IS THIS A WORLD FOR YOUNG PEOPLE?
YOUTH UNEMPLOYMENT BEFORE AND AFTER THE GREAT RECESSION

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EXECUTIVE SUMMARY

Why has the Great Recession heterogeneously affected the youth labour market of European countries? The dissertation originates from this basic question.

The approach followed in this essay is typical of a macroeconomic analysis: starting from empirical evidences, tables and graphs are constructed that try to highlight the main question, namely the difference in performance found in the youth labour markets of various European nations with the advent of the recent economic crisis.

Figure 1, the graphic version of Table 1, taking 2007 and 2013 as representative years of the pre and post-crisis period shows at best the empirical basis on which the subsequent analysis stands. A structural difference in labour institutions combined with the economic shock has raised the youth unemployment rate over 50% in many Southern European countries; the same interaction between economic downturn and institutions has instead resulted in a decrease of youth joblessness rate in Germany during the time-span considered in the table. More generally, the paper seeks to trace the difference in labour institutions between the various countries considered back to a divergence between Southern and Northern Europe countries, albeit with due exceptions. A greater diffusion of fixed-term work contracts, a less efficient school-to-work transition, different minimum wage schemes and other structural dissimilarities, supported by data tables (Table 4 to Table 10, Chapter 3), have contributed to worsen the employment situation in Mediterranean countries and in the United Kingdom. A well-developed apprenticeship and vocational training system has instead ensured a less problematic experience of the crisis to Germany.

After briefly introducing, in the first section, the variables used in the analysis and the structure that will be followed, Chapter 2 discusses the interaction between economic shocks and labour institutions, placing it as primary explanation of the differentiated labour markets’ outcomes. The discussion then moves on to the special cases of the 8 countries considered, divided by geographical position: the main Southern-European/ Mediterranean countries, Germany in Continental Europe and the United Kingdom in Northern Europe. Chapter 3 comments on the different experiences that these countries had of the recent crisis, highlighting how the heterogeneity of the recovery paths undertaken by them was mainly due to a structural difference in labour market institutions. As easily imaginable, the dizzying level youth unemployment reached in most European countries aroused the fear of a “lost generation”. Chapter 4 describes the countermeasures adopted by the governments of the individual countries or by the European Commission to ensure a more stable future to young people.
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1. Introduction

The event that more deeply marked the beginning of the Second Millennium is, certainly, the financial crisis of the years 2008-2009: the so-called Great Recession. This negative shock, whose magnitude is still making its effects felt today, determined both micro and macroeconomic phenomena. The aspect that made national and supranational institutions the most worried in terms of social impact was, without any doubt, youth unemployment.

This paper analyses the negative impact that this originally financial, then economic crisis had on the future life of European countries. In particular possible structural explanations and causes, fuelled by the shock of the Recession, of such a heterogeneous performance of the various national labour markets are investigated. Starting from the standard definition of total and then youth unemployment rate, the essay considers also other indicators assessing the youth unemployment problem. It even focuses on the representative case of NEET, acronym standing for youth Not (Engaged) in Education, Employment or Training, a useful measure when assessing the impact of a shock on youth labour market. This variable is very useful since for many young people accounted for in the youth unemployment rate, especially for teenagers (15-19), the best alternative is to continue education or training instead of immediately looking for an employment. I believed the 10 years time-span to be consistent with the kind of analysis I pursued.

The focal point of the paper is on how dissimilarly OECD countries entered into and emerged from the Great Recession, primarily studying youth joblessness, a strong indicator of a country’s social welfare and long-run economic performance. After having ascertained that the juvenile age group (15-24) is the most responsive and sensitive to business cycles, the paper will show that what matters when assessing youth unemployment or when investigating the causes of higher unemployment rates between young population rather than between adult or total population is a series of factors. The latter are specific to the country analysed since are influenced by a distinctive historical background, and thus may also be considered as a reason of such heterogeneity in OECD countries’ youth occupational status. Cross country differences in labour market flexibility, in educational systems, in the type of contracts diffused, in the transition from school to work or in the skills required to be employed determine differences in youth unemployment rates and, consequently, differences in response to the Great economic downturn. The key idea of the essay is that the interplay between shocks and institutions is the main responsible for the difference in performance among labour markets in different nations. These dissimilarities are what determines, among other things, to what extent OECD countries’ governments provided youngsters with tools
to fill what the Italian economist Francesco Pastore defines as the “youth experience gap”: the gap in work experience between youths and adults that makes employers prefer the latter vis-à-vis the former and that, therefore, is one of the main sources of high youth joblessness rates.

I selected the most impressive cases: the extremely negative-performance scenarios of Southern-European/Mediterranean countries, in particular Italy, Greece, Spain, Portugal and France; the effect of the Recession on the main Continental Europe state: the German case; the United Kingdom experience of the years before and during the economic crisis. Following the assessment of the impact the Recession had on these countries’ labour markets, stressing out the fact that this negative shock contributed to accentuate and magnify the already established trends in terms of unemployment rates, the paper will deal with the different countries’ recovery experiences after the crisis. Among the OECD countries the analysis considers, some experienced a faster, others a slower comeback to pre-crisis levels.

In conclusion, this essay reviews what policies were implemented, at both national and supranational level, in order to move away the fear of a “lost generation”, term coined by Stein and popularized by Hemingway when referring to those young people who experienced WWI.

2. Total and Youth Unemployment

2.1 A general definition

Among the main concerns about our world’s socio-economic health state, the one that most seriously requires our attention is juvenile condition. Young people represent one of the main resources a country has, and the basis of a nation’s future. Given the importance this part age group covers within the society as a whole, the condition it is currently facing in most European countries should raise serious worries.

The difficulties young people are still nowadays encountering in finding a stable job is the direct consequence of a more general crisis in the labour market. A good starting point when assessing such an issue is a complete awareness of the important socio-economic implications it has. The interventions that governments implemented over time have often revealed not sufficiently effective in fighting the rapid growth in unemployment rates, especially youth ones, recently registered.
The main argument on which the paper tries to draw the attention is the evidence that this increase in overall joblessness rates registered with the occurrence of the so-called Great Recession didn’t have an homogeneous impact across Europe, and what differed was also the speed of recovery European countries experienced after the negative shock. The reasons of such different outcomes are several and I will discuss them later in the essay.

The serious crisis that the labour market has been undergoing during these years, thus, may be primarily attributable to the recent Recession, the greatest negative shock since the famous Great Depression of 1930s. This Great economic downturn has mainly exasperated the already established macroeconomic trends each country was undergoing by the beginning of the Millennium. To better assess the causes of such different performances and responses to the Recession, it may be reasonable to begin with the proper definition of the concept of unemployment and unemployment rate. As the ILO (International Labour Organization) defines it,

“the unemployment rate is calculated by expressing the number of unemployed persons as a percentage of the total number of persons in the labour force”\(^1\),

meaning by labour force

“the sum of the number of persons employed and the number of persons unemployed”\(^2\).

This unemployed fraction of the population comprises “all people of working age who were: a) without work during the reference period; b) currently available for work; c) seeking work”\(^3\).

Following the same reasoning, it can be easily deducted the definition that ILO uses for Youth Unemployment rate, explaining it as the number of youth (this term covering people aged 15 to 24 years old) unemployed expressed as a percentage of the total number of youth in the labour force.

Despite the several classifications in which unemployment is usually divided, this thesis will try to simplify the discussion by distinguishing between natural and cyclical unemployment.

