

# WRONG PLACE AT THE WRONG TIME? INCLUSIVE AND EXCLUSIVE TRAJECTORIES ON THE YOUTH LABOUR MARKET<sup>1</sup>

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## **Abstract**

The Great Recession had profound consequences for the quantity and quality of work for young people in European countries. With falls in the level of employment, increasing precariousness and rising unemployment it was an inopportune time for young people to join the labour market. At the same time, policy responses were inconsistent, and at times incoherent, demonstrating an on-going reliance on reducing employment protection and limiting income protection. The conventional labour market indicators capture only some of the consequences of these changes and a more dynamic nuanced approach is required.

This paper adopts an innovative approach to the analysis of the integration of young people on to the labour market using comparative European-wide data in order to explore the quality of their employment trajectories. Firstly, we demonstrate how a medium-term perspective to labour market integration is important in order to understand the pathways involved toward decent work or unsuccessful integration. We identify six pathways of labour market integration for young people that underline important country differences.

Secondly, we explore the institutional frameworks and intensity of policy-making activity associated with secure and insecure trajectories on to the labour market for young women and men. We argue that range of factors appear to motivate the intensity of policy-making activity beyond responses to labour market conditions.

Keywords: young adults, decent work, youth trajectories, labour market reforms, Great Recession, Europe

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## 1. INTRODUCTION

Research on the integration of young people into working life has tended to focus heavily on the school to work (STW) transition by exploring the initial entry of young people into the labour market. This body of work has produced the comparative categorisation of school to work transitions and the identification of institutional arrangements that support smooth(er) transitions (for example Wallace and Bendit 2009). These comparisons help identify the extent of social exclusion and consequences of poor labour market insertion (OECD 2010), and identified the effects of increased precariousness (Scarpetta, Sonnet and Manfredi 2010). However, the focus has tended to concentrate on the initial period upon joining the labour market, while the subsequent period, after initial entry, have been explored less.

The Great Recession has had profound consequences for the quantity and quality of work for young adults (up to the age of 34) – calling into question existing measures and approaches to the analysis of youth transitions (Eamets *et al.* 2015). With falls in the total level of employment (due to hiring freeze and job destruction), increasing precariousness and rising unemployment it was an inopportune time for young people to join the labour market (O'Reilly *et al.* 2015). At the same time, policy responses were inconsistent, and at times incoherent, demonstrating an on-going reliance on reducing employment protection and limiting income protection (Smith and Villa 2016). The conventional labour market indicators capture only some of the consequences of these changes (ILO 2015). In this paper we argue that a more dynamic and nuanced approach is required.

The ILO's decent work agenda has shed light on consequences of these labour market changes yet still relies heavily on aggregate indicators and annual cross-sectional data (ILO 2013b). The increased flexibility of labour markets resulting from over two decades of labour market reforms combined with the effects of the worsening macroeconomic conditions since the onset of the Great Recession in 2008-2009 call for a different perspective, particularly in the analysis of the difficulties faced by young people in the labour market. Part of this new perspective implies moving from a static to a dynamic approach for the evaluation of youth labour market outcomes. More precisely, attention should shift from the 'employment status' or the characteristics of the job held at a specific point in time, to the 'evolution of employment conditions' over a period of time. This change of perspective is crucial for setting policy priorities and as a basis for proposing adequate labour market policies. For example, countries with large groups of young people who remain persistently unemployed need different types of policies in relation to countries in which unemployment is only a short and transitory condition for most individuals. These phenomena can only be partially captured by the average employment tenure by relevant age group (the "official" decent work indicator for stability and security of work). Indeed, this indicator does not allow us to identify differences in the labour market experience of young adults (in the early years of their working career) within countries nor differences in the polarisation of youth employment conditions between countries.

In this paper we propose a new approach for the evaluation of young Europeans' integration into decent work, with particular attention to the dimensions of employment opportunities and security of work. Our approach is based on the analysis of individual sequences of monthly employment status over a two-year period, and on the identification of the conditions under which these trajectories can be considered inclusive or secure. The rest of the paper is organized as follows. Section 2 reviews the relevant literature and discusses our research propositions. Section 3 presents our data and methodology. Section 4 provides a descriptive analysis of the cross-country differences in the distribution of secure and insecure trajectories of young Europeans (aged 16-34). Section 5 describes the intensity of policy making and labour market reforms to discuss the relationship between the share of young people with insecure trajectories and changes in the labour market settings. Section 6 concludes.

