
THE SITUATION OF YOUNG PEOPLE IN EUROPE DURING AND AFTER THE ECONOMIC CRISIS

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1. Introduction

Young people were affected disproportionately by the crisis facing the economies of the European Union in 2008–09 and they had to tackle difficulties during the ensuing lengthy stagnation (Eurofound, 2012; O'Reilly et al., 2015). The economic crisis and the period thereafter had serious consequences for youth: the proportion of the poor increased in the young age group and the differences in income between younger and older adults also increased. Nevertheless, the signs of the economic crisis diminished in the middle of the decade, and the economies of most of the EU countries started to grow again, while unemployment started to decline. This chapter aims at briefly presenting the labour market and income situation of young people in the countries of the EU in the period since the economic crisis.

The impact of the recession on the labour market chances and incomes of young people differed not only across countries, but also across social groups. Family background determines how vulnerable young people are in a period of economic crisis and how they are able to tackle the consequences of recession. By passing down material, cultural and network capital, families influence the life chances of their children. Young people with few inherited resources tend to enter the labour market with lower qualifications and lower skill levels, and they are less likely to possess the information and connections needed for success. For them, the threat of long-term unemployment partly results from the conditions they inherited. In addition, family can alleviate the detrimental effects of the crisis by helping children with material and/or non-material transfers.

Accordingly, the chapter will also cover the inequalities of opportunities among young people to tackle the economic crisis, describing the impact of family background on educational attainment and labour market outcomes. It is primarily the 15–24 and 15–29 age groups that will be analysed. This age includes obtaining qualifications and entry to the labour market. In some

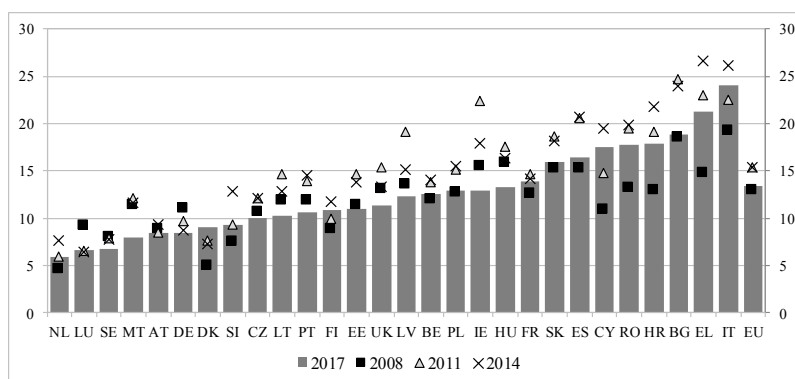
cases, we raised the upper limit to 34, since difficulties in labour market integration also affect people in their early thirties because of the longer time spent in education.

2. Changes in the labour market situation of young people

2.1 NEET and unemployment

One of the indicators used in relation to the labour market situation of youth is the percentage of those *not in employment, education or training* (NEET). In the 15–29 age group, this indicator increased in most EU Member States during the crisis (*Figure 1*).

Figure 1 *The share of young people not in employment, education or training (population aged 15–29, per cent)*



Abbreviations: AT: Austria, BE: Belgium, BG: Bulgaria, CY: Cyprus, CZ: Czech Republic, DE: Germany, DK: Denmark, EE: Estonia, EL: Greece, ES: Spain, FI: Finland, FR: France, HR: Croatia, HU: Hungary, IE: Ireland, IT: Italy, LT: Lithuania, LU: Luxembourg, LV: Latvia, MT: Malta, NL: Netherlands, PL: Poland, PT: Portugal, RO: Romania, SE: Sweden, SI: Slovenia, SK: Slovakia, UK: United Kingdom.

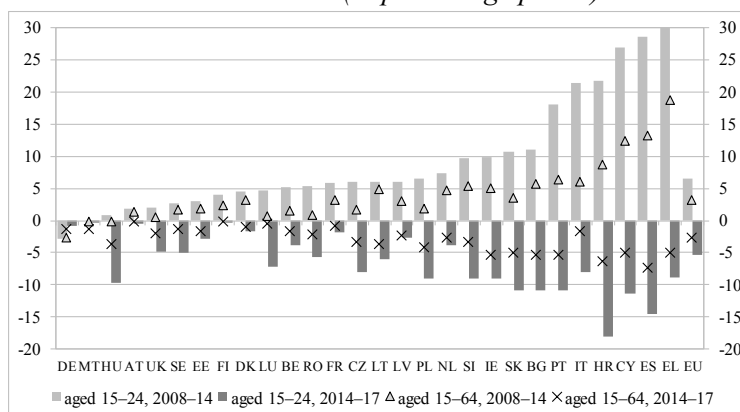
Source: Eurostat database, edat_lfse_20.

