomic constraints and individual behaviour. We focus on the effects of the business cycle and demographic development.

Business Cycle

The relationship between the business cycle and youth unemployment in general is well explored at the macro level; in what follows the effect of the last recession on youth unemployment is in focus. The measure used to identify business cycle effects is GDP (data published by Eurostat for the EU27 and the Euro17).

GDP »is a measure of the economic activity, defined as the value of all goods and services produced less the value of any goods or services used in their creation. The calculation of the annual growth rate of GDP volume is intended to allow comparisons of the dynamics of economic development both over time and between economies of different sizes. For measuring the growth rate of GDP in terms of volumes, GDP at current prices are valued in the prices of the previous year and the thus computed volume changes are imposed on the level of a reference year; this is called a chain-linked series. Accordingly, price movements will not inflate the growth rate« (Eurostat: http://epp.eurostat.ec.europa.eu/tgm/web/table/description.jsp). Figure 13 delivers a general overview, describing the business cycle measured by real GDP and change in the EU27 and the Euro17 in the 2000s. The corresponding time series for Germany is supplemented.

As Figure 13 shows, after some turbulence in the early 2000s, we observe a severe upturn in 2006–2007, which is followed by an exceptional GDP downturn from 2008 onwards and a first recovery in 2010.

According to Figure 14 the Baltic States in particular experienced considerable turmoil with regard to GDP growth. These countries were directly affected by the financial crisis, with negative GDP growth already in 2008. The same applies to Ireland and Italy, although the GDP decrease was smaller. Germany has been closer to the EU27 or Euro17 average, with slightly stronger upturns and downturns (Figure 14).

Business Cycle and Youth Unemployment

According to the literature, youth unemployment is connected to the business cycle and related GDP growth at the European level (Figure 15), although the link is not

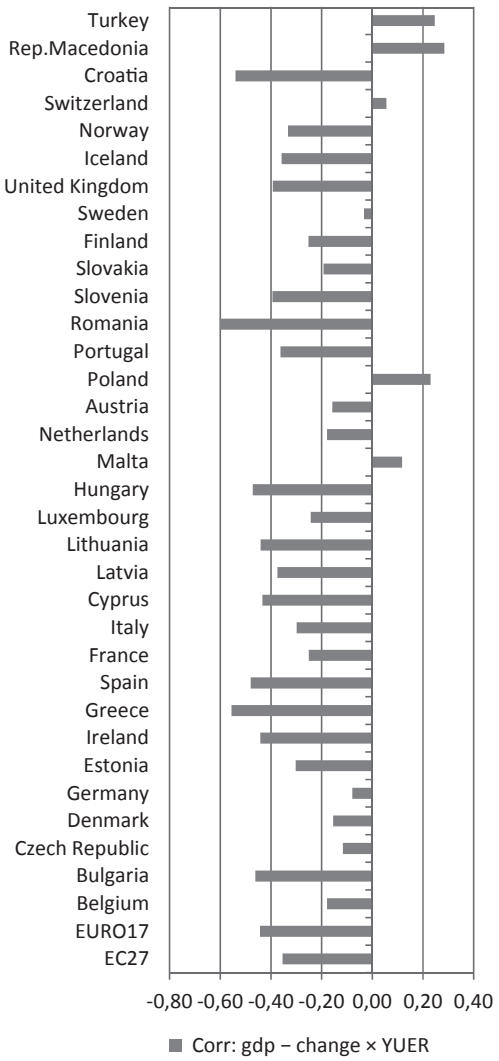
particularly strong (corr. 44; see Figure 16). Adult correlation is significantly weaker, which is also in line with the theory.

Figure 16: GDP growth and youth unemployment/adult unemployment, Euro17, 2001–2010 (correlations)

corr youth unemployment rates GDP	–0.44323
corr adult unemployment rates GDP	–0.29195

Source: Eurostat LFS; author's calculations.

Figure 17: GDP growth, youth unemployment and adult unemployment, European countries, 2001–2010 (country-specific correlations)



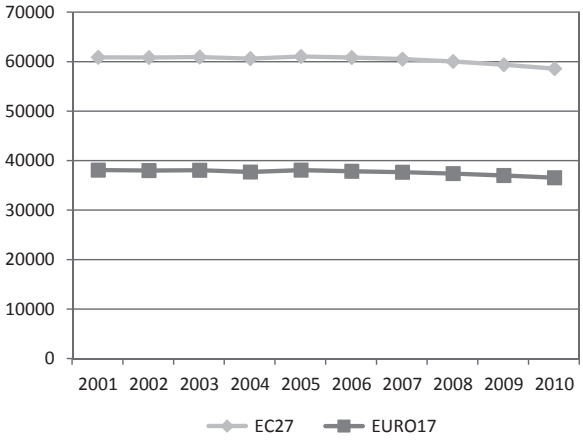
Source: Eurostat LFS; author's calculations.

Looking at the country level, we observe sharp differences with regard to the relationship between youth unemployment and GDP growth in the 2000s. A few countries show positive correlations of GDP growth (Switzerland, Poland, Malta, Macedonia and Turkey), while others – such as Germany, Sweden and the Czech Republic – exhibit weak negative correlations and mainly Eastern and Southern European countries medium correlations between GDP growth and youth unemployment (Figure 17).

Population: Demographic Development

From a theoretical perspective a growing population – here the youth population – intensifies competition for access to favoured courses in education and training, but also to the labour market. Thus we expect a positive relationship between population growth and youth unemployment. To explore this, we first take a look at youth population growth. What we observe at the European level is a slight decrease in the youth population during the 2000s, which should make access to education, training and work in general easier (Figure 18).

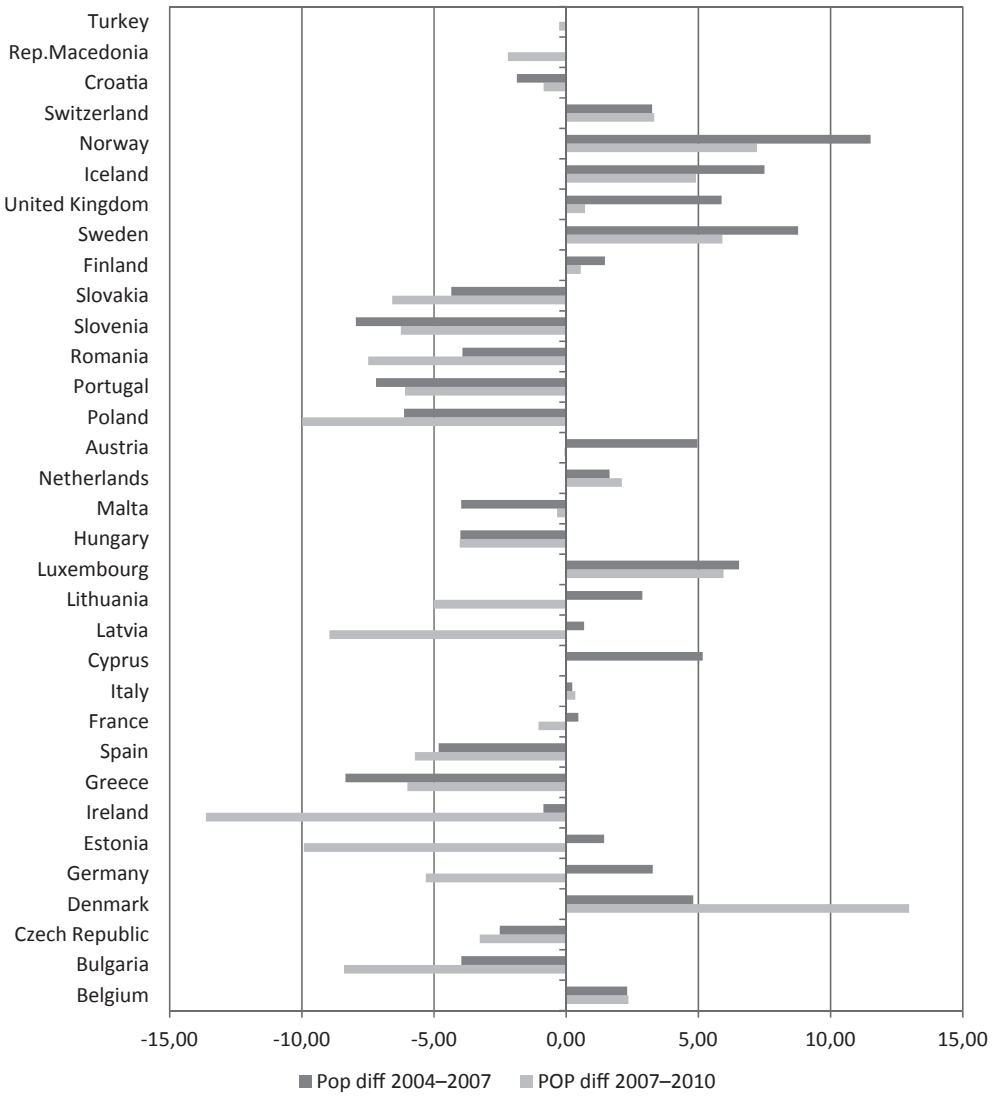
Figure 18: Youth population, EU27 and Euro17, 2001–2010