## **2. LITERATURE: WHAT ARE SECURE TRAJECTORIES**

While a large body of literature has developed focussing on the years immediately following the end of formal education (for example Wallace and Bendit 2009; Pohl and Walher 2007; Hadjivassilion et al. forthcoming), little research has been done to analyse the employment outcomes of young people in the subsequent phases of their labour market experience (i.e. about 4 years after leaving education).

It can take time, after leaving education, before a young person holds a solid position in the labour market in terms of skills, competences, experience, networking and employment opportunities. The difficulties faced by young entrants, qualified but lacking experience and networks, may be overcome after a time span of around three years, with some variability depending on individual characteristics, labour market conditions and institutional settings. But this is not the case for a significant share of young people (O'Reilly *et al.* 2015). Some young people, although having appropriate educational qualification and experience, might face persistent difficulties in accessing stable employment, as they experience a series of short-term employment spells intermixed by periods of unemployment or inactivity. For some, fixed-term contracts act as a bridge towards good and stable employment opportunities, but for others they act as traps in precarious jobs. Temporary contracts not only pay less than standard contracts, but have several other disadvantages (i.e. less training, no career advancement, less job satisfaction), including a higher unemployment risk.

The extension of periods of precariousness, increasing both objective and subjective insecurity, into the late 20s and even early 30s has led to delays in other life transitions associated with independence from the parental home in many countries (Russel *et al.* 2016; Eurofound 2014; Buchman and Kriesi 2011). Even prior to the crisis, there were considerable differences between countries in typical ages for leaving formal education, gaining a secure job and establishing an independent household (Anxo, Bosch and Rubery 2011). Furthermore, the effects of the Great Recession on the labour market have revealed that the big age divide in inflows and outflows from unemployment is between prime age workers (35-54) and younger workers (15-34) (Flek and Mysíková, forthcoming).

One of the consequences of this prolonged integration is that the definition of youth extends beyond categories often used in official statistics of 15-19years or 15-24years. Going beyond the statistical convention – used upper limit of 24 years for identifying youth unemployment rate (in national and international statistics) – allows us to address risks of insecure transitions more comprehensively. This is important with regard to the analysis of those suffering early-career insecurity, beyond the conventional STW transition period. Furthermore, with increasing educational attainment among young people among EU countries there is a need to analyse not only STW transitions but also the quality of employment in the early phase of youth working life. The analysis in this paper thus takes into account young adults up to the age of 34 years.

Besides youth policies (explicitly aimed to promote smooth STW transitions) labour market regulation is a key factor affecting the quality and nature of transitions of young adults. Differential levels of employment protection legislation (EPL) between temporary and permanent employment have led many countries—especially in the Mediterranean and the so-called ‘employment-centred clusters’—to entrenched labour market segmentation, with young people being increasingly confined to the labour market’s temporary segment. Since 2010, many countries have tried to tackle segmentation by deregulating permanent contracts (Eichhorst *et al.* 2016; Picot and Tassinari 2017). As Hadjivassiliou *et al.* (forthcoming), have shown, despite being more pronounced in the most segmented countries, such as France, Spain and Italy, this has also occurred in better-performing countries, such as the Netherlands. While reducing segmentation, excessive flexibility can lead to low employment quality and high precariousness, as the experience of the English-speaking and CEE countries shows. The trend emerging from reforms implemented since the Great Recession thus seems to point toward greater labour market flexibilisation, which is not promising in terms of ensuring that transitions are stable and secure in the long run. Balancing flexibility and security in youth labour markets represents a key, and unresolved, challenge in all countries.

While institutional configurations are important in shaping the structure, nature, and effectiveness of youth transitions, the performance of countries is also significantly shaped by macroeconomic trends (Boeri and Jimeno 2015). As pointed out by Hadjivassiliou *et al.* (forthcoming), divergence between countries in economic performance during the crisis and in the emergent phase of post-crisis recovery account for many of the differences observed with regard to the performance of youth labour markets. Indeed, the comparatively positive performance of the Polish youth labour market is largely explained by the fact that Poland did not undergo a recession during the economic crisis. Likewise, Austria, Germany, the Netherlands and Sweden started recovering from the impact of the crisis relatively early compared to other EU countries: this helps account for their comparatively better performance with regard to youth employment.