The largest increase between 2008 and 2014 was seen in Greece (from 15 per cent to 27 per cent) and Cyprus (from 11 per cent to 20 per cent), but the share of young people not participating in employment or education also grew significantly in Spain, Italy and the Southeast European countries (Bulgaria, Romania and Croatia). There were a few Member States (Luxembourg, Germany, Austria, Sweden and Malta) where this indicator did not grow between

2008 and 2014. In Ireland and Latvia, the increase seen during the crisis (between 2008 and 2011) was followed by a decrease between 2011 and 2014. Nevertheless, the rate fell in almost all countries between 2014 and 2017. In spite of the recent favourable trends, the share of young people not in employment or education was still higher in 2017 than before the crisis in several countries, including Italy, Greece, Croatia, Romania, Cyprus, Finland and Denmark.

One of the groups of young people greatly affected by social exclusion is the unemployed. The economic crisis resulted in an increase in unemployment among young people in the EU. Between 2008 and 2011, youth unemployment primarily grew in those countries most affected by recession, e.g. Greece, Spain, Latvia, Lithuania and Ireland. In these countries, the overall unemployment rate of the active-age population (aged 15–64) increased by 8–10 percentage points, while in the age group 15–24 it grew even more markedly (by 15 percentage points in Ireland and 23 percentage points in Greece). Furthermore, the increase in youth unemployment also concerned countries with a less pronounced increase in overall unemployment. Between 2011 and 2014, the unemployment rate and youth unemployment grew further in the Southeast European countries. However, in the Baltic states, Ireland, the United Kingdom and Hungary unemployment fell in this period, as did youth unemployment. The period between 2008 and 2014 was in general characterized by growing unemployment in nearly all EU Member States, and increases in youth unemployment were also higher than average overall (*Figure 2*).

Figure 2 *Changes in the unemployment rate between 2008 and 2017 (in percentage points)*



Note: see abbreviations below *Figure 1*.

Source: Eurostat database, Ifsa_urgaed Table.

In contrast, unemployment rates have been decreasing in recent years in the majority of EU Member States. The decline has been largest in Croatia and Spain – that is, in countries where unemployment had increased greatly in the preceding period. Typically, there was an above-average decline in youth unemployment; thus, this age group seems to have been more influenced by both the recession and the economic upturn.

The Eurofound (2012) study concluded that aside from the unemployed, there are other groups of young people who are considerably threatened by social exclusion. These include those not in education or employment because of family obligations (such as child rearing) or disability, and also disaffected young people whose participation in employment or education is not hindered by obligations or incapacity to work, but by lack of success in finding a suitable job.

2.2 Labour market insecurity and youth employment

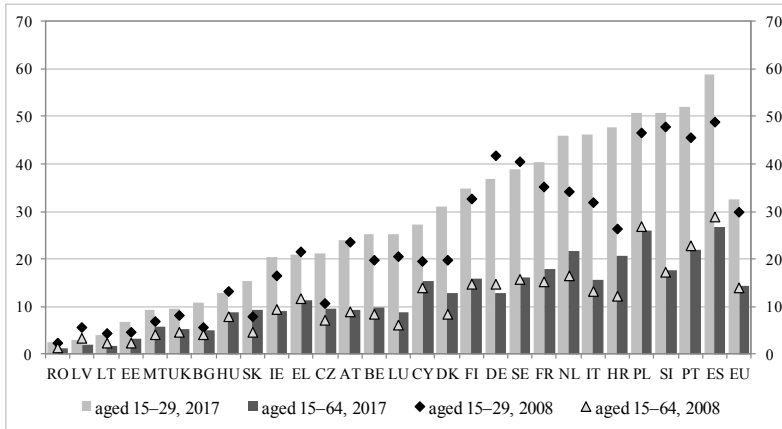
The problems related to the labour market integration of young adults can also be described using indicators other than the ones in the previous section. The labour markets of the European countries are more or less segmented, and those people on atypical contracts (such as fixed-term contracts or part-time employment) are, in many countries, the most vulnerable segments of the labour market. Fixed-term contracts mean less-secure employment, because it often involves less-strict dismissal conditions. Furthermore, employees on fixed-term contracts often have poor access to further training, paid sickness leave, and unemployment and pension insurance; moreover, this kind of employment often attracts lower wages. Part-time employment also often entails lower hourly wages, fewer training and career opportunities and lower old-age pension entitlement in the long run.