Natural unemployment is the level of unemployment that is never eliminated, even in the healthiest economies. It consists of frictional and structural unemployment. Frictional type occurs when workers are fired or decide to leave their job, or when students look for their first occupation and this can improve the economy since people move toward work position in which they would be

\(^1\) [https://www.ilo.org/ILOSTAT-Files/Documents/description_UR_EN.pdf](https://www.ilo.org/ILOSTAT-Files/Documents/description_UR_EN.pdf)


\(^3\) [https://www.ilo.org/ILOSTAT-Files/Documents/description_UR_EN.pdf](https://www.ilo.org/ILOSTAT-Files/Documents/description_UR_EN.pdf)
more productive. Structural type of unemployment, instead, occurs when the economy changes and creates mismatch between workers’ skills and the skills employer require to hire them.  

Cyclical unemployment is the result of the excess supply of labour over the falling demand for goods caused by the contraction phase of a business cycle. This type accounts for the majority of unemployment and is often fought by government or central banks with fiscal or monetary expansions. 

However, when dealing with youth unemployment rates we need to consider the fact that a large fraction of youth is still enrolled in the education system and it may be misleading to look only at those indexes while assessing the broader problem of youth joblessness. Youth unemployment rate is the fraction of the total youth labour force that is unemployed, thus being a narrow definition that does not take into account young people who are still studying or who are training to be employed. To overcome such a problem, the paper considers the NEET rate (an acronym standing for Not in Employment, Education or Training),

“the proportion of those aged 15-19 and 20-24 who are not in education, employment or training, expressed as a percentage of the total number of young people in the corresponding age group, by gender”

Such a metric includes the share of young people who are unemployed, discouraged in finding a job and who dropped out of school, thus often disengaged and socially excluded people. Here, the percentage is calculated as a fraction of the whole young age group, not only of youth labour force as in the case of youth unemployment rate. Among youngsters in education those attending part-time or full-time education are included, while those in non-formal education and in short-term educational activities are excluded (OECD data).

Having in mind these basic definitions, the discussion now analyses general trends in unemployment rates in most European countries since late 19th century until the occurrence of the Great Recession during the first decade of the new millennium.

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4 https://www.thebalance.com/types-of-unemployment-3305522
5 https://www.thebalance.com/types-of-unemployment-3305522
2.2 The role of shocks and institutions

One of the most evident macroeconomic trends in Europe (and more generally in the world) since 1970s has been an overall sharp rise in unemployment rates. Many scholars have striven to find an explanation to this phenomenon but they often failed since they only considered the direct correlation between labour market institution and unemployment levels.

Evidence unfortunately showed how these institutions were already born when employment levels started increasing all over the world. Therefore, in the light of these results, a vein of economists, among which Blanchard and Wolfers, tried to insert another determinant of the rise in unemployment in the analysis. This additional factor included the role of macroeconomic shocks in the stated trend. Thus, when considering both negative shocks and labour market institutions, it is obvious that the effects of these dramatic and sudden changes in a country’s economy vary according to the underlying institutional set up.

Blanchard and Wolfers tried to isolate the major shocks which determined the observed rise in unemployment rates since 1970s.

A Total Factor Productivity (TFP) growth slow-down in those years had negative effects on the economy: firms and workers took some time to adjust to the slowed-down rate, leading to higher wages than those required by the new and lower productivity rate, thus causing unemployment.

Higher real interest rates mean higher cost of borrowing, thus lower quantity of investments due to the higher cost of capital. This chain of events would conclude with lower employment levels due to lower overall production in a country. This perfectly explains why restrictive monetary policies adopted in many EU countries during the last decades of the XX century may have contributed to the rise in unemployment occurred in those years. Evidence shows how average real cost of capital in Germany were around 2.8% during 1970s but around 3.8% in the subsequent decades (Linzert, 2003).

Finally, another shock whose occurrence may result in higher unemployment rates is a change in labour demand or in labour share within an economy. This may be due to technological improvements (thus an increase in the capital share with respect to the labour share) or other reasons. If such a fall in labour demand is not met by a decrease in real wages to meet the new point of equilibrium between demand and supply, higher unemployment may be a direct consequence (Blanchard & Wolfers, 1999). A fall in the share of labour and a relative increase in the share of capital is what most European (and non) economies experienced in the last decades of 1900. In fact,
when the end of the Bretton Woods fixed exchange monetary system (1970s) allowed again for free movement of capital across countries, this accelerated foreign investments diffusion leading to a rapid technological change occurred both in developed and in developing countries. This new wave of globalization obviously increased the share of sophisticated capital used as factor of production, requiring highly-skilled workers or even machines to take the place of low-skilled ones, inevitably creating unemployment levels to rise in many countries.

Obviously, a one-shot analysis of the rise in unemployment rates during 1970s would primarily be explained as a result of these shocks. On another hand, the persistence of this situation in the subsequent decades must take into account also the role of labour market institutions. The worldwide increase in unemployment during the last years of 20th century is also a result of the so-called “labour market rigidities”, a set of regulations aimed at reducing firms’ decisional power about many topics. As Boeri and Van Ours stressed back in the days, it is possible to distinguish labour institutions acting on prices (those directly forcing firms to pay higher wages) from those acting on quantities (Boeri & Van Ours, 2008). Among the many existing institutions that act on prices, unemployment insurance is a leading one. A more substantial unemployment insurance increases unemployment rate and unemployment duration, for instance, by lowering the intensity of search for jobs. Employment protection is another labour institution whose effects on equilibrium unemployment rate is ambiguous, as it both decreases labour demand by firms and increases employees’ security by making dismissals more costly for firms. Institutions that act on prices, like minimum wage laws, do not allow firms to under-pay workers and they do so by setting a minimum wage threshold. This mechanism obviously produces efficiency losses and unemployment. Minimum wage laws may be enforced by the government or by specific trade unions, whose collective bargaining is itself a labour institution. Collective bargaining also acts on prices and aims at equalizing overall wages within firms. Taxes on labour may be considered as another institution that reduces both labour demand and labour supply, thus resulting in less employment and participation. Taxes imposed on labour are often used to fund retirement plans and unemployment benefits, whose main effects may be divided among an increase in unemployment and an increase in inactivity by workers. Among the labour institutions that, on the other hand, act on the quantity of labour supplied or demanded there are, for example, regulations on working hours, immigration policies or increases in compulsory schooling ages.
2.3 Heterogeneity among EU (OECD) countries

As already stated, the overall initial rise in unemployment rates all over the world in the decades after World War II may be considered a result of adverse shocks occurred in those years. But the persistence of those high rates and the consequent heterogeneity of those rates across OECD countries may better be explained by a difference in institutions and more precisely by the way in which those heterogeneous institutions reacted to shocks. The evident conclusion is that countries with lower employment rates have less employment-friendly institutions (Blanchard & Wolfers, 1999). Other results that generate from many econometric studies, even those conducted by OECD, outline the evidence that some groups of workers, mainly young workers, are more heavily affected by a rise in overall unemployment rates. This result is obviously less evident in some OECD countries and the heterogeneity of this finding is mainly due to an overall difference and a different level of “rigidity” of labour institutions worldwide. As previously seen, the institutions affecting a country’s labour market outcomes are several. Several are also those institutions affecting youth labour markets.

In this essay I tried to shift the focus on those institutions affecting young people’s school-to-work transition, referring in particular to what the Italian economist Francesco Pastore has several times defined as the “youth experience gap” (Pastore, 2012).

2.4 The “youth experience gap”

Among the reasons why the analysis focuses on youth (defined as people between 15 and 24 years old), besides the fact that this age group’s occupational status should be at the top of any policymaker’s agenda, is that young people are those members of a society which experience the worst labour market outcomes resulting from a shock while being a country’s fundamental resource, with the necessary exceptions.