Some important implications follow. First, a similar youth policy (adopted by policy makers in different countries) might produce very different outcomes in different countries; second,

labour market reforms not specifically focused on young people (i.e. lowering the costs for service work; changing the rules for individual dismissals for permanent workers; pension reform increasing retirement age) tend to have different effects on young people and prime age workers; third, some labour market institutions (i.e. dual EPL) tend to amplify differences across countries in terms of youth labour market outcomes, not least because of the interaction with macroeconomic conditions (and very little is known about the interaction between shocks and institutions, as recently stressed by Boeri and Jimeno 2015).

Based on this discussion of the existing literature we can make a number of propositions for expected patterns and results in relation to youth employment status trajectories in the subsequent analysis of secure and insecure trajectories (based on two-years of monthly employment status data of young adults).

Firstly, given the observed declines in labour market performance across the EU since the Great Recession and the greater propensity of young adults to be impacted by economic downturn, we would expect to find a decline in the within-country shares of secure trajectories for young people in all countries during the crisis years. We would expect these declines to be more marked in those countries where the crisis had the greatest impact. Also, we would expect that the composition of secure and insecure trajectories to vary across countries. Indeed, the internal composition of both secure and insecure trajectories may be partially explained by differing labour market institutions (e.g. short-time working, dual EPL, flexibility-security nexus) and/or the interaction with macroeconomic conditions.

Secondly, the difficulties faced by young people on the labour market can put pressure on policy makers to intervene and to make some changes in the institutional settings (i.e. labour market reforms follow changes in labour market conditions). We would expect to find a positive relationship between share of young adults in insecure trajectories and the intensity of labour market policy making both across (groups of) countries and over time (before and since the Great Recession). As such, countries with high shares of secure trajectories are expected to show a low policy-making intensity (i.e. more stable institutional environment), and vice-versa countries with high shares of insecure trajectories are expected to record a high policy-making intensity (i.e. less stable institutional environment).

Thirdly, although aimed at the country-specific difficulties faced by young adults, labour market reforms are by and large shaped by the prevailing policy thinking: approaches dominated by flexibility and flexicurity, in recent years (see Smith and Villa 2016). But individuals with frequent status changes (in&out trajectories) require different policy interventions compared to individuals who remain for long periods in unemployment (prevalently unemployed trajectories) or inactivity (prevalently inactive trajectories). Thus, although countries with a similar (high) shares of insecure trajectories' may face different problems we would expect them to 'react' (implement new policies) in a relatively homogeneous way.

The next section discusses the methodological approach developed to measuring secure/insecure trajectories and the use of the policy-level data.

### **3. METHODS: HOW TO MEASURES SECURE TRAJECTORIES**

Measuring trajectories inevitably requires richer data than cross sectional measures of unemployment and employment statuses. The increasing precariousness of young adults in Europe implies that monthly information about individuals' employment status over two/three year period may reveal many movements going on in the labour market. A static approach based on standard indicators observed at a point in time may fail to capture such patterns. Hence, we use monthly information on individuals' employment statuses (over two years) in order to identify various types of 'employment status trajectories' (ESTs), according to the length and number of employment and non-employment spells. In fact, our approach is similar to more conventional analysis of school-to-work transitions, which specifies explicit criteria to distinguish short, middling and lengthy transitions from the end of schooling to the first decent employment status (for example ILO 2015). The main difference is that we first define the criteria to distinguish between different ESTs and then looks at the features that allow to identify secure employment trajectories, whereas the ILO first defines "decent employment" with respect to the job held at a specific point in time and then it looks at the features of the trajectories that lead to this outcome.

Brzinsky-Fay (2007) was among the first to analyse STW transitions, considering that they consist not just of one single event but of a sequence of transitions that varies significantly across both individuals and countries. Building upon this work, our approach has a number of advantages. First, we assess employment opportunities and the stability of work, by looking at the actual duration and sequence of employment, unemployment and inactivity spells. Second, we avoid country differences in the type of contract or the subjective perceptions of job security (see Burchell 2002; Paugam and Zhou 2007; Booth et al. 2002). Third, we distinguish between countries with more or less polarized employment conditions for young people, by considering the shares of individuals in the various trajectories. Fourth, we identify group of individuals with repeated spells of employment and unemployment ('in&out'), from those who are more continuously out of employment. Final, we attempt to draw out an association between the outcomes on the labour market and policy making activity.