As seen in *Figure 3*, the proportion of those on a fixed-term employment contract increased among young employees in the majority of EU countries between 2008 and 2017. The most important exceptions are Germany and Sweden, where the proportion of fixed-term contracts among young people decreased. It is also obvious that the occurrence of fixed-term employment grew more sharply among young people than among employees overall. In the Southern European countries (Spain, Italy), some Eastern European countries (Croatia, the Czech Republic), as well as the Netherlands and Denmark, the increase in fixed-term employment among young people was especially large.

The above data indicate that many young employees are also on the periphery of the labour market and work in jobs that offer poor employment security, relatively low wages and few promotion prospects. The question is whether it

is possible to progress from these jobs to more secure and better-paid employment, or whether young people working in these jobs are more likely to stay on the periphery of the labour market for the rest of their careers. Some studies (e.g. Chung et al., 2012) show that the likelihood of progressing to more stable employment has been low and decreasing; thus the years of recession resulted in long-term disadvantages for entrants to the labour market.

Figure 3 *The share of those on fixed-term employment contracts, 2008 and 2017 (as a percentage of those in employment)*



Note: see abbreviations below Figure 1.

Source: Eurostat database, lfsa_etpgar Table.

2.3 The long-term consequences of youth unemployment

Although the economic upturn in most Member States reduced youth unemployment, that does not mean that the problem has been solved. On the one hand, youth unemployment rates in 2017 exceeded the pre-crisis levels in most countries. On the other hand, research shows that youth unemployment has long-lasting effects on labour market prospects and individual welfare. Relevant studies pinpoint the fact that experience of youth unemployment increases the likelihood of becoming unemployed later and depresses future wages. They also identify several possible reasons for the long-term impact of unemployment. The prospects of those experiencing unemployment are damaged by missing out on work experience and the possible devaluation of their human capital during the time of unemployment, while potential employers may regard their unemployment as a sign of low productivity (Scarpetta et al.,

2010). The lengthier the spell of unemployment, the larger the reduction in personal productivity; and the lower the individual's educational attainment is, the longer will be the detrimental effects of unemployment.

Empirical analyses also show that experience of unemployment in the early years of a working life has an adverse impact on employment (Bell and Blanchflower, 2011). This adverse effect has been observed in countries with very different labour markets and welfare systems, such as Germany, Sweden, Italy and the United Kingdom. The literature also shows that losses in work experience have a significant impact on the wages of young people once they do become employed. The decrease in wages associated with unemployment varies by country. Studies undertaken in the Nordic countries report that 5–6 years after a spell of unemployment, a 17 per cent decrease in wages could be observed in Sweden (Nordström Skans, 2011), while in Finland the decrease was 25 per cent (Verho, 2008).

3. Changes in the income of young adults

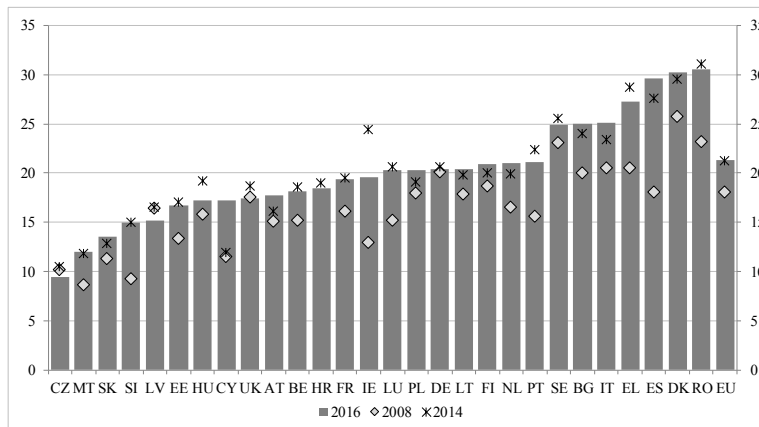
In the following, the income situation of young people will be discussed, relying on the annual household disposable income. The disposable income includes wages and salaries, income from self-employment or capital (including entrepreneurial income), as well as government transfers (pensions, unemployment benefits, family allowance and various benefits, etc.) minus direct taxes (income taxes and social security contributions). The concept of equivalized income is used to describe the income situation of the members of households, calculated using the OECD modified scale.