What the economist F. Pastore logically points out as the main cause of this youth disadvantage is the lower level of human capital that young people hold when compared to adult people, most of the time due to youngsters not completing compulsory school or, when they achieve even higher education levels, lacking the required work experience. Depending on the job, a different level of both general and sector-specific skills is necessary to be hired and the time needed to acquire them can be very long. In fact, while general competences are common to many jobs and thus are
acquired more easily, job-related competences can only be gained by working where one applies and the process of “filling the gap” on this type of skills is more difficult and may take time. Many scholars pointed out temporary works as a solution to this “experience gap” problem: a pitfall of this solution may be the fact that firms are less incentivized to spend in job-specific training programs when young people work under fixed-terms, thus temporary, contracts. In fact, firms fear that they won’t benefit from those investments. Temporary jobs, lowering firms’ costs, may only be useful in providing young workers with general skills, limiting the extent to which this solution may help fill the experience difference (Pastore, 2012).

Having said that, a relevant system that we need to analyse when trying to identify the different reactions that the youth labour markets of the various countries have had after economic downturns, in particular after the 2007 Great Recession, is the school-to-work transition (SWT). With the term school-to-work transition we refer to the set of institutions involved in the transition of a young person from education to work, those institutions that allow young people to fill the “experience gap” they face vis-a-vis adults. Thus, the same interaction between shocks and institutions’ flexibility responsible for the heterogeneity of unemployment rates among OECD countries during the last years of the 20th century was also the cause of the difference in reactions that the youth labour markets experienced worldwide after the Recession. This difference may consequently be viewed as a result of the interaction between the 2007 financial crisis’ effects and different school-to-work transition regimes (along with differences in other institutions’ flexibility).

At this point, it is worth making the distinction between SWT regimes. The aim of policymakers in each country is to help young people gain both general and job-specific skills and the difference in SWT systems and in the other institutions involved is what diversifies countries’ youth labour market responses. The main difference between SWT regimes lays in whether it is the education system itself that prepares young people with the necessary level of human capital (dual education systems) or young people are responsible for acquiring working skills by themselves after education is completed, directly by working (sequential education systems). Another useful distinction may be made between rigid and flexible education systems, depending on how much space is left to the students’ choice to change studies or career.

Based on these distinctions, the time young people need to fill the “experience gap” depends heavily on the type of educational system the country in which they live is adopting. Many economists tried to divide the world in macro-regions whose common feature is the SWT regime in force. Later in this work, it will rather be analysed single countries’ youth labour market experience of the Great Recession, but always taking into account the differences in education systems as an
important source of the diversified responses labour markets had during and after the financial crisis.

3. Youth unemployment during and after the Great Recession (2007-2009)

As anticipated before, young people (those aged 15-24) are more sensible to shocks than adults (those aged beyond 24). This circumstance held true especially during and after the occurrence of the recent financial and economic crisis, the Great Recession. This rather great shock had a seriously negative impact on the future employment of many youngsters worldwide.

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>GERMANY</td>
<td>11,93</td>
<td>7,8</td>
</tr>
<tr>
<td>FRANCE</td>
<td>18,85</td>
<td>24,05</td>
</tr>
<tr>
<td>GREECE</td>
<td>22,68</td>
<td>58,25</td>
</tr>
<tr>
<td>U.K</td>
<td>14,25</td>
<td>20,65</td>
</tr>
<tr>
<td>U.S.A</td>
<td>10,53</td>
<td>15,52</td>
</tr>
<tr>
<td>ITALY</td>
<td>20,38</td>
<td>40</td>
</tr>
<tr>
<td>SPAIN</td>
<td>18,1</td>
<td>55,48</td>
</tr>
<tr>
<td>PORTUGAL</td>
<td>16,7</td>
<td>38,1</td>
</tr>
</tbody>
</table>

Table 1 Youth Unemployment rates (%)  
Source: OECD data

In building Table 1, data are gathered about the main OECD countries, the ones on which the analysis will focus later in the work. It is evident how the crisis worsened the situation, especially for young people. The numbers showed in the table are Youth Unemployment Rates (the number of unemployed young people, 15-24 years old, expressed as a percentage of youth labour force). The years 2007 and 2013 used to compare these rates across countries may be considered reliable proxies for the pre and post-crisis levels reached by the macroeconomic index used. The worst performances in the after-crisis period were registered in Mediterranean countries (Italy, Spain, Greece, Portugal), while a completely different situation occurred in Germany, a country which saw
the occupational level of young people increased rather than diminished, evidence of a faster-than-average recovery.

Figure 1: reference to Table 1

In order to have a more accurate idea of the path followed by youth unemployment rates across these countries in the years before, during and after the Great Recession, it is useful to look at the trend with respect to a broader time span. Table 2 and Figure 2 (below) show the path followed by youth joblessness rates registered in the 8 countries this paper deals with over the period 2000-2016. The years just after the Great economic downturn report the highest youth unemployment rates, even though the time different countries took to recover from the financial and economic crisis is unlike. It is evident how Germany’s performance in this time frame is completely opposite with respect to Southern European countries’ one. In fact, in the days in which Greece and Spain were experiencing incredibly high Youth Unemployment rates (even exceeding 50% of unemployment, meaning that more than 1 youngster every 2 didn’t have a job), Germany’s joblessness levels were already declining well under the 10% threshold (OECD data). While Italy’s labour market was hit
by the Recession almost as badly as the other Mediterranean countries, with Youth Unemployment rates above 40%, France and United Kingdom succeeded in keeping those rates between 20% and 30% during the same years (2012-2014). Portuguese experience of the crisis was similar to Mediterranean countries’ one, even though the time Portugal took to recover from high Youth Unemployment rates was not the same as the one employed by Spain, Greece and Italy.

<table>
<thead>
<tr>
<th>Table 2 &amp; Figure 2</th>
<th>Youth Unemployment rates (%)</th>
<th><strong>Source:</strong> OECD data</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>20.46 18.89 19.73 21.35 18.3 22.57 23.63 24.23 24.6</td>
<td></td>
</tr>
<tr>
<td>Germany</td>
<td>8.54 9.28 12.99 13.75 10.57 9.82 8.05 7.75 7.05</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>31.15 27.23 23.5 21.75 21.23 27.88 35.3 42.67 37.75</td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td>29.2 26.55 26.5 24.98 21.88 33 55.3 52.42 47.35</td>
<td></td>
</tr>
<tr>
<td>Spain</td>
<td>26 22.2 22 17.9 24.48 41.5 52.88 53.2 44.45</td>
<td></td>
</tr>
<tr>
<td>Portugal</td>
<td>8.88 11.68 15.45 16.52 16.68 22.75 37.92 34.83 27.93</td>
<td></td>
</tr>
</tbody>
</table>

It is useful to group these countries on the basis of their geographical position and their similarities in performance, similarities which stem from symmetries in welfare systems and in labour market institutions: the Mediterranean and/or Southern-European countries (Spain, Italy, Greece, Portugal and France); the Continental Europe countries (Germany) and the British island. As can be seen, in this paper we consider France a Mediterranean country despite its performance during the recent Recession was not as negative as the one experienced by Spain, Italy, Greece and Portugal. In fact, Youth Unemployment in France (as in UK) didn’t exceed 30% during the period Figure 2 covers.
However, France is geographically considered part of Southern Europe and, at the same time, a Mediterranean country.

In the previous chapter the essay introduced another macroeconomic indicator, the NEET rate, a sort of adjustment of the Youth Unemployment rate. Before analysing each of the earlier mentioned groupings of countries it is useful to look at the NEET rates in the countries analysed and compare them with the European Union / Euro zone average rates. In this way we can become aware of the actual magnitude of the disadvantage experienced by youth vis-à-vis adulthood.