The main drawback of our approach relates to its data requirements. In particular, it requires longitudinal information about individuals' monthly employment statuses (over at least two years) which is not available for many countries outside the EU. Fortunately, at the European level, we have a harmonized survey (EU-SILC) which collects this type of information since 2005. Here we use the 2006-2012 longitudinal waves of the EU-SILC, which cover the years from 2004 to 2012.

Our approach necessarily requires a break with strict definitions of youth and the rather narrow focus on 16-24 or 16-29 years adopted by other authors (e.g. Scarpetta, Sonnet and

Manfredi 2010; Bell and Blanchflower 2011; Eurofound 2012) and some official measures (i.e. youth unemployment rate, NEET ratio). The diversity across countries of typical ages when young people gain economic independence requires a broader definition of youth in order to conduct a comprehensive analysis (see Anxo et al. 2005). Therefore, we consider individuals aged 16-34, and we start observing their monthly employment sequences three to five years after leaving education,<sup>2</sup> when the difficulties associated with STW transitions are mostly likely to be overcome. In short, we are interested in analysing the early years of young adults working lives in order to assess the quality of their trajectories. Due to sample size reasons, we consider all young individuals with at least two consecutive interviews. This means that we observe individual sequences over 24 months (starting three to five years after individuals left education). We are able to consider 25 European countries (no data available for DE and IE).

We define categories of employment status trajectories (ESTs) according to the length and number of employment and non-employment spells (for each sequence of 24 monthly observations of individual employment status). Furthermore, we consider as a separate group those individuals who return to education for a relevant number of months (i.e. at least six consecutive months) because their decision of returning to education might have important consequences for their future prospects. Overall, we identify six EST-types (see section 4, for details).

The analysis of youth trajectories on the labour market (Section 4) is complemented by the analysis of policy making intensity (Section 5) during the periods before and after the Great Recession. For this purpose, we use the LABREF database that records policy measures enacted by the EU member states affecting the labour market institutions, over the period 2000-2013. The database has been developed in DG ECOFIN at the European Commission along with the Economic Policy Committee of the ECOFIN Council and is publicly available (EC 2015). These data have been used by other authors to analyse the evolution of policy making over time (Turrini et al. 2014; Smith and Villa 2016) but not in conjunction with a detailed analysis of the youth trajectories.

The LABREF data are organised around nine broad policy domains: labour taxation, unemployment benefits, other welfare-related benefits, active labour market policies (ALMP), job protection (EPL), disability and early retirement schemes, wage bargaining, working time organisation, finally immigration and mobility. Within these domains there are further sub divisions by policy field.<sup>3</sup>

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<sup>2</sup> Since we do not have information on the year when the highest level of education was attained, we used the official age at which each ISCED level is supposed to be completed.

<sup>3</sup> Furthermore, within each policy field the data allow us to identify the direction of the policy reform (i.e. increasing/decreasing). This allows the identification of policies enacted at the national level, in all 27 member states, aimed at promoting worker security ('increasing') and those aimed at weakening security ('decreasing').

## 4. ANALYSIS OF YOUTH TRAJECTORIES

### 4.1 Measuring Secure Trajectories

The analysis of the EU-SILC longitudinal data allows us to identify six dominant forms of trajectory for young adults (aged 16-34) based upon the length and number of employment and non-employment spells over a relatively long period of time (24 months starting three to five years after leaving education). These six categories of employment status trajectories (ESTs) are defined sequentially as follows:

- 1) *employment-secure*: trajectories which includes employment spells lasting (each) at least six months and non-employment spells lasting (each) at most three months over the 24 months of observation;
- 2) *prevalently in employment*: trajectories including a long employment spell (at least 12 consecutive months), few spells of non-employment (unemployment, inactivity, or education), a low number of status changes (two at most);
- 3) *prevalently in unemployment*: trajectories with a long unemployment spell (at least 12 consecutive months), few spells of employment or inactivity/education, a low number of status changes (two at most);
- 4) *prevalently in inactivity*: a long inactivity spell (at least 12 consecutive months), few short spells (less than six months) in employment and education, low number of status changes (two at most);
- 5) *in&out*: trajectories with more than two status changes (i.e. these individuals change their employment status for at least three times over the 24 months considered, and are not employment secure);
- 6) *return to education*: returned in full-time education for at least six consecutive months.