Source: Eurostat – LFS; author's calculations.

At the national level, the picture of youth population growth is often less dramatic (Figure 19) than at the European level. A first group of countries experienced a growing youth population in the 2000s, such as most of the Nordic countries; a second group of countries saw a strong reduction in youth population; and a third group experienced a demographic switch from a rising to a falling youth population in the late 2000s (Figure 19).

Figure 19: Youth population in European countries, change 2004–2007 and 2007–2010



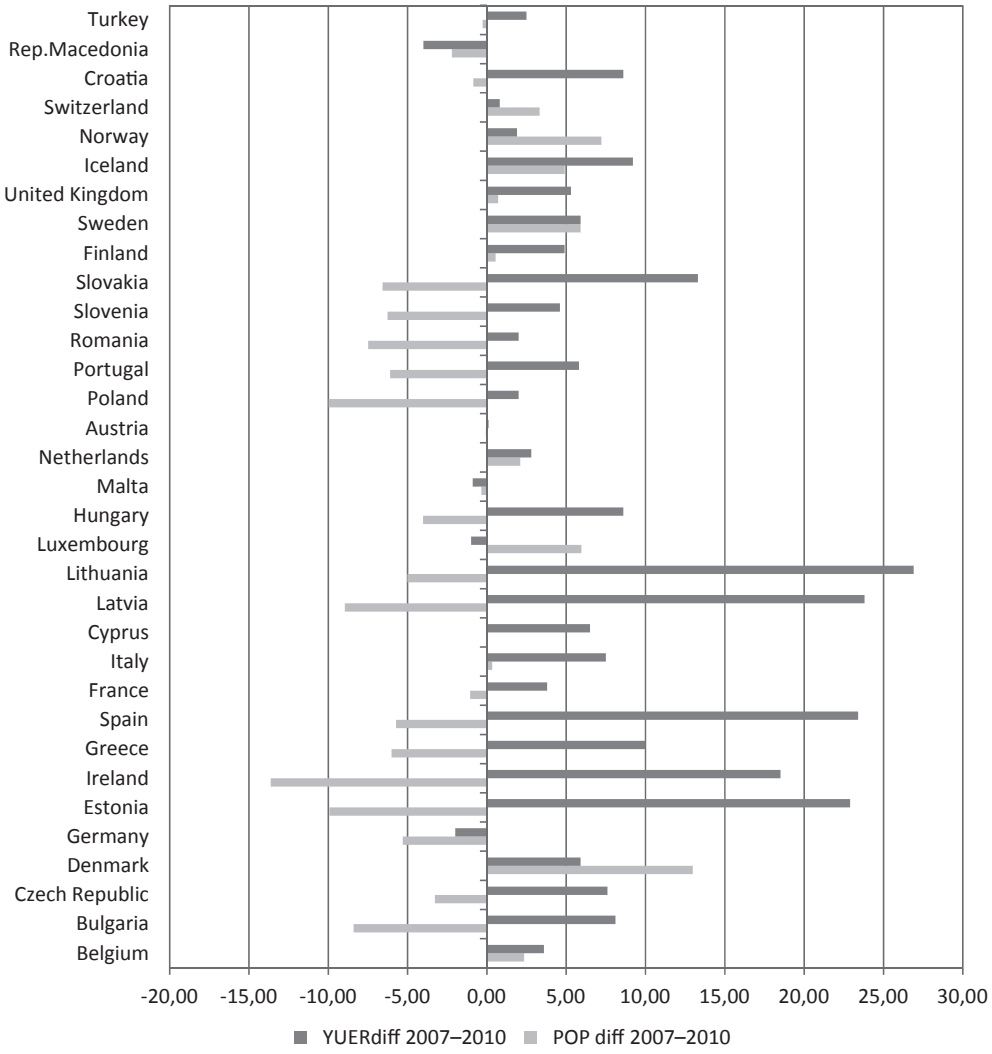
Source: Eurostat – LFS; author's calculations.

Figure 20 compares youth population growth and youth unemployment change in European countries between 2007 and 2010. Most of the Nordic countries, for example, show the expected positive correlation of youth population growth and youth unemployment, while other countries – for example, Germany – exhibit falling youth unemployment in tandem with a falling youth population. Cross-sectional data – such as LFS data – however, do not allow us to explore this relationship in more detail: for example, falling immigration to or migration from these countries could be one explanation of demographic developments.

Share of Young Unemployed in the Youth Population

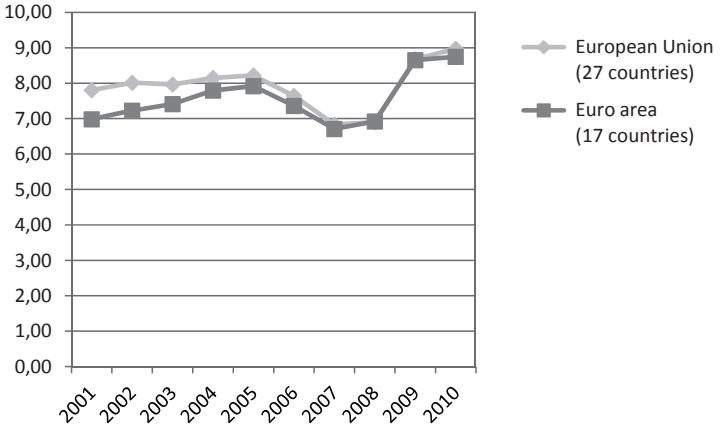
The share of young unemployed in the youth population is also referred to as the youth unemployment ratio. From a European perspective the average population share of young unemployed varies in the 2000s between 7 and 9 per cent (Figure 21) compared to 15 per cent to 23 per cent for the corresponding youth unemployment rates (Figure 1).

Figure 20: Youth population and youth unemployment in European countries, change 2007–2010



Source: Eurostat – LFS; author's calculations.