The income of young adults living independently certainly depends on their educational attainment, labour market status (whether they are employed, unemployed or inactive) and the composition of their household (how many wage earners and dependants there are in the household). The income of young people living in their parents' household also depends on the labour market status of their parents and the composition of the parental household. The income of young people will be analysed in terms of income poverty, defining poverty as living on income less than 60 per cent of the median of the equivalized household income.

As seen in *Figure 4*, the deteriorating labour market situation of young people between 2008 and 2014 was reflected in the increased risk of poverty. Youth income poverty increased in nearly all EU Member States between 2008 and 2014. The most substantial increase was seen in Ireland, where the share of the poor among young adults increased from 13 per cent to 25 per cent. The rate of increase was not much lower in Spain, where the poverty rate

grew by 10 percentage points, or in Greece and Romania, which experienced an increase of 8 per cent. Portugal, Slovenia and Luxembourg also saw an increase in the poverty rate in the 16–29 age group: the indicator grew by about 5 percentage points in these countries. In Germany, Cyprus, the Czech Republic and Latvia, the poverty rate stagnated in this period. In about half of the EU Member States the poverty rate increased to a larger extent among young people than in the total working-age population. By contrast, the increase in the poverty rate of young people was smaller than in the total active-age population in only two countries (Germany and Cyprus).

Figure 4 *The income poverty rate in the age group 16–29, 2008, 2014, 2016 (per cent)*



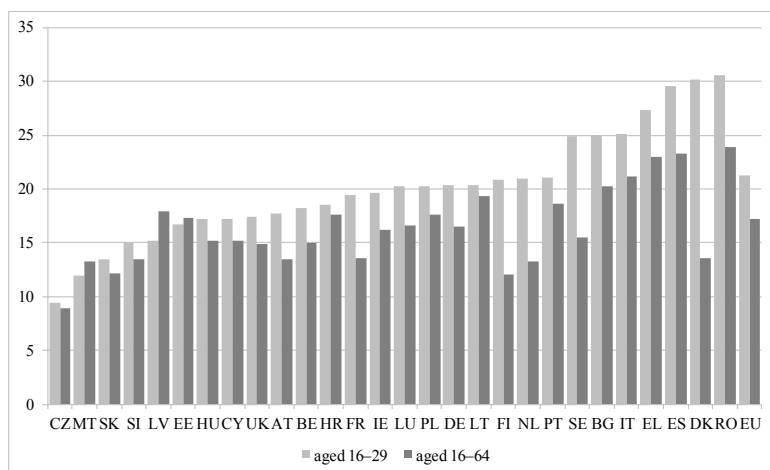
Note: see abbreviations below Figure 1. Poverty threshold is defined as 60 per cent of the median of the equivalized household income.

Source: Eurostat database ilc_li02 Table.

Since 2014, the increase in the youth poverty rate has come to an end in most countries. The proportion of the poor has grown significantly only in Cyprus (by 5 percentage points) and Spain (2 percentage points). However, there has been a decrease of 5 percentage points in Ireland and 2 percentage points in Hungary. In the rest of the countries, the poverty rate has changed by less than 2 percentage points. Nonetheless, youth poverty rates in the majority of EU Member States are above the poverty rates for the total active-age population (Figure 5). The difference is considerable in countries where the crisis had a major impact on young people (for example, Greece and Spain), but also in

the Nordic countries, where there is an above-average risk of poverty among young people due to early emancipation (leaving home).

Figure 5 *Income poverty rate by age group, 2016 (per cent)*



Note: poverty threshold is defined as 60 per cent of the median of the equivalized household income. For abbreviations, see below *Figure 1*.

Source: Eurostat database ilc_li02 Table.