We consider *secure trajectories* to be those in the first two ESTs groups: 1) ‘employment-secure’ and 2) ‘prevalently in employment’. All these young adults (both those in group 1 and those in group 2) have in common a good degree of integration into the labour market, as their prevailing employment status is to be employed.

We consider *insecure trajectories* the following three ESTs groups: 3) ‘prevalently unemployed’, 4) ‘prevalently inactive’, and 5) ‘in&out’. All these young adults face very different difficulties in entering employment, but they share the same experience of exclusion from employment.

Respondents who were inactive for the whole period have been excluded from the analysis.<sup>4</sup>

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<sup>4</sup> We exclude from the analysis those individuals who were inactive for the entire length of the sequence: 4.5% of the sample



## 4.2 A picture of the situation before the crisis

Figure 1 shows the within-country distribution of trajectory types before the crisis (i.e. trajectories over the sub-period 2004-2007). Almost half of the countries had between 85% and 90% of young people with secure trajectories, with a high degree of heterogeneity with respect to conventional country groupings according to policy making of welfare systems. Indeed, this ‘best-performing’ group includes a number of Eastern countries (RO, LT, LV, EE), some Nordic (SE, NL, DK) and English-speaking countries (CY, UK, MT), few Continental countries (BE, LU), and one Mediterranean country (PT). The ‘worst-performing’ countries are represented by four countries with less than 75% of young adults with secure trajectories. Again, this is a quite heterogeneous grouping: one Eastern country (BG), one Nordic country (FI), and two Mediterranean countries (IT and EL). Generally, countries with lower shares of secure trajectories had higher shares of return to education, although with some degrees of heterogeneity and the exception of Denmark.

[FIGURE 1 HERE]

Countries with higher shares of *secure trajectories* (i.e. the macro group including ‘employment-secure’ and ‘prevalently in employment’) had also higher shares of ‘employment-secure’ (see fig. 2). Figure 2 shows also a high degree of heterogeneity across countries by the internal composition of ESTs. In particular, the two extreme groups of countries (in terms of the share of *secure trajectories*), record relatively different incidences of individuals on ‘employment-secure’ trajectories. In this scenario, Finland appears as an outlier, with a low share of *secure trajectories*, but a very high incidence of ‘employment-secure’ individuals among them.

[FIGURE 2 HERE]

In terms of the composition of the macro-group with *insecure trajectories*, no clear pattern seems to emerge from figure 3. Countries with higher shares of *insecure trajectories* generally have a higher incidence of ‘prevalently unemployed’, but with quite a lot of variance. Indeed, we can observe from figure 4 that the proportion of ‘prevalently unemployed’ individuals among the macro-group with *insecure trajectories* ranges from 0% in Sweden to about 70% in Luxemburg. Similarly, the proportion of ‘in&out’ varies from about 6% in Czech Republic to almost 90% in Denmark. A clearer pattern can be observed for the relationship between the relative incidence of ‘prevalently unemployed’ and ‘in&out’: a relatively higher incidence of the former is accompanied by a lower incidence of the latter. Central-Eastern countries seem to provide an exception, because they have a similar proportion of ‘in&out’ (between 20%-30%), but a very different proportion of ‘prevalently unemployed’ (from 15% to more than 60%).

[FIGURE 3& 4 HERE]

### **4.3 The impact of the crisis**

In the majority of countries, the crisis reduced the share on individuals in secure trajectories and increased the share in the insecure ones, but with various magnitudes and some exceptions (fig. 5).

A first group of countries experienced a large reduction in the share of secure trajectories and a large increase in the share of insecure trajectories (both larger than 6 percentage points). This grouping includes the four Mediterranean countries (PT, ES, IT, EL), three Central-Eastern countries (LV, LT, EE), plus Cyprus and Denmark.

In a second group of countries (four Central-Eastern countries: RO, SK, HU, BG; two Nordic countries: NL, SE; one continental country: AT), there was a less pronounced reduction in the share of secure trajectories (between 3 and 6 percentages points), compensated by either an increase in the share of insecure trajectories or of return to education (RO and AT in particular).

The remaining country group was characterized by either quite stable situations (UK, CZ, FR, MT SI), or a non-negligible increases in the share of secure trajectories and a decreases in the insecure ones (LU, PL, FI). An exception was Belgium, where the proportion of secure trajectories remained stable, but there was a reduction in the insecure trajectories compensated by an increase in the return to education.