<table>
<thead>
<tr>
<th>Anno</th>
<th>EU 28</th>
<th>EU 19</th>
<th>ITALY</th>
<th>U.K.</th>
<th>FRANCE</th>
<th>GREECE</th>
<th>SPAIN</th>
<th>PORTUGAL</th>
<th>GERMANY</th>
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<td>2005</td>
<td>12,7</td>
<td>12,2</td>
<td>17,1</td>
<td>8,4</td>
<td>11,2</td>
<td>15,9</td>
<td>13</td>
<td>11,1</td>
<td>10,9</td>
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<tr>
<td>2006</td>
<td>11,8</td>
<td>11,3</td>
<td>16,8</td>
<td>8,6</td>
<td>11,3</td>
<td>12</td>
<td>11,8</td>
<td>10,6</td>
<td>9,6</td>
</tr>
<tr>
<td>2007</td>
<td>11</td>
<td>10,8</td>
<td>16,1</td>
<td>11,9</td>
<td>10,7</td>
<td>11,3</td>
<td>12</td>
<td>11,2</td>
<td>8,9</td>
</tr>
<tr>
<td>2008</td>
<td>10,9</td>
<td>11</td>
<td>16,6</td>
<td>12,1</td>
<td>10,5</td>
<td>11,4</td>
<td>14,3</td>
<td>10,2</td>
<td>8,4</td>
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<tr>
<td>2009</td>
<td>12,5</td>
<td>12,6</td>
<td>17,6</td>
<td>13,2</td>
<td>12,7</td>
<td>12,4</td>
<td>18,1</td>
<td>11,2</td>
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<td>2010</td>
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<td>19</td>
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<td>2011</td>
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<td>2012</td>
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<td>18,6</td>
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<td>2013</td>
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<td>15,6</td>
<td>11,3</td>
<td>6,2</td>
</tr>
</tbody>
</table>

**Table 3**  NEET rates (% of total population in the same age group)

The indicator youth ‘Neither in Employment nor in Education and Training’ (NEET) provides information on young people aged 15 to 24 who meet the following two conditions: (a) they are not employed (i.e. unemployed or inactive according to the International Labour Organisation definition) and (b) they have not received any education or training in the four weeks preceding the survey. Data are expressed as a percentage of the total population in the same age group and sex. According to Table 3 Italy, Spain and Greece recorded a NEET rate far higher than the European Union / Euro zone averages. The most noticeable growth in the share of NEETs was registered in Spain, where the rate increased from 12% in 2007 to 18,1% in 2009, then remaining at this level for almost 5 years. In Italy, this rate was already at a high level in 2005 and kept growing up to a value of 22,2% in 2013. In Greece, the same rate reached similar height as in Italy in 2012. Having noticed this, the paper now turns the attention to the analysis of each of the previously mentioned groupings of countries.

[7](https://ec.europa.eu/eurostat/statistics-explained/index.php/Statistics_on_young_people_neither_in_employment_nor_in_education_or_training)
grouping of countries that share similar characteristics, with the aim of trying to bring to light roots and potential explanations to the heterogeneous behaviours these countries showed during and after the Great Recession. Labour market institutions will be the basis of this analysis.

### 3.1 Southern-European countries

Southern-European cluster of countries, also pointed out as Mediterranean Europe (Pastore, 2012), includes, according to convention, Italy, France, Greece, Spain and Portugal. Apart from France, which may be considered as a “middle-performer” (Dolado et al., 2015), the other countries belonging to this group were those hit hardest by the Recession. As already mentioned, the main factor causing the unemployment of many young people in these countries, unemployment then widened by the recent crisis, was the failure of the education system in ensuring young people an efficient and fluid school-to-work transition and in trying to reduce the “experience gap” on which F. Pastore based all his work (Pastore, 2012).

#### 3.1.1 The Italian case

The fact that youth unemployment in Italy reached 40% during the years after the Great Recession may be postponed to various explanations. What calls in for a youth-specific problem in the Italian labour market is the high ratio of youth-to-total unemployment rate that Italy experienced during the last decades. In Figure 3 (below) youth and total unemployment are plotted together to better outline the divergence among these two indicators.

<table>
<thead>
<tr>
<th>Year</th>
<th>Youth</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>24.1</td>
<td>7,729</td>
</tr>
<tr>
<td>2006</td>
<td>21.75</td>
<td>6,776</td>
</tr>
<tr>
<td>2007</td>
<td>20.38</td>
<td>6,075</td>
</tr>
<tr>
<td>2008</td>
<td>21.23</td>
<td>6,723</td>
</tr>
<tr>
<td>2009</td>
<td>25.32</td>
<td>7,748</td>
</tr>
<tr>
<td>2010</td>
<td>27.88</td>
<td>8,359</td>
</tr>
<tr>
<td>2011</td>
<td>29.07</td>
<td>8,354</td>
</tr>
<tr>
<td>2012</td>
<td>35.3</td>
<td>10,651</td>
</tr>
<tr>
<td>2013</td>
<td>40</td>
<td>12,145</td>
</tr>
<tr>
<td>2014</td>
<td>42.67</td>
<td>12,68</td>
</tr>
<tr>
<td>2015</td>
<td>40.33</td>
<td>11,894</td>
</tr>
</tbody>
</table>

**Table 4**  Unemployment rates (%)  

*Source: OECD data*
When looking at labour market institutions, a main reason for the divergence among youth and total (or adult) unemployment rates may be the increase, during recent times through several labour market reforms, of temporary (or fixed-term) contracts. These types of contracts have historically proved to be a double-edged sword. If, in fact, on the one hand they have contributed to job creation for young people, on the other hand they have always been treated with caution by policymakers due both to their lower quality and to the possibility for youngster to find themselves trapped in them for many years or even for the entire life. The bright side of the coin when dealing with fixed-term contracts is their ability to act as a bridge between unemployment and a stable employment. However, when a recession occurs the first to pay its consequences are temporary workers since hiring and firing costs are reduced with these type of contracts (Leonardi, 2012). Thus, the liberalization of temporary jobs occurred with these recent reforms had contradictory effects: during the years before the financial crisis, it increased employment; after the Recession occurred, it led to a rapid job destruction. These reforms were capable of increasing the flexibility only for the most fragile components of the Italian labour market, having little effect on the employed part of it. In fact, as the crisis broke up and employment declined, workers became adverse to leave their work place (Leonardi & Pica, 2013).

Another institution that may have pushed the rapid growth of youth unemployment in the aftermath of the recent crisis in our country is Cassa Integrazione Guadagni (CIG), created during the last
decades of 20th century with the aim of supplying income sustenance to momentarily displaced employees or workers displaced from enterprises in shrinking sectors (Leonardi & Pica, 2013). With the Great Recession, the CIG extended its area of influence to help more and more firms. Inasmuch as it protects older workers and, moreover, workers covered by this institute are not counted as jobless in official accounts, adult unemployment rates are reduced at the expense of youth ones, which are relatively increased.

A second possible explanation to the impressively high youth-to-total unemployment ratio in Italy during and after the crisis may have something to do with the fact that, during the years of the recession, more young people aged 15-24 found themselves in education. Thus, labour force participation among young people (15-24 years old) declined together with employment rate in this period. Youngsters, in fact, decide to stay more time in education before looking for a full-time job. Lower participation in the labour force turns into higher unemployment rates (Dolado et al., 2015).