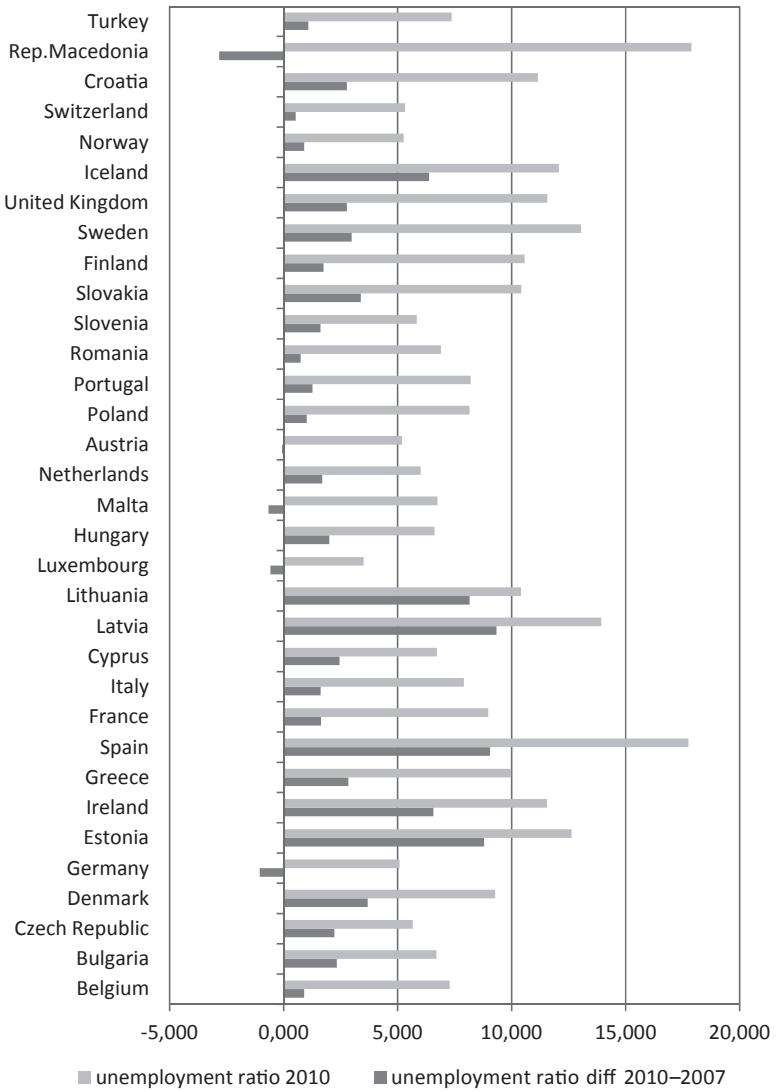
Figure 21: Share of young unemployed in youth population, EU27 and Euro17, 2001–2010



Source: EUROSTAT – LFS; author's calculations.

Even on the country level Figure 22 reports modest differences in the youth unemployment ratio, with a few exceptions. Compared to the unemployment rates the country specific increase between 2007 and 2010 appears more smoothed, with the exception of the Baltic countries and Spain.

Figure 22: Share of young unemployed in youth population 2010 and change of share 2007–2010, European countries

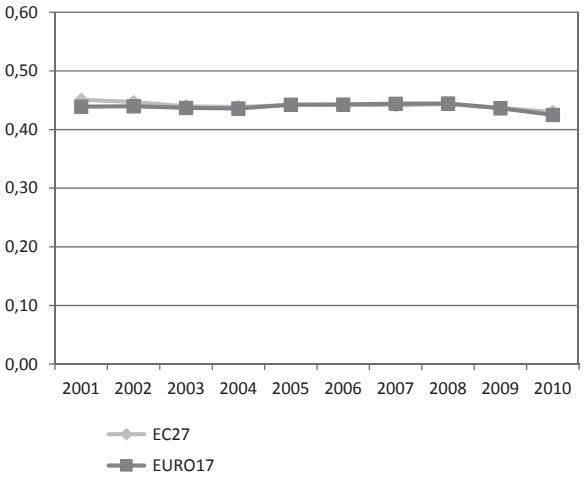


Source: EUROSTAT – LFS; author's calculations.

Youth Labour Market Participation and Youth Unemployment

Comparing youth unemployment rates and the share of young unemployed in the youth population already indicates country-specific differences in youth labour market participation. In the following section we explore the relationship between youth labour market participation and youth unemployment rates in more detail. As already defined in Section 3.2 the unemployed and the employed contribute to the labour force. Thus, in simplified terms, changes in unemployment rates may be implicitly interpreted as an exchange between the employed and the unemployed group. However, both groups experience

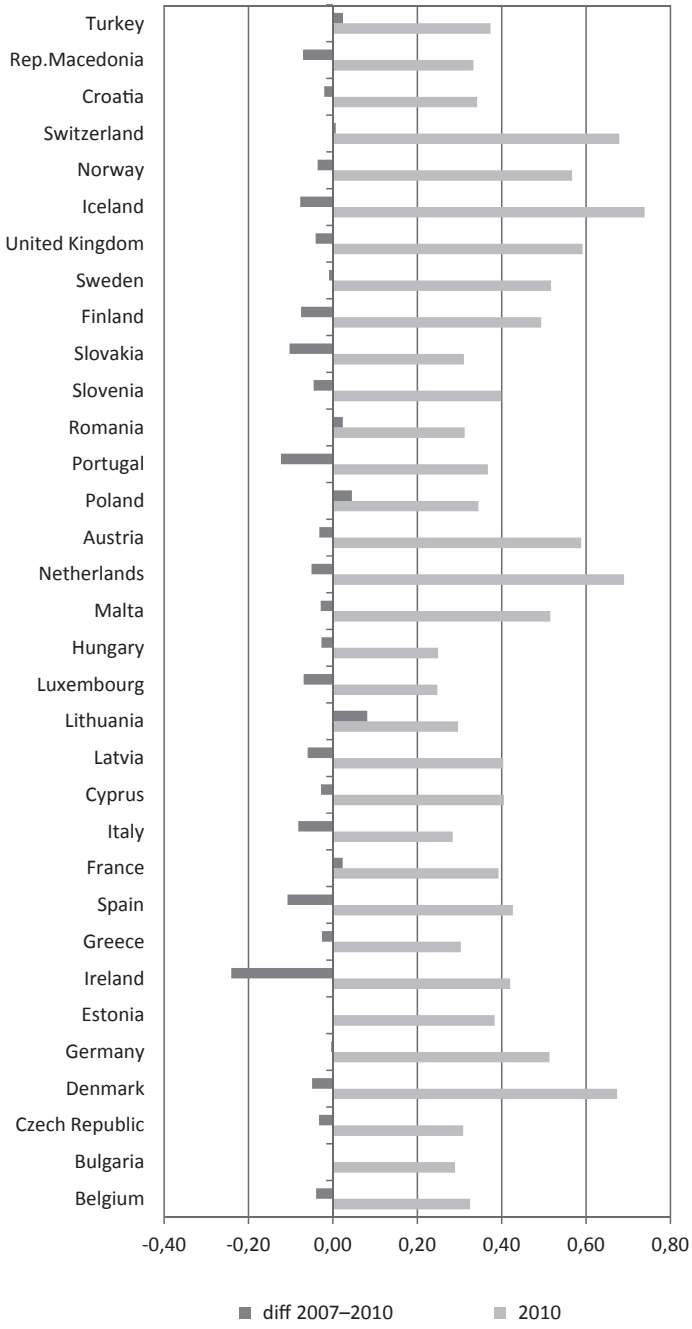
Figure 23: Youth labour market participation, EU27 and Euro17, 2001–2010



Source: EUROSTAT – LFS; author's calculations.

an exchange with inactive groups, too (see Schmid and Gazier 2002). From a school-to-work transition perspective, exchanges between labour market–active and unemployed groups can be a significant exchange pattern in addition to transitions from employment to unemployment, and vice versa. The transition from general or vocational schooling to a first job is assumed to be connected with a high risk of unemployment. Furthermore, using the ILO definition of unemployment, LFS data are more sensitive to transitional episodes of unemployment compared to country-specific unemployment concepts, such as that of Germany, for example. However, even young people who are already integrated into the labour market are more vulnerable to job loss compared to older people: a lack of experience and lower productivity, temporary contracts or seniority rules raise the risk of becoming unemployed compared to older employees (see Dietrich 2001). Figure 23 presents youth labour market participation for the EU27 and the Euro17. Figure 23 presents minor variations for the 2000s at the aggregate level for Euro17 and EU27 countries. Of particular interest is the slight decrease in youth labour market participation during the last recession in both aggregates. This underpins the hypothesis that the recession both raised youth unemployment rates and tended to reduce youth labour market participation: the change in youth unemployment rates captures only part of the dynamic caused by the recession.