[FIGURE 5 & 6 HERE]

In figure 6 we can observe the effect of the crisis on the relative composition of secure trajectories ('employment secure' vs. 'prevalently employed'). This figure highlights some interesting empirical results.

First, those countries that experienced large reductions in the share of secure trajectories (indicated in red in fig. 6) had lower proportions of employment-secure individuals to the outset.

Second, the effect of the crisis on the relative composition of secure trajectories has been quite independent of the sign and magnitude of the effect of the economic downturn on the share of secure trajectories. Indeed, the compositional changes were generally quite small (less than 5 percentages points) for countries with either large, medium or no reduction in the share of secure trajectories (indicated in red, orange and blue, respectively). But in three countries (PT, ES, EE) there was a notable reduction in the relative incidence of employment secure, while in Bulgaria we observe the opposite.

Finally, among the three countries where the share of secure trajectories increased during the crisis (indicated in green in fig. 6), we observe a significant reduction in the incidence of employment secure trajectories in two countries (FI and LU), but an increase in Poland.

[FIGURE 7, 8 & 9 HERE]

In terms of the changes in the composition of insecure trajectories, the crisis has generally increased the incidence of prevalently unemployed and decreased that of prevalently inactive (fig. 7 and 8), a pattern observed even in those countries where the share of insecure trajectories was stable or decreasing (indicated in blue and green, respectively in fig.7 and 8).

The pattern of change in the relative incidence of in&out is less clear-cut, with positive and negative changes more evenly distributed across countries (fig. 9). The only regularity that seems to emerge is that countries that experienced a large increase in the share of insecure trajectories (indicated in red in fig. 9) generally had a reduction in the share of in&out trajectories.

## **5. ANALYSIS OF POLICY MAKING**

### **5.1 What Policy Environments are Associated with Secure Trajectories?**

In order to complement the analysis of trajectories including and excluding young people and identify the policy context associated with different types of trajectory we use the LABREF database on labour market reforms to identify the extent of policy making activity before (2000-2007) and during the crisis (2008-2013). These analyses not only contextualise the shifting institutional environments and locate the policy activity focused on young people but also allow us to position the dominant patterns of trajectories within policy environments. Firstly, we use the categorisation of countries according to flexicurity regimes developed by Stovicek and Turrini (2012) in order to identify the key trends in policy making across broadly-defined institutional environments. This categorisation provides the following groupings: continental (AT, BE, DE, FR, LU), Central and Eastern (BG, CZ, EE, HU, LT, LV, PL, SI, SK, RO), Nordic (DK, FI, NL, SE), Mediterranean (EL, ES, IT, PT), English-speaking (IE, UK, MT, CY).

The first key point to note is the rising intensity of policy making across the whole period considered, 2000-2013. For the whole set of countries considered (EU27), there were 190 policies per year in pre-crisis, but 313 during the recession (2008-2009) and 354 during austerity (see table 1). This trend records some differences across country groups. In particular, it is marked and at a higher level in the Mediterranean group where the average policies per year (per country) rise to 15.4 during the crisis (2008-09) and to 24.3 in the period of austerity (2010-13).

TABLE 1 ABOUT HERE

Using the same categorization of countries, we can make a link between the broad institutional environment and the share of secure trajectories (table 2). The distribution of countries by quartiles of the distribution of secure trajectories both before and during the crisis illustrates that there is no simple relationship between the shares of secure trajectories and institutional arrangements. Although we find Nordic countries, grouped among the upper quartiles of the distribution of secure trajectories both before and during the crisis we also observe Finland and Denmark as low outliers in these two periods. Similarly, among the Central and Eastern countries there is a tendency for a lower share of secure trajectories but both before and during the crisis years there are exceptions.

TABLE 2 ABOUT HERE

The Mediterranean group does appear to be more consistent among the lower end of the distribution of secure trajectories, particularly in the crisis. While the English-speaking countries have a tendency to be among the upper end of the distribution.

In addition to a link between the broad institutional environment and the share of secure trajectories, table 2 also shows the impact of the crisis on EU countries. In most countries the situation is worsening in terms of the share of secure trajectories but with different intensity across EU countries. There are, however, some countries that experience a relative improvement of their conditions (i.e. recording an increase in the share of young adults with secure trajectories) since the crisis (see also fig.5).