<table>
<thead>
<tr>
<th>Year</th>
<th>ITALY</th>
<th>EU 28</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>32.35</td>
<td>44.93</td>
</tr>
<tr>
<td>2007</td>
<td>30.82</td>
<td>44.87</td>
</tr>
<tr>
<td>2008</td>
<td>30.75</td>
<td>45.02</td>
</tr>
<tr>
<td>2009</td>
<td>28.85</td>
<td>44.39</td>
</tr>
<tr>
<td>2010</td>
<td>28.08</td>
<td>43.77</td>
</tr>
<tr>
<td>2011</td>
<td>27.11</td>
<td>43.35</td>
</tr>
<tr>
<td>2012</td>
<td>28.56</td>
<td>43.12</td>
</tr>
<tr>
<td>2013</td>
<td>27.14</td>
<td>42.86</td>
</tr>
<tr>
<td>2014</td>
<td>27.14</td>
<td>42.44</td>
</tr>
<tr>
<td>2015</td>
<td>26.19</td>
<td>42.39</td>
</tr>
<tr>
<td>2016</td>
<td>26.61</td>
<td>42.36</td>
</tr>
</tbody>
</table>

**Table 5** Labour force participation rate (15-24, % in same age group)  
Source: OECD data

Even though, in principle, a general higher level of education is beneficial, the registered rise in the number of people in education led to an increase in university graduates and, by consequence, in unemployment rate; it also rendered job search more and more competitive. In a short period of time there has been a rapid growth in the supply of job-searching college graduates which was not met by an equal shift in demand for young people with tertiary education (Dolado et al., 2015).

Moreover, the Fornero pension reform (2012) raised the retirement age by three years. This law may help explain the exponential growth that youth unemployment rate suffered especially between 2010 and 2014 when it went from 27.88 % to 42.67 % (OECD data). The previously diffused rotation between older and younger workers was made difficult by such reforms and employment
levels and participation rates increased among elders, relatively declining among youngsters (Dolado et al., 2015).

Both the fixed-term contracts and the pension reform explanations do not grasp the structural problem that Italy heavily suffers: the difficult school-to-work transition young people undergo. In our country education and labour market are far from each other and young people have little or no job experience during the time they spend in education. Both school and universities offer no links with the job world and the probability of being immediately hired after a period of apprenticeship is very low. These factors, together with many others, make the transition from school to work very slow in our country. The discussion about possible radical changes of the education system remains open (Dolado et al., 2015).

3.1.2 The Greek experience

Among the countries analysed in this essay, Greece is the one that most seriously suffered the crisis. The Greek economy shrank by large amounts leading to a decline in living standards that can still be perceived today (Dolado et al., 2015). Total and youth unemployment were already above the Eurozone average when the crisis came. The situation worsened in the years immediately after the Recession, when youth unemployment rate hit the peak of 58.25% in 2013 (OECD data). Moreover, the fraction of young people who are neither in Employment, nor in Education nor in Training (NEETs) increased from 11.4% in 2008 to 20.4% in 2013 (Eurostat) among those aged 15-24. A reliable proof to the poor prospect Greek youngsters were facing is the great number of migrations to more prosperous countries. And although the movement to another country may be ideal for the individual, the effects of this situation on Greece are ambiguous: brain gain if emigrants then return to home country with more experience; brain drain if those who migrated stay abroad (Dolado et al., 2015). Soon high unemployment, low income and a lack of economic support for long-term jobless became all factors creating increasingly greater social issues, leaving the Greek country in a whirlwind of problems.

Austerity policies pursued by the Greek government when the country was already experiencing the recession did not give the desired results. In fact these policies, which should have compensated for the negative effects of the crisis, rather worsened the social situation of the Hellenic region. Since youth unemployment rates rose exponentially and macroeconomic estimates for the near future suggested that these rates remained at high levels, the picture soon became worrisome. The austerity
plan implemented in those years took shape via a cut in minimum wages and a weakening of labour market institutions, according to the belief that such an “internal devaluation” would have made the Greek labour market more competitive and would have possibly increased exports to take GDP to pre-crisis levels (Matsaganis, 2013). The results were not those hoped for since youth and total unemployment remained high. Moreover, wages lowered making social condition for young people worse.

Table 5 shows how the average wage in Greece was less conspicuous than the OECD average one and how much it decreased during the post-crisis. These data may be viewed as a result of the minimum-wage cut carried out by the Greek government as an attempt to stem the negative effects of the Recession.

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</tr>
</thead>
<tbody>
<tr>
<td>GREECE</td>
<td>32 740</td>
<td>32 246</td>
<td>33 762</td>
<td>31 510</td>
<td>29 445</td>
<td>28 108</td>
<td>26 290</td>
<td>26 803</td>
<td>26 585</td>
<td>26 506</td>
<td>26 486</td>
</tr>
<tr>
<td>OECD AVG</td>
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<td>43 934</td>
<td>44 259</td>
<td>44 419</td>
<td>44 591</td>
<td>44 582</td>
<td>44 696</td>
<td>44 997</td>
<td>45 709</td>
<td>46 017</td>
<td>46 294</td>
</tr>
</tbody>
</table>

Table 6 Average wage (US dollars) Source OECD data

However, another possible explanation for having achieved such high levels of youth unemployment is the malfunctioning of the labour market. In particular, the slow and inefficient transition from education to employment, which is peculiar of Southern and Mediterranean countries, may be pointed out as responsible for a large share of joblessness in the post-crisis period. Skills mismatches in the Greek labour market are caused by issues both in the demand and in the supply side (Dolado et al., 2015).

The main inefficiency lies in the fact that, while employers require certain skills such as the "hands-on experience" or other softer skills such as “problem solving” 8, many young people are not able to offer them since, in most cases, people prefer to make their children follow the traditional university path rather than the vocational training, which is considered to be of a lower quality by the common place. Also the greater diffusion in Greece of both own-account workers and small size

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8 (McKinsey, 2014)
firms, which account for the majority of the total number of firms, may prove the lower number of job opportunities in that country. This consideration holds especially for highly educated youths, whose skills acquired over a long period are wasted most of the time, as these ones are not what employers demand for (Dolado et al., 2015).

What the Greek government should look at is the improvement of the transition from school to work by providing youngsters with the skills more frequently required by employers. Such a structural problem cannot be solved by simply requiring investments from abroad.

### 3.1.3 The Iberian Peninsula: Portugal and Spain

The assumption that young people show a higher sensitivity to business cycles than adults is also reflected in the Iberian experience of the financial crisis. What really made and still makes young workers disadvantaged vis-à-vis elder ones in the case of Portugal and Spain is the separation of contracts into temporary and permanent ones, or even the discriminatory nature of the system of income protection, granted to some but not to others (Dolado et al., 2015).

|--------|------|------|------|------|------|------|------|------|------|------|------|

**Table 7** Total temporary employment (% of dependent employment)  
**Source:** OECD data

As in other Southern European / Mediterranean countries, also in Portugal the mentioned dualization within the labour market has led to a rapid diffusion of fixed-term contracts instead of permanent ones. The feature that has allowed such spreading as a wildfire of fixed-term contracts is the ease and cost-effectiveness of terminating these types of contracts with respect to permanent
ones (Canteno and Novo, 2012). Table 6 (above) shows how the use of temporary contracts has reached a considerable share during the first decade of the new millennium, a share well-above the European Union average (OECD data). Analysing these data more closely, it is possible to see how fixed-term contracts represent a far higher percentage of total dependent contracts among young people (15-24) rather than in the age range from 15 to 64 years old (the total set of ages to which one can work). A greater share of temporary contracts results in a lack job stability and growing uncertainty (Dolado, 2015). Moreover, the unemployment insurance system discriminates against workers under these temporary contracts.

Table 7 below shows the diffusion of temporary jobs among young people (15-24), expressed as a percentage of total dependent contracts, for Spain, Portugal and the EU average. It is evident that the percentages of fixed-term contracts are much higher among youths and much more widespread in the Iberian Peninsula than in the rest of Europe (OECD data).