Figure 24: Youth labour market participation in European countries 2010 and change between 2007 and 2010



Source: EUROSTAT – LFS, author's calculations.

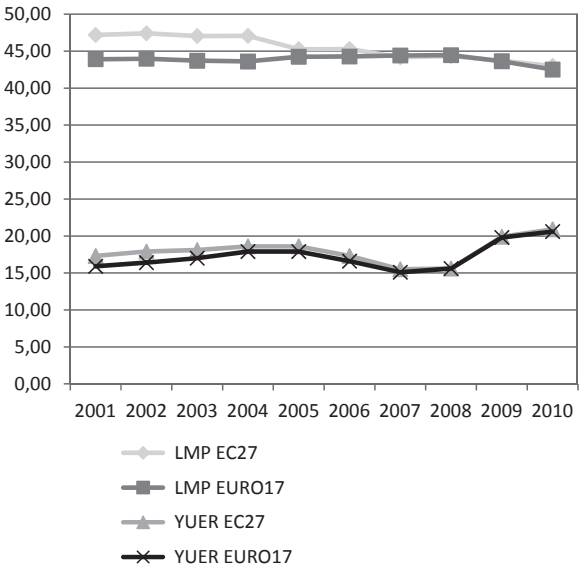
At the national level the decrease of labour market participation during the last recession is more pronounced (Figure 24). Countries such as Ireland, Spain and Portugal experienced a significant reduction in youth labour mar-

ket participation. In contrast, countries such as Romania, Poland and Lithuania (new member states), but also Turkey and France show the opposite trend. Country-specific processes such as changes in educational behaviour and so on have to be taken into account here. However the LFS data are not sufficient to control for such processes sufficiently.

Youth Labour Market Participation and Youth Unemployment Rates

Figure 25 contrasts youth labour market participation and youth unemployment rates over the past decade. Correlation measures serve to confirm it. Focusing on the Euro17, LFS data indicate a negative correlation between labour market participation and youth unemployment rates (–.82). The connection is somewhat stronger for the EU27. This indicates an increase in youth unemployment is accompanied by a reduction in youth labour market participation, and vice versa.

Figure 25: Youth labour market participation and youth unemployment rate, EU27 and Euro17, 2001–2010

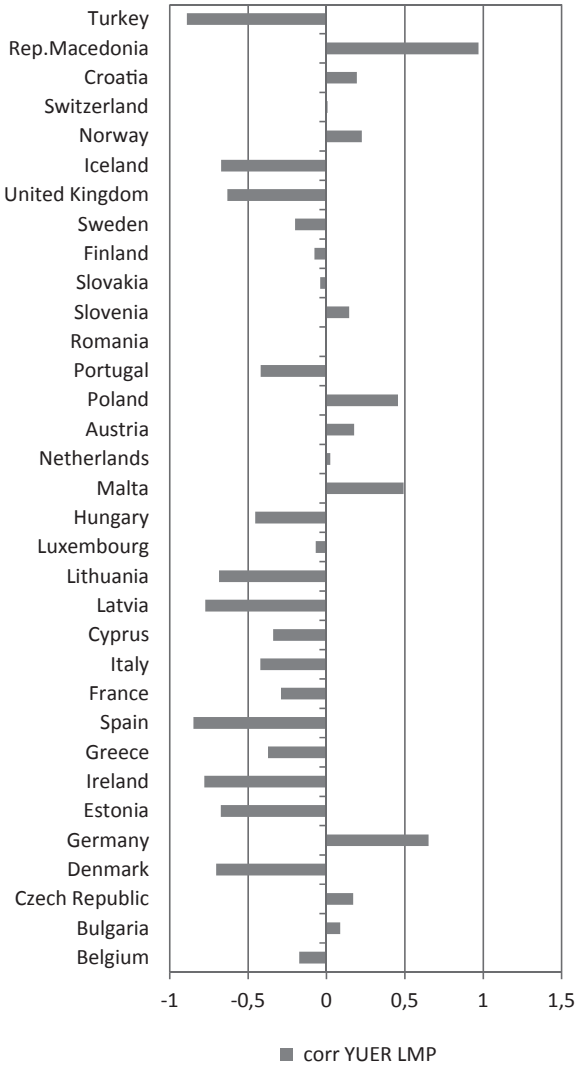


Source: EUROSTAT – LFS; author's calculations.

Thus remaining longer than usual in education or returning to education could be used as a strategy to avoid unemployment or to leave unemployment. Dietrich and Kleinert (2005) found for Germany that social class background, school performance and level of educational degree already achieved mainly determine the probability of young people leaving unemployment episodes returning to education or training.

At the country level we find strong negative correlations between country specific youth unemployment rates and youth labour market participation (Figure 26), which supports our assumption (again with some exceptions, such as Germany, Macedonia, Poland, Malta and Austria). The composition of this group of countries indicates that there might be different mechanisms at work. Again, the LFS data are not adequate to allow us to disaggregate the findings properly.

Figure 26: Youth labour market participation and youth unemployment rate, correlations, European countries, 2001–2010



Source: EUROSTAT – LFS; author's calculations.

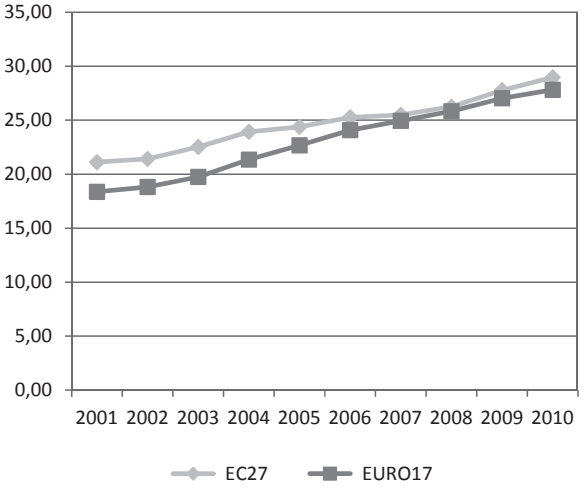
4.4 Temporary and Part-time Employment

So-called atypical employment contracts – part-time, temporary and so on – have been extensively discussed by social scientists over the past decade, but there is no academic consensus on the effects of employment protection legislation on young people's employment prospects (Noelke 2011). In what follows we describe part-time and temporary job development in the 2000s and during the recession.

Part-time Employment

Part-time employment increased steadily during the 2000s in the EU27 and Euro17. There was no change in this trend during the recession in the Euro17 countries, but LFS data indicate a slightly increase in the EU27 (Figure 27).