Van Gyes and Szeker (2013) made a classification of the size effect of the crisis on the EU member states. They use the GDP growth and the change in unemployment rates (between 2007 and 2011) as indicators to produce a ranking of all countries and further categorised them in 7 groups base on the size of the economic effect of the crisis (from weaker to stronger). Comparing the countries in our sample that have experience high decrease in their secure trajectories (DK, PT, LT, LV, ES, CY, IT, EL) and the classification in Van Gyes and Szeker (2013) we notice that countries with strong declines of secure trajectories are the ones mostly effected by the crisis. Indeed, in some countries (CY, DK, IT) the effect of the crisis was average and relatively strong while in the rest (PT, LT, LV, ES, EL) the effect was very strong.

## **5.2 What Policy making Intensities are Associated with Secure and Insecure Trajectories?**

Examining the relationship between the proportion of insecure trajectories and the intensity of policy making per country (average number of policies per year) portrays a positive relationship, although not very strong, across all countries and both periods. Figure 10a and

10b plots the policy intensity for the pre-crisis (2004-2008) and crisis periods (2008-2012) and the share of insecure trajectories (prevalently unemployed, prevalently inactive and in&out employment).

FIGURE 10a & 10b ABOUT HERE

The overall correlation coefficient between the shares of insecure trajectories and the intensity of policy is 0.41 with lower value before the crisis (0.24) than after the crisis (0.45). Furthermore, given our interest in a particular dimension of our employment performance indicator that is employment security we plot the same relationship by keeping only policies in areas of ALMP and EPL. The correlation coefficients in this case have lower values than previously (0.37) but are quite significant, with 0.24 before the crisis and 0.41 after the crisis. Overall there appears to be a relative high association between the measured intensity of policy making and the situation of young people on the labour market, indeed countries with higher shares of insecure trajectories have higher intensity of policy making.

### **5.3 What level of Policy making Coherence is associated with trends in Secure or Insecure Trajectories?**

The overall measured intensity of policy making in LABREF captures the full range of policy tools impacting upon the labour market and a more nuanced analysis of policy development may reveal a stronger relationship between the situation on the youth labour market and policy activity. In the database it is possible to identify policy making across nine broad policy domains (see section 3, last paragraph). The overall trends underline the importance of policy development in the area of active labour market policies (ALMP), followed by labour taxation and job protection (EPL) both pre crisis and during (Smith and Villa 2016). As with the trends in overall policy, the intensity of reforms in ALMP was more pronounced in the crisis. By contrast, the intensity of policy activity in other areas such as immigration and mobility, working time, early withdrawn and unemployment benefits was more limited, with less variation between the sub-periods (op cit).

Although ALMP measures might be designed to promote entry into employment it may be the case that such policies change the composition of trajectories by creating more short-term changes in status as young people cycle through labour market schemes. The policy results show that all country groups promoted ALMP measures that ‘increased’ the level of access (according to the LABREF categorisation) with few examples of reduced access to such employment security measures (Smith and Villa 2016: fig 4.3). However, the policy making around job security or EPL demonstrated more mixed activity with examples of declining protection combined with increased protection – across all countries but marked in the Mediterranean and CEE groups) (op cit).

The group of countries with high shares of employment *secure trajectories* can be considered as a more homogenous group, as the two component ('employment-secure' and 'prevalently employed') are more or less even differing in some few months in or out of employment. The same is not true when we look at the *insecure trajectories*. Indeed, as the figure 3 shows the combination of the three component make is hard to identify a typical profile for each country. Due to this difficulty in disentangling the main characteristics of the young people with insecure trajectories we would expect countries to 'react' (implement new policies) in a relatively homogeneous way. Nevertheless, this approach can create problems as individuals with frequent status changes require different policy interventions compared to individuals who remain unemployed or inactive for long periods. Table 3 tries to classify the group of young people with high shares of insecure trajectories in two groups, first one driven by the young people at the margin of the labour market and the second one driven by the high number of status changes. We notice that both before and during the crisis, the category of insecure trajectories driven by the detachment from the labour market tend to be from Central and Easter countries and Italy while those characterised by a high instability are more heterogeneous.