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</tr>
</thead>
<tbody>
<tr>
<td>SPAIN</td>
<td>62.69</td>
<td>59.2</td>
<td>55.69</td>
<td>58.43</td>
<td>61.17</td>
<td>62.18</td>
<td>64.69</td>
<td>69.13</td>
<td>70.38</td>
<td>72.87</td>
<td>73.33</td>
</tr>
<tr>
<td>PORTUGAL</td>
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<td>54.64</td>
<td>54.14</td>
<td>56.43</td>
<td>57.78</td>
<td>56.74</td>
<td>61.45</td>
<td>63.0</td>
<td>67.51</td>
<td>66.29</td>
<td>65.87</td>
</tr>
<tr>
<td>EU 28</td>
<td>41.37</td>
<td>40.25</td>
<td>40.48</td>
<td>42.25</td>
<td>41.69</td>
<td>41.39</td>
<td>42.56</td>
<td>43.37</td>
<td>43.55</td>
<td>43.74</td>
<td>44.22</td>
</tr>
</tbody>
</table>

Table 8  Youth temporary employment (% of dependent employment) Source: OECD data

The Portuguese experience of the crisis retraced the footsteps of the other Southern-European countries, with growing unemployment and a labour market that discriminated against young fixed-term workers (Dolado, 2015). High unemployment, especially among youngsters, resulted from a decrease in job creation rather than an increase in job destruction. In response to this decrease in job creation many young people emigrated, trying to express their skills in other European (and non) markets. In 2012, total migration reached 122,000 workers and non, of which 40% were aged 15-30 (OECD, 2014). These data were worrying for the Iberian country, whose workforce was predominantly low-skilled.

Hypothetical policies to reduce unemployment, especially youth, should aim to make the Portuguese labour market less segmented, with fewer types of employment contracts so as to treat the various age groups in the same way. However, the labour market is not the source of all the
economic problems encountered by the Iberian country during the years after the crisis (Dolado, 2015).

Despite being one of Europe's most important and greatest economies, Spain has been severely hit by the Recession. Both youth and total unemployment reached very high peaks, touching 60% in the years following the crisis (OECD data). Fixed-term contracts, as shown in the previous table, are daily bread for young Spaniards and this makes the job market very unstable and uncertain. A characteristic that differentiates this country from Italy is, precisely, the fact that unemployment is high among both young and adult people, not being exclusively concentrated in the age range between 15 and 24 years. Temporary contracts were liberalized during the last decades of 19th century. As a result of this reform after a few years the number of young people placed under fixed-term contracts increased exponentially, making the Spanish labour market unstable for a large part of workers. With the addition of the economic downturn, statistics published by Spanish labour authorities show that many workers among those who lost their job due to the Recession were under fixed-term contracts and only a small fraction of permanent workers found themselves out of work in the post-crisis9 (Dolado et al., 2015).

Looking at Table 7 (above), we can see how in 2009 the share of temporary contracts among young people was at a minimum, 55.7% (OECD data). This achievement may be due to the huge job destruction occurred with the Recession. The first people to lose their job when an economy shrinks are temporary workers because of the lower cost employers incur when hiring or firing them. However, as already seen in the paper, temporary contracts do have positive sides besides the negative ones just seen. In fact, fixed-term jobs represent a possibility for many young people to work and acquire the level of experience that adults possess, diversifying their skills in many different occupations (Dolado et al., 2015). These benefits can help young people hope for or find better jobs in the future, unless they enter the fixed-term contracts loop. All these considerations make the long-term effects of having worked under fixed-term contracts ambiguous.

The occurrence of the Recession made the situation critic for youngsters who entered unemployment with a little level of experience. Youth unemployment remained at acceptable levels until the financial crisis reached the Iberian Peninsula. This because fixed-term contracts had guaranteed a high turnover (Dolado et al., 2015). Those young Spaniards who found themselves with an unstable occupation, without a job or even without entering training helped form a percentage of young people Not in Employment, Education or Training among the highest in Europe. In this ranking, in fact, Spain is second only to Italy and Greece if we take 2013 as the base

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9 Spanish Labour Force Survey
year (OECD data). In this sense, the dualization of labour contracts has proved to be a little beneficial move, as it reduced many young people’s welfare. All the advantages of working for a fixed period of time were overwhelmed by the crisis and temporary occupation, far from being a launching pad, soon became an obstacle in the working career of many low-skilled young people, whose near future was getting darker (Dolado et al., 2015). The fear of a “lost generation” became more and more concrete. Many policies have been adopted to try to reduce the mass of young people without jobs by trying to integrate them in the labour market. What García Perez and Osuna (2014) suggested as a better strategy to overcome this serious problem is a reduction in the dualization degree of labour contracts. Indeed, by reducing the difference in costs in the adoption of one rather than another contract or even modifying the fixed-term contract formula, many young people could escape the precarious employment or unemployment condition in which they find themselves (García Pérez and Osuna, 2014).

3.1.4 The French case

The last Mediterranean country considered in this analysis is France. This country’s experience of the crisis was certainly less tragic than any other region’s one already numbered, but not as slight as that of many Northern European nations. French youth unemployment came close to 25% in the five-year post-crisis period (OECD data). But looking exclusively at this statistic one does not get the true perception of the problem that the transalpine country had to cross with the advent of the Recession. In fact, taking as a yardstick the statistics of youth NEETs we become aware of the real complexity of the picture.

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>FRANCE</td>
<td>14,47</td>
<td>14,03</td>
<td>15,63</td>
<td>16,61</td>
<td>16,41</td>
<td>16,58</td>
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<td>16,25</td>
<td>17,2</td>
<td>17,19</td>
<td>16,55</td>
</tr>
<tr>
<td>OECD</td>
<td>13,93</td>
<td>13,42</td>
<td>15,61</td>
<td>16</td>
<td>15,86</td>
<td>15,08</td>
<td>15,7</td>
<td>15,28</td>
<td>14,79</td>
<td>14,21</td>
<td>13,24</td>
</tr>
</tbody>
</table>

Table 9 NEET rate (15-29 years old, % in the same age group) Source: OECD data
As we can see from Table 8, young NEET (15-29 years old) rate has been well above the OECD average for the whole period 2007-2017. In France, non-graduates have a much lower employment rate than graduates. The school drop-out rate is also very high (OECD data). All this could be traced back to inattentive assistance to less qualified young people. Diversification of labour contracts is another issue, which is common to this cluster of countries.

Many institutions have recently been funded in this nation with the aim of taking back to school all youths who didn’t conclude education. The country has built many Ecoles de la Deuxième Chance, a "second chance schools" network and in 2005 created the Établissement Public d’Insertion de la Défense (EPIDE), another institution for rehabilitation of inactive youth (Dolado et al., 2015). In order not to make investments vain, these organizations must be improved gradually and the collection of the results must become the starting point for possible future improvements. Although it is expensive to expand the network of institutions of this type, the return on investment could have a great social value. Another institute, called “Missions Locales”, acts locally as a support for young people who cannot find employment in the French country. The problem remains the correct and objective analysis of the data that these organizations collect (Dolado et al., 2015).

A problem that this country is brought to solve concerns the minimum income scheme which could prove to be vital for many young people with few qualifications. The root of the problem lies in the fact that the minimum income is guaranteed only to those over 25 years old in the transalpine country, unlike in many other European countries. Granting this income to young people under 25 years old could help the country reduce poverty in that age group (Dolado et al., 2015). The minimum income system, if extended to younger people, may require youngsters who use it to actively search for work. This reform could decimate the group of youth NEETs between 15 and 29 who, as shown in Table 8, have not represented a negligible percentage in the last decade (Dolado et al., 2015). Another problem in the French labour market is the high cost of labour. Having to pay high wages even to low-skilled workers makes employers abstain from giving work without giving too much weight to the qualifications of the single suitors. In this sense, a high minimum salary has many negative effects on the employment status of the country (Neumark and Wascher, 2008). The same considerations made for the other Southern-European countries apply also to France. The dualization of labour contracts in the last years of the 20th century led to a rapid spread of fixed-term contracts, the costs and terms of which are immediately known. In the early 2000s these temporary contracts then spread exponentially among French youth. New reforms should be proclaimed to try to improve this situation (Blanchard and Tirole, 2003).
3.2 Continental Europe: the German locomotive

Central European countries have historically travelled on surprisingly low youth and total unemployment rates, even during the economic crisis. With data at hand it is possible to note a somewhat paradoxical situation. In fact, youth unemployment in the German country reached its peak in 2005, before the advent of the Great Recession, with a value of around 15% (Federal Reserve Economic Data). From that moment on, youth unemployment has only decreased reaching minimum levels, almost out of context in the general European framework.