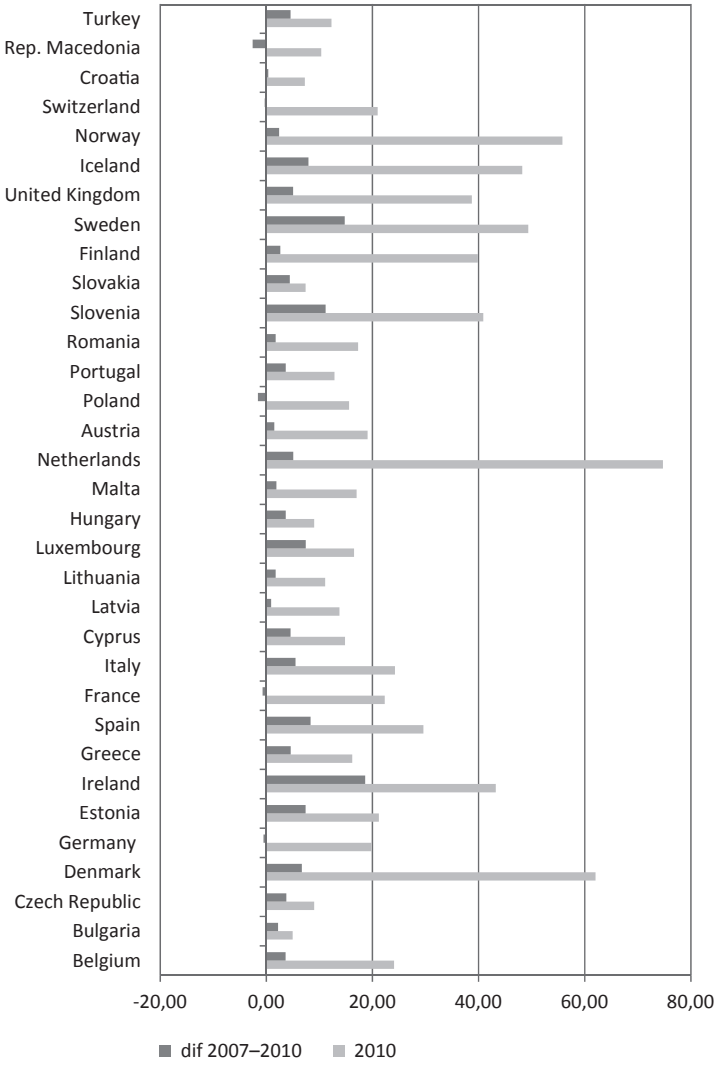
Figure 27: Part-time employment rate among young people 2010 and change 2007–2010, EU27 and Euro17



Source: EUROSTAT – LFS; author's calculations.

At the national level, however, the picture is more complex. European countries show remarkable differences with regard to youth part-time employment rates. In the Netherlands, the Scandinavian countries, the United Kingdom, Ireland and Slovenia part-time employment rates clearly exceeded the European average in 2010. By contrast, most eastern European countries showed below average part-time employment rates. In the course of the last recession in France, Germany and Poland the part-time rate for young people fell slightly. In almost all other countries, however, part-time employment rates for young people increased. Thus it seems that some countries used part-time employment as an instrument to respond to the crisis. But it does not seem to represent a general pattern for all countries (Figure 28).

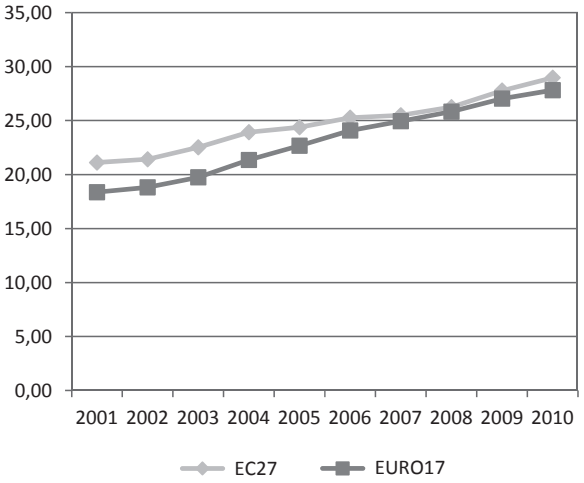
Figure 28: Level of part-time youth employment in European countries in 2010 and change of part-time rate during recession 2007–2010



Source: EUROSTAT – LFS; author's calculations.

Does part-time employment protect people from unemployment? Country-specific correlations of part-time employment rates and youth unemployment rates in the 2000s do not support a straightforward explanation (Figure 29).

Figure 29: County-specific correlations of part-time employment rates and youth unemployment rates, 2001–2010



Note: * data missing at national level.

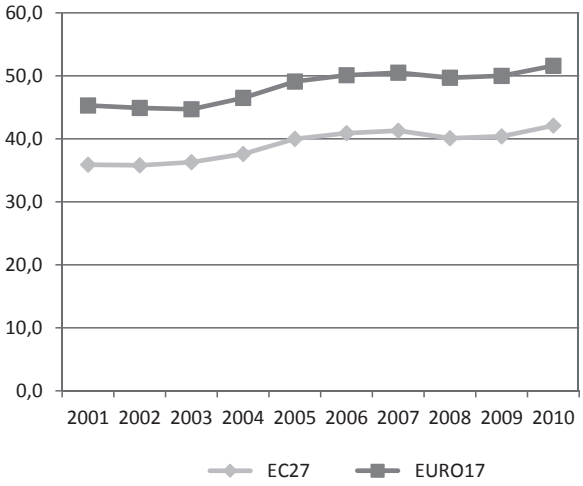
Source: EUROSTAT – LFS; author's calculations.

Some countries – such as the United Kingdom, Ireland, Portugal and Belgium – have strong positive correlations (above .50), while other countries, such as Finland, Malta, Italy and Norway, have strong negative correlations. Commenting on these results is not easy and depends on the employment conditions of part-time contracts. Particularly in the case of part-time employment connected with temporary employment contracts, the unemployment risk may rise. The combination of both dimensions of labour contracts is well known (see Leschke 2012: 9ff). However, adequate national data are not available from the LFS (small sample). Thus we will focus on the emergence and possible unemployment effects of temporary work contracts.

Temporary Employment

Temporary employment includes two types of atypical employment relations: fixed-term contracts and temporary agency contracts. In general, temporary employment contracts are more vulnerable to business cycles compared to permanent employment contracts because it's easier for firms not to prolong or enter into new temporary contracts than to lay off permanent employees. However, in countries with less stringent labour laws the protection gap between temporary and permanent contracts might be marginal (for example, the United Kingdom).

Figure 30: Temporary employment rates, EU27 and Euro17, 2001–2010



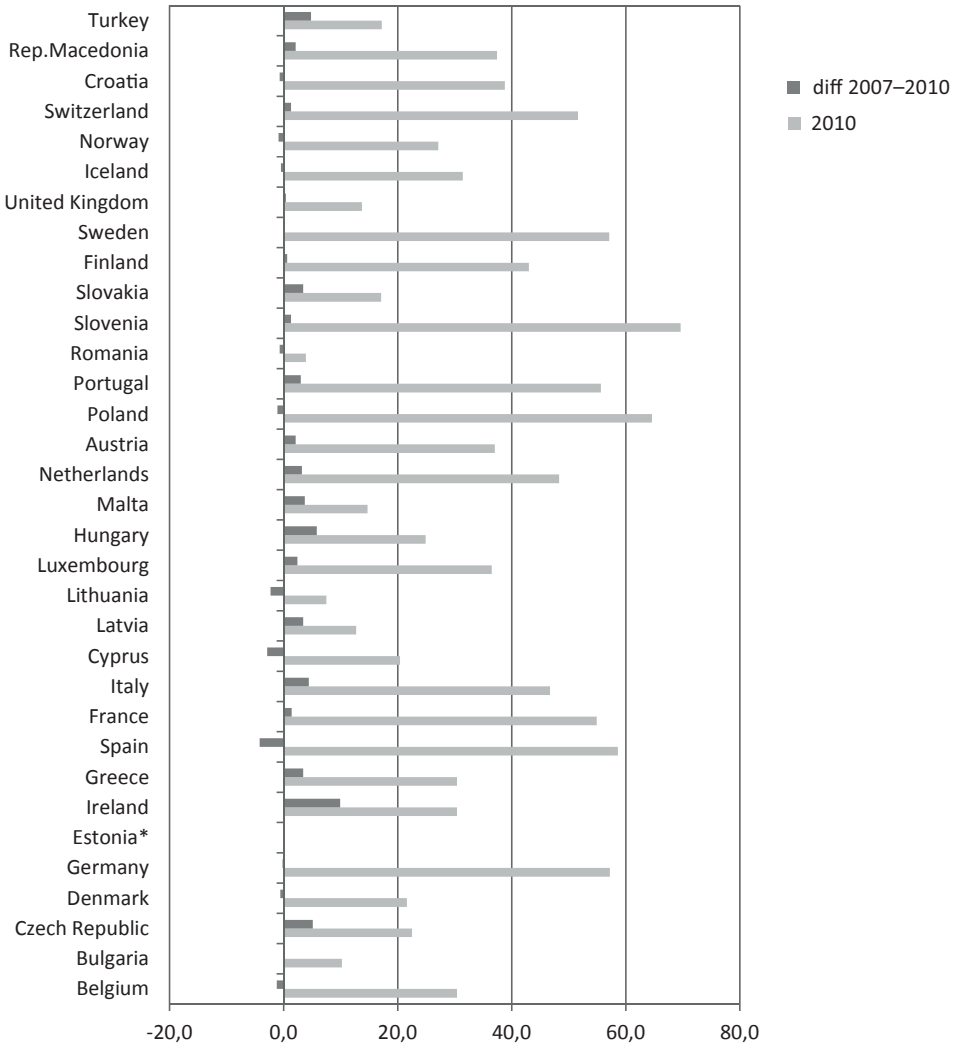
Source: EUROSTAT – LFS; author's calculations.