4. Parental background and the situation of youth

Research on intergenerational social mobility examines the relationship between the situation of individuals and the status of their parents. This perspective is important, because inequalities in income and other outcomes (such as health and satisfaction) are easier to accept if society is sufficiently mobile – if it provides ample opportunities for low-status individuals to overcome their social disadvantages and make progress. Studies on social mobility report that the incomes of parents and children are positively correlated (Becker and Tomes, 1986; Blanden, 2013) and the likelihood of becoming poor is higher among the children of families with low social status (Whelan et al., 2013).

The section below briefly summarizes what impact parental background has on the employment and income status of young adults in times of economic crisis. First, the effect of parental background on educational attainment will be discussed; then how differences in parental background affect labour market chances. As pointed out by Feigenbaum (2016), an economic crisis can have a positive or a negative impact on social mobility. It may contribute to

an increase in mobility (since it may disrupt mechanisms that ensure the transmission of parental social status). At the same time, poor families may prove less capable of tackling recession, and therefore their children, who otherwise would have made social progress, remain low status because of the recession.

4.1 Family background and educational attainment

Educational attainment is key to labour market success, and the economic crisis had a more marked impact on young adults with lower educational attainment. Family background may influence the educational attainment of children for several reasons. According to the human capital theory, the decisions of families about their children's education are driven by the benefits and costs related to education (Becker and Tomes, 1986). In low-status families, children tend to have lower educational attainment if the family achieves lower returns on the investment in education, or if they have higher costs of education. Lower returns may result from attending lower-quality educational institutions or the social connections of families being less helpful in the labour market (Behrman and Knowles, 1997). The income limits of low-income families also hinder the school success of their children, since they spend less on equipment supporting school success or on private lessons.

Comparative research on educational mobility investigates the association between the educational attainment of parents and children in countries with varying educational and welfare systems. Overall, studies conducted in European countries reveal that Mediterranean and Eastern European countries have low educational mobility, while Nordic countries have a high level and Western European countries have a medium level of mobility (e.g. Hertz et al., 2007; Di Paolo et al., 2013; and Schneebaum et al., 2015). This pattern is confirmed by recent data. Grundiza and Lopez Vilaplana (2013) found significant differences between Member States in the 2011 EU Statistics on Income and Living Conditions (EU-SILC) survey. The odds ratio for the strength of the association between the educational attainment of parents and their children was considerably higher than average in Bulgaria, Slovenia and Croatia; that is, association between the educational attainment of parents and their children is stronger in these countries. At the same time, this indicator was substantially lower in Norway, Estonia, Denmark and Finland.

4.2 Assistance from families and the labour market

Not only do high social-status parents positively influence the educational attainment of their children, but family background also determines labour market chances after leaving school. Financial support from parents or a move back to the parental home enables young adults to search for jobs for longer, which may improve the outcome of job search (Jacob, 2008). Families may also financially support young people to become entrepreneurs in the case of unemployment. In addition, families may provide information and connections for young people in a difficult labour market situation (see, for example, Montgomery, 1991; Bartus, 2001). The indirect effect of family background includes passing down skills and attitudes that have an impact on labour market success (Bowles and Gintis, 2002).

The EU project *Strategic Transitions for Youth Labour in Europe* (STYLE) (under the EU 7th Framework Programme for Research and Technological Development) has produced new findings on the impact of parental background on labour market success. Berloff et al. (2015) found that the stable employment of at least one parent increases the probability of school leavers finding a stable job more quickly, and reduces the probability of their becoming long-term unemployed or inactive. The authors concluded that those entering the labour market during the crisis (2008–11) tended to face more difficulties, but the children of employed parents enjoyed greater protection against these difficulties. Filandri et al. (2018) evaluated the effect of family background on labour market success five years after the completion of studies. Based on data from EU–SILC 2011, they found that if educational attainments are equal, the children of better-educated parents were more likely to be successful on the labour market and were less likely to be unemployed five years after completing their studies.

4.3 Family background and youth poverty

As well as offering support in education and labour market progress, families may also provide direct financial or in-kind assistance to their adult children, for example by offering the possibility of returning to the parental home (Swartz et al., 2011). The proportion of young adults living under their parents' roof differs widely across EU Member States. This proportion within the 25–34 age group is considerably higher in the Southern European, Central European and Southeast European countries than in Western Europe. In the former group it ranges from 37 per cent (Cyprus, the Czech Republic) to 56 per cent (Slovakia), whereas in Belgium and Germany it is around 14–17 per

cent. Based on EU-SILC data, the share of young people in the 18–24 and 25–34 age groups increased in 6 and 13 countries, respectively, between 2006 and 2010. The highest increase was seen in Hungary in the age group 18–24 (7 percentage points) during the economic crisis between 2008 and 2010 (see *Figure A1* in the Appendix). The older age group experienced the greatest increase in Slovakia and Hungary (8 percentage points), and then there was a 6 percentage point increase in Portugal.