Even more striking is the difference in performance of this country compared to the OECD average if we consider the statistics of young people (15-29 years old) Not in Employment, Education or Training (NEET): in 2012 it was 9.94 % in Germany while the OECD average reached 15.08 % in the same year (OECD data). Even greater differences between the NEET rate of the country and the average rate of the OECD countries emerge if we consider the age groups 15-19 and 20-24 instead of 15-29 (OECD data).

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<tbody>
<tr>
<td>GERMANY</td>
<td>4.15</td>
<td>3.71</td>
<td>3.76</td>
<td>3.68</td>
<td>3.5</td>
<td>3.03</td>
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<td>2.93</td>
<td>2.54</td>
<td>3.35</td>
<td>3.61</td>
</tr>
<tr>
<td>OECD AVERAGE</td>
<td>7.69</td>
<td>7.61</td>
<td>8.46</td>
<td>7.86</td>
<td>8.06</td>
<td>6.87</td>
<td>7.1</td>
<td>6.7</td>
<td>6.72</td>
<td>5.97</td>
<td>5.76</td>
</tr>
</tbody>
</table>

Table 10 NEET rate (15-19 years old, % in the same age group)  
Source: OECD data

Table 9 shows a comparison in NEET rates (for young people aged 15-19) between the German country and the OECD average for the decade 2007-2017. As for Youth Unemployment, also NEET rates confirm a problem in the German labour market dating back to 2005, year in which all these macroeconomic indicators reached their peak.

In the last decades two are the shocks that have marked the history of German labour market. First, the unification of Eastern and Western Germany which resulted in an enlargement of the German labour market. Later, at the dawn of the millennium, a series of reforms in the workplace, the last of
which, called "Hartz IV", resulted in the peak of unemployment in 2005. With this support income reform, in fact, the status of unemployed was extended to those who were not employed but who were receiving a subsidy; these people were not previously considered unemployed and this change caused the number of jobless people to soar (Eichhorst and Marx 2011).

The biggest shock recently occurred, the Great Recession, did not destabilize the German labour market unlike the effects it had in other European countries. Youth labour market has emerged intact from the financial downturn and this result can be traced back to the perfect functioning of some institutions that operate exclusively in the German world. Among these institutions, those that played a fundamental role in maintaining youth employment at levels far above the average of the period are vocational training and apprenticeship institutions (Dolado et al., 2015). There are various types of vocational training and apprenticeship institutions. The difference lies in the level of formal and practical education they provide to young people. But the strength of the country does not lie so much in being provided with schools that guarantee technical knowledge and apprenticeship opportunities to young people who decide not to continue the traditional university courses (Dolado et al., 2015). The added value in the Continental Europe nation is guaranteed by those smaller institutes, which form the so-called “transition system”, that educate and train low-skilled and less qualified youngsters, so as to bridge the skill gap that separates them from other young people who apply to enter these institutions, allowing them to skip a few years of apprenticeship (when they will have to support it) and making them competitive vis-à-vis peers once they become part of the country's workforce (Dolado et al., 2015).

In a nutshell, the strength of the very articulated German vocational training system is this “transition system” that takes care of young people without alternatives, which would otherwise enlarge the mass of youths without a job.

Another plausible explanation for having maintained youth unemployment at minimum levels could be due to the decline in fertility in occurred Germany immediately after the unification of the Eastern and Western parts. This occurrence, together with a greater propensity of young Germans to continue their university studies without entering the world of work immediately after secondary education, would have reduced the possibility for a youngster to find himself unemployed (Dolado, 2015).
3.3 The British experience

Young people’s greater vulnerability to the economic recession is the lowest common denominator of the countries analysed so far. This situation also occurred in United Kingdom but the policies that the British country adopted to combat it were different. The recovery experience in the Anglo-Saxon country, as regards total unemployment, was faster and more effective than in Southern European countries. Not surprisingly, in fact, the overall unemployment rate by 2014 was at 6.11% after having reached the peak of 8.04% in 2011 (OECD data). Youth labour market’s recovery, on the other hand, required more time. During an economic recession, the decrease in aggregate demand forces firms to reduce personnel. Most of the time there is a decrease in hiring rather than the dismissal of more experienced employees (Dolado et al., 2015). Since young people are hoping for hiring by companies, during an economic crisis they are the age group that most suffers from this freezing of recruits.

![Figure 4](image-url)  
*Figure 4* Unemployment rates (%)  
*Source: OECD data*

Figure 4 (above) shows the divergence among youth and total unemployment. Youth joblessness in the UK has just crossed the 20% threshold between 2012 and 2013 (OECD data), making the British country a "middle-performer", better than Southern European countries but worse than Northern European ones, whose well-articulated apprenticeship system has continuously facilitated youngsters’ transition from education to the world of work. However, as the graph shows, in UK
young people (15-24) have suffered the economic crisis much more than adults (25-64) despite English labour market institutions’ flexibility (Dolado, 2015). This is also evidenced by the fact that, by 2013, English policymakers managed to create a huge number of jobs, only the smallest part of which benefited young people (Work Programme statistics, 2014). Recovery of youth labour market seemed hard. But it was implemented through various policies that would not, however, guarantee a prevention of the problem in the event of a new economic recession.

The first policy adopted was aimed at increasing the participation of teenagers in education (participation in full-time education, vocational training or apprenticeship) and it was widespread, in practice, through the gradual increase in the minimum age to leave school to 17 and then 18 years old between 2013 and 2015. The bulk of increase in participation was registered in full-time education, even though many youngsters had taken part in the education system even before these reforms took place (Dolado et al., 2015). These changes certainly delayed the entry of many young people into the world of work, thus reducing youth unemployment in those years. The role of the government has not been limited to the financing of new places in education but it has also been fundamental in creating recovery programs for disengaged young people. Everything was facilitated by the government's use of the Connexions service, whose funding was interrupted in 2010 (Dolado et al., 2015).

In 2011, when youth joblessness began to grow in a worrying way, the British government launched the Youth Contract, even though this program will not be the main responsible for the improvement of the economic situation. Most of the decline in NEETs and in youth unemployment, in fact, can be traced back to the efforts of schools after the minimum age to abandon education has been raised. The feeling was that a further increase in the minimum age to leave school could have improved the situation of young English people even more (Dolado et al., 2015).

Among other countermeasures that the British government took against the economic downturn was the Future Jobs Fund (FJF), dating back to 2009. This program was intended to train less qualified and low-skilled youths to prevent them from falling into long-term unemployment and therefore acted as a link between unemployment and employment (Dolado et al., 2015). The successor of the Future Jobs Fund, dismantled in 2010, was the Work Program, introduced in the United Kingdom in 2011. This scheme had the same purpose of reducing long-term youth unemployment, trying to adjust the morale of all those youngsters discouraged from the advent of the financial crash. Results were slow to arrive, but they arrived.

Since the period before the crisis, even more with its advent, the British government has constantly been promoting apprenticeships for young people. Starting from the immediate post-Recession
however, this policy had the effect of spreading apprenticeships mainly among adults, already included in the world of work and in search of a formalization of their abilities, rather than among the young. Public intervention has also manifested itself with the introduction of traineeships for all youths. These programs, combining study with professional training and work experience, are intended to train youngsters who didn’t manage completing their studies at least for basic subjects.