Thus temporary workers have a higher risk of becoming unemployed at the end of their contract. On the other hand, temporary contracts may promote job creation in periods of economic uncertainty or for specific groups of workers lacking qualifications or work experience, such as young graduates. Hitherto, the empirical evidence on the employment effects of atypical employment is inadequate and the empirical results are widely inconsistent.

The proportion of temporary employment contracts continues to increase in correlation with the business cycle for both the EU27 and Euro17 (Figure 31). However, there are some concerns about the LFS data with regard to the inclusion of temporary training contracts – such as apprenticeships – are included. Cross-checking the LFS data with the German *Mikrozensus* confirms that more than 60 per cent of the young temporary employed reported in the LFS data for Germany are apprenticeship trainees (Figure 31).

Taking into account the abovementioned data restrictions concerning the number or share of temporary employment contracts, Figure 28 shows that European countries differ significantly with regard to temporary employment rates. However, youth unemployment rates and temporary employment rates are weakly correlated. Responses to the recession seem to be strongly country-specific.

Figure 31: Temporary employment rate 2010 and change 2007–2010, European countries



Note: * data missing on national level;

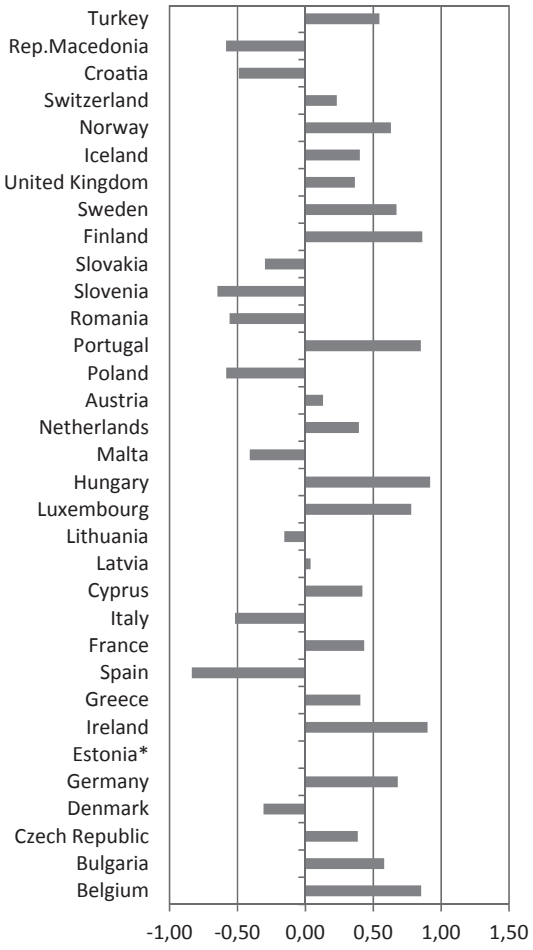
Source: EUROSTAT – LFS; author's calculations

For example, while Spain, with its high temporary employment rate, has already reduced youth employment by restricting temporary employment contracts, other countries – such as Ireland – have boosted the temporary employment rate during the recession (Figure 32). We need to identify the mechanisms behind the country-specific relationship between youth unemployment rates and temporary contracts in national studies, taking into account national labour protection policies and the implementation of these instruments.

5. Avoiding Youth Unemployment – Possible Areas of Action

The analytic part of this paper (Section 4) identifies both group-specific and contract-specific factors that increase the risk of unemployment. In general, both dimensions are correlated. This means that low qualified young people are the main group at risk of experiencing unemployment in terms of occurrence and duration. Males and people with an immigrant background show higher risks of unemployment compared to others. This might be connected with both gender-specific stratification of industries and occupations and variations in educational attain-

Figure 32: National correlations of temporary employment rates and youth unemployment rates, 2001–2010



Note: * data missing on the national level.

Source: EUROSTAT – LFS; author's calculations.

ment. Temporary contracts are connected with a higher risk of unemployment, and due to the particular nature of such contracts, the interaction between type of contract and contract holder is to be taken into account. However, the country-specific variation of probability of occurrence and duration of individual unemployment spells seems to be connected to country-specific institutional settings such as the welfare system (Esping-Andersen 1990), the links between welfare system, education and the labour market (Hall and Soskice 2001; Nee and Swedberg 2005) and the institutions of labour market regulation and social protection (Berg 1981; Nickell and Layard 1999; Cahuc and Zylberberg 2004).

According to the main findings the following fields are addressed by the literature as affecting youth unemployment: education and training, labour regulation, labour market policy and labour market schemes, guidance and counselling, individual and family behaviour, and firms and worker associations.

5.1 Education and Training

There is consensus that education and qualification is needed to get integrated into the labour market. However, there seems to be only weak consensus in detail concerning the labour market effects of vocational versus general education, industry- versus occupation-specific training, secondary versus tertiary level degrees. Further on the outcome variable differ between a smoothened transition from training to work, labour market flexibility and earnings-progress over the life course (see Mendes and Sofer 2004; Hanushek et al. 2011). From a theoretical perspective the arguments are based on general and specific human capital (Becker 1962) versus screening and signalling (Spence 1973; Weiss 1995), which are linked by matching models (Soerensen and Kalleberg 1981; Cahuc and Zylberberg 2004; Gangl 2003). Lazear (2004) introduced a more complex scenario, implementing alternative market institutions and strategic action. Autor and Handl (2009) developed a matching framework, introducing a skills and task-based approach that provides new tools for analysing job matching in more detail.

From a sociological perspective the education selection mechanism is explored in manifold ways (Spring 1976; Kerckhoff 1995 et al.) and as a consequence country-specific models of educational selectivity (Allmendinger 1989; Shavit and Müller 1998) are developed, focused more on country-specific mechanisms and the serious limitations of simplified cross-country comparisons.

5.2 Labour Market Policy

5.2.1 Employment Protection

There is an extensive literature stating a positive correlation between employment protection legislation or labour

regulation and national levels of youth unemployment or individuals' unemployment risk (for an overview see Noelke 2011). However, the picture was never strictly evidence based, especially when wage adjustment is taken into account (see Nickel and Layard 1999: 3065). Noelke (2011) explores the relationship between employment protection legislation and youth unemployment and concludes »there is no robust evidence whatsoever linking either dimensions of employment protection legislation to inferior youth labour market performance« (Noelke 2011: 26). Concerning temporary jobs, which have become more common among young people, however, Noelke found no evidence that deregulating this type of employment reduces youth unemployment or increases youth unemployment rates. Given the fact that employment protection legislation is one of the institutional factors that is correlated with variation in labour market dynamics, both the employment protection legislation mechanisms at the macro level are still unexplained and might be endogenous to broader differences in institutional environments (Noelke 2011: 28).