Mazzotta and Parisi (2018) assess the probability of moving from and returning to the parental home, using longitudinal data from EU-SILC. Comparing the pre- and post-crisis years, there was a change in the probability of moving from the parental home only in the Western European countries, where the probability of leaving the parental home decreased in the period under examination. Young adults typically still move from their parents earlier than in the Eastern or Southern European countries, but the insecurity caused by the recession forced them to postpone moving out. The authors conclude that the proportion of young adults returning to the parental home has increased in every group of countries, except for the Eastern European countries.

According to the literature, young adults may benefit financially from staying in the parental home (because of savings on rent, utility bills, etc.) and living together with their parents may protect young people from impoverishment (Aassve et al., 2007, Gáti et al., 2012). Besides cohabiting, parents may assist with material transfers to mitigate the consequences of their children's unemployment. However, the occurrence of financial transfers within families is largely dependent on the income and wealth of the parents. Children in high-income families are much more likely to receive financial assistance if they are in difficulties. Papuchon (2014) reports that while the proportion of young adults living together with their parents increased during the crisis, there was no rise in the frequency with which they received financial assistance from their parents. This might be due to the strong association between transfers and parental income: the parents of young unemployed are often not able to provide financial assistance for their children.

5. Conclusions

This chapter has described the trends in the income and labour market status of young people in the period since the start of the economic crisis. The youth unemployment rate is in general higher than average. On the one hand, businesses often prefer to hire experienced employees, and also tend to dismiss those who have spent less time with the company. On the other hand, the young workforce also plays a role in the higher unemployment rates: young

people typically change jobs more often, because they look for the job that is best suited to their preferences and skills.

The economic crisis further increased this difference, since the youth unemployment rate grew more than the overall unemployment rate and there was a rise in the proportion of those not in employment, education or training. The increase in the youth unemployment rate between 2008 and 2014 was particularly marked in those countries worst affected by the crisis. However, in the majority of EU Member States youth unemployment fell more after 2014 than overall unemployment. The trend in the income of young adults was similar to the trend in their labour market status: the poverty rate among young adults increased between 2008 and 2014, but after 2014 its increase was halted in most countries. Although the economic upturn also improved the situation of young people, the literature highlights the fact that youth unemployment has a long-term detrimental effect on labour market prospects and other elements of the process of becoming adult (for example, leaving the parental home).

The literature also reveals that the consequences of the economic crisis were more severe among young adults from low-status families. Family background had an impact on education (which largely determines labour market success) and it directly influenced the labour market success of young people during the crisis. The children of wealthier families were not only less likely to become unemployed, but were also more able to count on assistance from their family when unemployed.

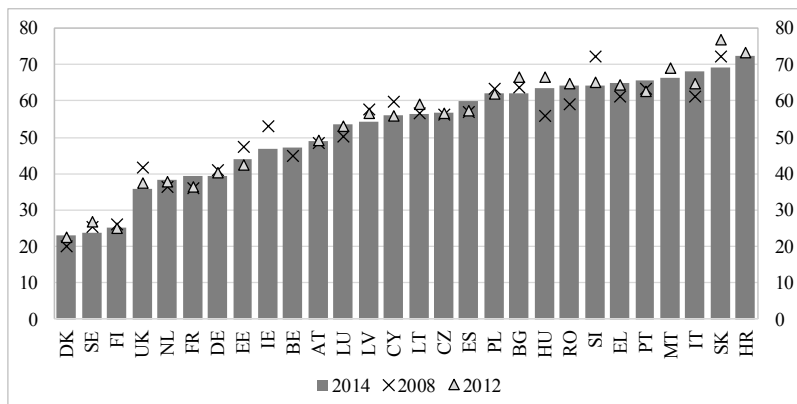
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ANNEX

Figure A1 *The share of young adults aged 18–24 living in the household of their parents, 2008, 2012, 2014 (per cent)*



Note: see abbreviations below Figure 1.

Source: author's calculations, EU-SILC.