The slow but successful decrease in youth joblessness (due both to the maintenance of adult unemployment at low levels, which swept away part of the competition for young people, and to the greater participation of young people in education) has made it possible for UK government to improve the transition from school to work with an eye on possible future developments.
4. The fear of a “lost generation”

In the period following the Great economic downturn, the subject of youth unemployment was the order of the day. Policies implemented at both national and supranational level were mainly aimed at fighting this great ghost. The fear was to waste the entire generation of all those who, in those years, fell within the age range 15-24.

At a European level, the most concrete attempt to stem unemployment among young people was the so-called "Youth Guarantee".

4.1 The Youth Guarantee

The Youth Guarantee is a financing plan to which, in 2013, European Union countries have committed with the common goal of tackling youth unemployment and reintegrating the many young unemployed or NEETs into the modern society (Dolado et al., 2015).

Despite the contribution that this initiative seemed to be able to give to the member nations of the European Union, improving the passage of youngsters from education to the world of work, in the short-term the Youth Guarantee did not take the desired results. This because the dizzying levels reached by youth unemployment in Southern-European countries were the result of structural problems (such as the inefficient and slow transition from school to work) that could hardly be solved with mere funds made available by the Guarantee. (Dolado et al., 2015). Furthermore, the initial fear was to put this initiative ahead of much more practical and useful reforms, such as reducing the dualization of labour contracts, which would benefit young people far more in the short-term.

The main objective targeted by the Youth Guarantee were young unemployed and, even more, youth NEETs. The biggest concern was the growing number of inactive young people; this segment of the population, in fact, risked coming out jobless and traumatized by the experience of the crisis. The estimates of the benefits, in terms of salaries and taxes, that this European policy would have brought were greater than the costs of financing and implementing this "rescue" plan (Dolado et al., 2015).

The Youth Guarantee, also named "new Marshall Plan" for the similarity with the financing plan that the US government granted to European countries damaged by the Second World War, followed very specific guidelines: giving priority to the inactive and the unemployed under 25 years
old (the fulcrum of European governments’ concern). The ambition was to be able to guarantee within a certain period of time to anyone who finished their studies or was fired a job offer, an employment, a training or an apprenticeship that was. Everything would then be compensated by the European Social Fund in those regions whose youth unemployment situation was dramatic. Most of the candidate countries for European funding belong to the first cluster reviewed in this paper: Southern-European/Mediterranean countries. The disorders that these countries’ governments found in their youth labour markets during the second decade of 21st century were the result, as several times mentioned, of structural problems that had already manifested themselves in the pre-crisis years and that the economic downturn had only accentuated. A slow transition from school to work, a not very advanced system of vocational training and apprenticeship, the spread of fixed-term contracts and other structural features inevitably result in a large number of NEETs. Southern European countries, given that these problems were unsolvable with “mere” monetary financing, did not have the security that the Youth Guarantee would have worked. Structural reforms on the model of Northern-European countries, even if they take a long time, would have facilitated the functioning of this European investment plan from the beginning, even in the short-term (Dolado et al., 2015). In any case, the common goal of the countries involved in the Guarantee had to be a growth in the broad sense, because "growth is the best guarantee for youths throughout the EU" (Dolado et al., 2015).

4.2 The “Europe 2020” strategy

As it was defined by the European Commission, the Europe 2020 strategy is

“a European strategy for smart, sustainable and inclusive growth” 11

These three adjectives were not used randomly. Knowledge and innovation ahead of any initiative, a focus both on the environment in which one operates and on the social fabric that sustains the world (through the employment of as many people as possible) are the cornerstones of this strategy.

The idea that the European Commission had was to mark a new beginning. In 2010, when the effects of the crisis began to be felt in a worrying way in the various European Union countries, this

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ten-year strategy was proposed which set concrete and achievable goals. The strategy was presented by the then European Commission President José Manuel Barroso. He calibrated every word used in the presentation of the action plan. He suggested to rely on the great quantity and variety of resources that the Old Continent had available to get out of the economic recession. Achieving positive results, Barroso argued, would have depended on the level of coordination among EU member states (J.M. Barroso, 2010). The reduction in unemployment, in particular youth unemployment, could not be missing among the targets set. The Youth Guarantee program would then serve as a tool to achieve these objectives.

<table>
<thead>
<tr>
<th>Employment rate (%)</th>
<th>Share of early school leavers (%)</th>
<th>Share of youths with a tertiary degree (%)</th>
<th>Reduction of people risking poverty (number of people)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU TARGETS</td>
<td>75 %</td>
<td>&lt; 10 %</td>
<td>&gt; 40 %</td>
</tr>
</tbody>
</table>

**Table 11** Europe 2020 targets  
**Source:** Communication from the Commission Europe 2020

These goals would then be used as guidelines by Member States’ governments, transformed into national targets tailored to each specific situation. The focal point of the strategy was in fact the chorality and the commonality of trajectory undertaken by European Union countries.

Among the objectives concerning the labour market there was the ambition of:

- employing at least 75% of the population aged 20-64 \(^{12}\);
- reducing the share of early school leavers under 10% \(^{13}\);
- increasing the share of young people with a tertiary education above 40% \(^{14}\);
- reducing the number of people risking poverty by 20 million \(^{15}\).

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\(^{12}\) Communication from the Commission, Europe 2020  
\(^{13}\) Communication from the Commission, Europe 2020  
\(^{14}\) Communication from the Commission, Europe 2020  
\(^{15}\) Communication from the Commission, Europe 2020
5. Conclusion

The analysis began with the question: why has the recent financial crisis hit the youth labour market of European countries in different ways?

After having given some general definitions and having stressed the central role of shocks and institution in determining youth unemployment outcomes, the paper has shifted the attention on investigating the causes of the trend that the youth labour market has taken on with the advent of the Great shock in the several countries analysed. This type of inspection has allowed the division of reviewed countries in geographic groups. In fact, geographic position seems to have some correlation with the post-crisis macroeconomic performance, as evidenced by the case of Southern-European /Mediterranean countries.

In any case, the heterogeneity in performance among European countries’ labour markets is brought back to a difference in labour institutions. The extraordinary success of Germany (as of other Central and Northern-European countries) is attributed to an efficient and advanced school-to-work transition system. In these countries young people, both students and NEETs, could immediately be prepared to work through apprenticeships and vocational training programmes. In this way, the “youth experience gap” they suffer against adults already in the workforce is reduced. The United Kingdom’s less obvious performance as the crisis occurred derives from the lack of a well-developed vocational training system in Britain. Despite this, some measures such as the introduction of pre-apprenticeships for less qualified young people have helped the country beyond the channel to bring youth unemployment back to pre-crisis levels in a short period of time. Among “middle-performer” countries the paper has also included France, a geographically Southern-European / Mediterranean country which barely reached 25 % of youth unemployment rate during the post-crisis years. French youth has suffered because of inefficiencies in the minimum income system and an inattentive assistance to low-skilled people. The paper has then dealt with the extremely negative performance of Southern-European / Mediterranean countries, where the dualization of labour contracts has allowed a rapid spread of fixed-term contracts. The dissertation clearly shows that in these types of contracts the drawbacks have always prevailed over the benefits. In the Iberian Peninsula, more than in Italy and Greece, many young people found themselves trapped in a series of temporary jobs, widely used because they lower the transaction costs faced by employers. This segmentation of labour contracts, together with other causes arising from the specificity of labour market institutions in these Mediterranean countries, helped raise youth unemployment rates above 50% (in some cases) leaving scars which are still visible today.
The element that brought closer the experiences that the countries analysed had of the crisis was the will to drive out the threatening ghost of a "lost generation". The various policies proposed by the European Commission were slow to bring results where problems were structural. In any case, there was a response from Europe as a whole.
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