More or less the same picture occurs at the micro level with empirical findings still contradictory and sensitive to countries' timing and methodology. Scherer (2004), for example, explored the trap or stepping stone metaphor by analysing the consequences of first jobs for future labour market career. Using individual longitudinal data Scherer estimates the consequences of under-qualified jobs or temporary contracts as a first job on future occupational attainment. A cross-national comparison of West Germany, Great Britain and Italy tests for the impact of different labour market structures on this allocation process. With regard to »under-qualified« positions, the findings are not consistent with the stepping-stone hypothesis but provide some support for the trap hypothesis. Despite the greater mobility chances of over-qualified workers, the initial disadvantage associated with status-inadequate jobs is not fully overcome during their future careers. The article shows, however, that the negative effects are not due to the mismatch as such but rather to the relatively lower level positions. These effects are mediated by the national labour market structure, with the British flexible model providing the best chances of making up for initial disadvantages, and the more tightly regulated and segmented markets in Germany and Italy leading to stronger entrapment in lower status positions. No negative effects of the type of contract are found for later occupational positions in any of the countries. In the late 2000s the effects of temporary jobs on workers were addressed in many papers. According to Gebel (2010) young German temporary workers suffer from high entry penalties that diminish after five years, compared to impact in the UK. However temporary jobs have a completely different institutional setting in the United Kingdom compared to Germany.

In contrast, Bucher (2010) showed for France that temporary jobs play a key role in facilitating the match screening process and are thus an important component of youth employment. »However, the model's computation above French data suggests that employment discrepancies between age-groups are due mainly to the learning process on match quality« (Bucher 2010: 1). In consequence, the labour market frictions associated with the time-consuming process of allocating workers appropriate jobs generate higher unemployment and recurring job losses on labour market entry. However, the findings in general are sensitive both to the type of data and the research methodology employed, the timing and observation window available for analysis, and other country-specific settings (Caroleo et al. 2011).

5.2.2 Active Labour Market Policy and Youth Schemes

In response to rising youth unemployment in the mid-1990s and the development of European social policy (the so-called Luxembourg process) an Active European Labour Market Policy (ALMP) was introduce, based on and coordinated in terms of the European Employment Guidelines (first issued in 1997). These Guidelines include youth-specific goals to prevent or reduce youth unemployment and raise educational attainment. The member states agreed in 1997 to implement training and employment schemes for young people according to the goals of the European Employment Guidelines. In subsequent years youth schemes became an important policy instrument in the member states.

In the United Kingdom, around 730,000 young people have participated in publicly funded schemes (New Deal 18+) since 1998. In France, about 460,000 young people have joined the Nouveaux Services, Emplois Jeunes or Trace since 1997. In Germany, about 500,000 young people have spent some time participating in employment or training schemes, financed between 1999 and 2003 by the German Immediate Action Programme for Young

People (Dietrich 2001; OECD 2002), as well as other immediate action programmes for targeted young people, such as programmes for long-term unemployed (JUMP Plus) or disadvantaged young people. Beyond temporary action programmes for Young People the German Social Code, Book III (supplemented by Book II, covering young beneficiaries since 2005) provides a general framework and means for the active labour market policy for young people in Germany. Regardless of the country-specific design of ALMP for young people, the level of participation in employment or training schemes is impressive.

Up to 10 per cent of the 15-to-24 age group has participated in at least one youth scheme (Dietrich 2001) – and these figures may have increased. In 2007, the number of young ALMP participants in the EU15 countries amounted to approximately 14 per cent of the youth labour force between 15 and 24 years of age (Caliendo et al. 2011). Between 1999 and 2002, EU15 countries spent an annual average of 1.3 billion euros on ALMP specifically targeted on unemployed young people (OECD 2004).

From a life-course or school-to-work transition perspective, these figures suggest that as early as the 1990s scheme participation became a significant dimension of the school-to-work transition of young people in Germany and other European countries (Dietrich 2004).

Active labour market programmes (ALMP) are thus a common tool used to prevent the occurrence or reduce the duration of youth unemployment and to smooth young people's path to employment and qualifications. However, the design of ALMP for young people and the related instruments vary considerably within and between countries (OECD 2002; Serrano Pascual 2001; Dornette and Jacob 2006). Labour market instruments depend on a country's educational and vocational systems, the constitution of the employment system, the national labour market situation and the welfare system. These are the core elements of national transition regimes. Since 1997 the EU member states have developed a wide range of schemes, including counselling and guidance, vocational training, work experience, wage subsidies and job creation. Whether one considers job creation in less developed regions or attempts to make up for the lack of qualifications of disadvantaged young people there is considerable variation with regard to activation and motivation, integration of qualifications, training or employment, efforts to make up for insufficient competencies and improving people's financial situation or mental health within and between countries. These different schemes are closely related to the country specific institutions of school-to-work transition and to the welfare system. Taking into account a country's transition and welfare systems, active labour market policy can be programme-based (as in the United Kingdom) or established primarily by legislation (as with Germany's social labour law), supplemented by programme components. In accordance with national welfare principles, participation in labour market activities can be voluntary or compulsory (Ryan 2001; Lodemel and Trickey 2002).

Although the primary objective of these programmes is rapid integration in the labour market, they may also target the continuation or take-up of vocational training for underqualified young people. The types of programme in use are manifold, ranging from targeted measures that account for the specific needs of labour market entrants to the use of more »standard« ALMP, such as training, wage subsidies or job creation schemes. The prevalence of youth ALMP – introduced since the mid-1990s – has steadily increased.

As Caliendo et al. (2011) state, the quantitative importance of ALMP thus contrasts sharply with the low level of knowledge regarding its effectiveness. Existing evaluation results of youth ALMP in Europe provide a rather heterogeneous picture of programme benefits, suggesting that some of the measures implemented significantly reduce the employment probability of young people in the short to medium term. More evidence on the effectiveness of ALMP for young people is hence urgently needed to enable us to draw lessons for future policy design. Extrapolating from evaluation results for the adult workforce is misleading, given the distinctive characteristics of young labour market entrants. Moreover, the assessment of long-term effects is particularly important, as ALMP may not affect employment outcomes directly, but through their impact on participation decisions in longer-term education. This is still obscured by both severe methodological limitations (cf. Heckman et al. 1998; Mroz and Savage 2006; Caliendo et al. 2011) and a lack of appropriate data (Dietrich and Abraham 2008).

Studies of the United Kingdom's New Deal for Young People report that, given alternative programme options, compulsory participation for young people generates endogenous selection effects. The more disadvantaged

young people more often participate in programmes with poorer labour market entry prospects (Devoine 2005; Reenen 2003). Dolton and Balfour (2000) reported weak regional and demand-dependent effects of the New Deal 18+ programmes; Dorsett (2006) reports that public sector job creation schemes implemented in the New Deal for Young People in the United Kingdom are ineffective.

Larsson (2003) summarises Sweden's Youth Labour Market Programmes. The results of the evaluation indicate either zero or negative effects of the programmes on earnings, employment probability and the probability of entering education in the short term, whereas the long-term effects are mainly zero or slightly positive (Larson 2003: 891). Richardson and van den Berg (2012) summarise that the effects of a treatment on the hazard rate of a duration outcome may depend on the elapsed time since treatment. In addition, treatment effects may be heterogeneous across agents. The former gives rise to duration dependence of the treatment effect, whereas unobserved heterogeneity gives rise to spurious duration dependence of the observable hazard rate.

Fougère et al. (2000) explored three types of French youth programme: youth employment schemes for out-of-employment and low-skilled young adults, on-the-job training schemes and payroll tax subsidies for minimum wage workers. Training programmes for unemployed young workers in general have no effect on post-training wages or employment probabilities, unless they have a large training content. In contrast, reductions in labour costs have a significant effect on the employment probability of low-wage workers, although the effects appear to be stronger for workers between 25 and 30 years of age.

Tattara and Valentini (2009) explore the Italian CFL (On-the-job Training) Programme, which was introduced in 1985 to reduce youth unemployment. The programme offered employers two main benefits: it exempted them almost completely from payroll taxes and provided them with virtually the only opportunity to employ people on the basis of fixed-term contracts. The paper looks at the employment impact of the programme among a subgroup of eligible workers in the northern Italian provinces of Treviso and Vicenza and finds that firms taking part increased employment more than non-participating firms by almost 5 per cent. Employers had a strong positive reaction to the tax subsidies and to the softening of the rigid employment regulations. The overall effect of the programme on youth employment in Treviso and Vicenza, however, was limited, registering only a 1 per cent increase, mainly because about 80 per cent of firms did not participate (Tattara and Valentini 2009: 187).

Caliendo et al. (2011) conclude for ALMP schemes in Germany that they »indicate positive long-term employment effects for nearly all measures aimed at labour market integration. Measures aimed at integrating young people in apprenticeships are effective in terms of educational participation, but fail to show any impact on employment outcomes by the end of our observation period. Public sector job creation is found to be harmful for medium-term employment prospects and ineffective in the long term« (Caliendo et al. 2011: 1). Their analysis further indicates that the targeting of Germany's ALMP systematically ignores low educated youths, who are the most vulnerable labour market group. While no employment programme shows a positive impact on further education participation for any subgroup, the employment impact of participation is often significantly lower for low-educated youths.

To summarise: the net effects of youth schemes – as presented in the most recent literature – seem to be limited. Following Caliendo et al. (2011), Richardson and van den Berg (2012) and many others find that the results depend on the data available for analysis and are sensitive to the selected models. Following Schröder (2004) the results suggest that Youth Programmes play different roles in different countries, and conclusions regarding the relative effectiveness of programmes cannot easily be transferred from one country to another without paying attention to the degree of labour market regulation and the special features of the education system.

However, the effectiveness of youth programmes in terms of the net effects on labour market integration are not supposed to be the only relevant criterion for youth programme: stabilising the school-to-work transition, improving qualifications and bridging institutional caused waiting times (e.g. due to fixed days of entry once a year) without the risk of social exclusion and marginalisation are generally not considered in evaluation frameworks.

5.3 Guidance and Counselling

Following Bucher (2011), employment discrepancies between age groups are mainly due to the learning process with regard to match quality. This opens the way for guidance and counselling services. Guidance and counselling is an element of the European Employment Strategy and not exclusively for young people. Scharle and Weber (2011) provide an overview of national services. However, the effect of guidance and counselling is only tentatively explored. In the most recent peer review report Düll et al. (2011) find that only six out of the 14 peer review countries participated in a European peer review programme on evaluating counselling and guidance. In evaluation terms, the reported activities are more due to monitoring tasks than part of an academic evaluation approach. Up to now there has been little exploration of who is using guidance and counselling, and the outcome of these tools at the national level.

5.4 Individuals and Family related Decisions

From a rational-choice perspective, the status young people attain is closely related to their social background, for example, due to the direct effects of educational or labour market related decisions and indirect effects due to class related variation in school performance (Boudon 1974). From this theoretical perspective we have to take into account both class specific access to resources (financial capital and cultural and social capital (Bourdieu and Passeron 1980) and social class-related perceptions of opportunity structures, aspirations to educational success and status attainment, and differences in subjective success probability or cost expectations (Breen and Goldthorpe 1997). We share the opinion that social class-related mechanisms can help to explain how certain individuals avoid unemployment or reduce the duration of unemployment. As Dietrich and Kleinert (2005) show, individuals' probability of finding employment depends on school performance and other social background-related characteristics. Returning to education, entering the labour market in inappropriate jobs or in jobs below their level of qualifications, as well as scheme participation are not equally distributed across social groups. GIB/IAB (2010) address the probability of social class-related access to German pre-training courses. Deeke et al. (2011) give evidence on both class related entry and success probability. Clark (2011) reports changing youth labour market opportunities take a large and severe impact on individuals decision concerning (re)enrolling in post compulsory education and thus prolonging individuals' participation in the education system or returning to education in the case of anticipated or realised unemployment.

Alternative individual strategies for avoiding unemployment or reducing unemployment duration include moving from disadvantaged areas to more prosperous areas within or between countries. Relations between regional unemployment density and regional migration have been explored for decades (see Pissarides and Wadsworth 1989; Ahn et al. 1999; Pekkala and Tervo 2002; Windzio 2007). The likelihood of training or labour market-motivated regional mobility is significantly higher both for well trained and younger people (Kalter 1997; Böheim and Taylor 2002). Bogai et al. (2008) report a commuting pattern among German apprenticeship candidates. Haas and Damelang (2010) analyse the job search-motivated mobility of young migrants in Germany and Cains (2010) samples comparative European findings on job search mobility among young people.

5.5 Firms and Workers' Associations

Systematic information on unionisation among young people is limited. According to Carle (2009) both trade union density and the development over time of young people's union membership are related to the type of membership (open or closed shop agreements; Carle 2009: 308). Carle reinforces the argument for the reflection of age-specific effects in working life developments. The effects of industrial change (Carle 2009: 310), changes in labour agreements (from working collective to individualised workers – Carle 2009: 311; see also Kretsos 2011: 455ff) and the effects of socialisation (Carle 2009: 310f) on union membership are discussed. Kretsos argues that youth employment tends to be in sectors with low union coverage (segmented and atypical employment). This reinforces the argument that unionisation may improve young people's relative pay, but reduce their employment prospects. However, youth unionisation seems to be low and there is no evidence that »young people are pricing themselves out of work« (Bell and Blanchflower 2010: 14; however, Contini 2010 presents adverse results). Noelke identifies positive but not robust statistical effects on youth employment on the part of trade unions (Noelke 2011: 26f). Finally, young people below

25 years of age do not exhibit a stance against unions or resentment with regard to joining unions, but young people whose working conditions are insecure and individualised often cannot see personal benefits from unions (Carle 2009: 311; see also the wide literature reviewed in Kretsos 2011: 455). However, works councils show a significant – albeit limited – effect on companies' training behaviour, increasing the number of apprenticeship training places (Dietrich 2000; Niederalt 2004; Dietrich and Gerner 2007).

6. Conclusions

To conclude, let me quote Blanchard:

> One might have hoped that, with thirty years of data, with clear differences in the evolution of unemployment rates and policies across countries, we would now have an operational theory of unemployment. I do not think that we do. Many theories have come and – partly – gone. Each has added a layer to our knowledge, but our knowledge remains very incomplete. To use a well worn formula, we have learned a lot, but we still have a lot to learn. (2005: 1)

Contini may also be cited (from a more policy oriented perspective):

> My own – very modest – answer cannot be but disappointingly negative: we are dealing with persistent and structural patterns, difficult to reverse without drastic reforms of the labour market and of the welfare institutions, and not simply reforms at the margin, like many that have been implemented for decades. But drastic reforms need constituencies that will strongly support them. Unfortunately, very few are in sight. (2010: 30).

Youth unemployment is characterised by specific complications. This is not only because jobless, non-employed or unemployed young people constitute a less homogenous group than other groups of unemployed. From a school-to-work transition perspective the opportunity structure is more complex and individual variance with regard to labour market-related resources is more diverse. The school-to-work transition related institutions vary between countries, as do national and time-specific factors, such as structural change and demographic change over the business cycle.

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