TABLE 3 ABOUT HERE

Once these groups are defined, we try to understand if our assumption was correct, that given the difficulty in grasping the composition of the insecure trajectories, countries tend to implement new policies in a relatively homogeneous way. Table 4a and 4b show the relative distribution of policies for the two subgroups we identify in the paragraph above. Before and during the crisis, it emerges that countries where the share of prevalently unemployed and inactive is higher also tend to implement more policies (relatively) in areas of EPL, and labour taxation. On the other hand, countries with higher shares of you people In&Out employment tend to implement more policies in areas of ALMP, Wage settings, Working time and Immigration and Mobility. Even if there are small difference in the distribution of policies across areas it seems that countries in fact implement policies in a relatively homogenous way without targeting the particular needs of young people in difficulty.

TABLE 4a and TABLE 4b ABOUT HERE

Those country groupings with lower shares of secure trajectories – particularly from the Mediterranean group but also from the CEE states – also show a marked increase in policy making activity towards young people towards the end of the crisis period (Smith and Villa 2016: fig 4.2). We explore the coherence of policy making via the extent to which there was a focus on young people for those countries with a low share of secure trajectories. Using the same categorisation of countries as in table 1, based upon the quartile distribution of secure

trajectories, tables 5a and 5b shows the extent of policy making aimed at young people (the LABREF databased records policies designed specifically for young people).

TABLE 5a and TABLE 5b ABOUT HERE

In the first pre-crisis period we observe a paucity of policies aimed at young people and evidence of policy activity across countries in all four quartiles of the distribution (table 5a). If anything there is slightly more activity in those countries in the highest quartile of the distribution of secure trajectories. However, in the second period (table 5b) the intensity of policy making towards young people clearly steps up across all countries. This activity is more marked in the countries lowest quartile of the distribution (113 policies) compared to those in the upper (69), medium to high (31) and medium to low (67) quartiles. This activity is also focused in the years 2012-13 suggesting something of lagged response to the poor labour market outcomes described above in section 4. Although youth policies represent a low proportion of total policies it is nevertheless useful to explore the extent to which policy makers may have reacted to deteriorating youth labour market conditions.

## 6. CONCLUSIONS

We can draw a number of conclusions in relation to our analysis of secure and insecure trajectories. Our analysis of EU-SILC longitudinal data provides an innovative measure to labour market integration that goes beyond the conventional analysis of STW transition that constrains other work in the area. A dynamic approach to the analysis of young adults' (16-35 yrs.) employment status trajectories helps focus on young people's employment quality beyond the initial STW transition period and highlights the extended periods under which the transition into relatively secure employment may (or may not) occur. There is a non-negligible share of young adults in insecure trajectories in all EU countries (20% for EU25, pooling all trajectories for the entire period 2004-2012). We also observe an overall increase of young adults in insecure trajectories between the two sub-periods for EU25: 18% in 2004-2007 to 22% in 2008-2012

Furthermore, we can draw a number of additional conclusions in relation to our analysis of policy-making activity. There was also an overall significant increase in policy making activity in EU countries over time (2000-2013), but with differences across country groups. In fact, higher shares of insecure trajectories seem to be positively correlated with higher intensity in policy making, at the country level. Although young adults with insecure trajectories face different obstacles and require customised policies, we nevertheless find that the policies implemented do not seem to take into consideration this heterogeneity of experiences. Overall it is clear that the majority of European countries have intensified labour market reforms since the outbreak of the Great Recession (crisis and austerity years), though

with noticeable differences across countries (with Mediterranean and CEE countries recording a noticeable increase in intensity).

In spite of noticeable differences across countries in the problems faced by young adults experiencing difficulties in gaining employment secure trajectories, almost all European countries moved quite homogeneously with respect to the policy mix of their labour market reforms. In short, Member States, enacted and implemented a very similar policy mix, both before and during the Great Recession, in order to improve the “efficiency” of their labour market. This homogeneity was despite the noticeable differences in the problems faced by young adults. What differed across countries was the intensity of policy making (somehow related to the share of young adults recording ‘insecure trajectories’), not the policy mix. This evidence is coherent with our original hypothesis whereby labour market reforms carried out at the national level are strongly shaped by the prevailing policy thinking (mainly at the international level), with insufficient attention to the difficulties faced by young adults in the labour market. Furthermore, there is limited attention to the importance of building a coherent institutional framework that takes into account national specificities of young peoples' challenges.

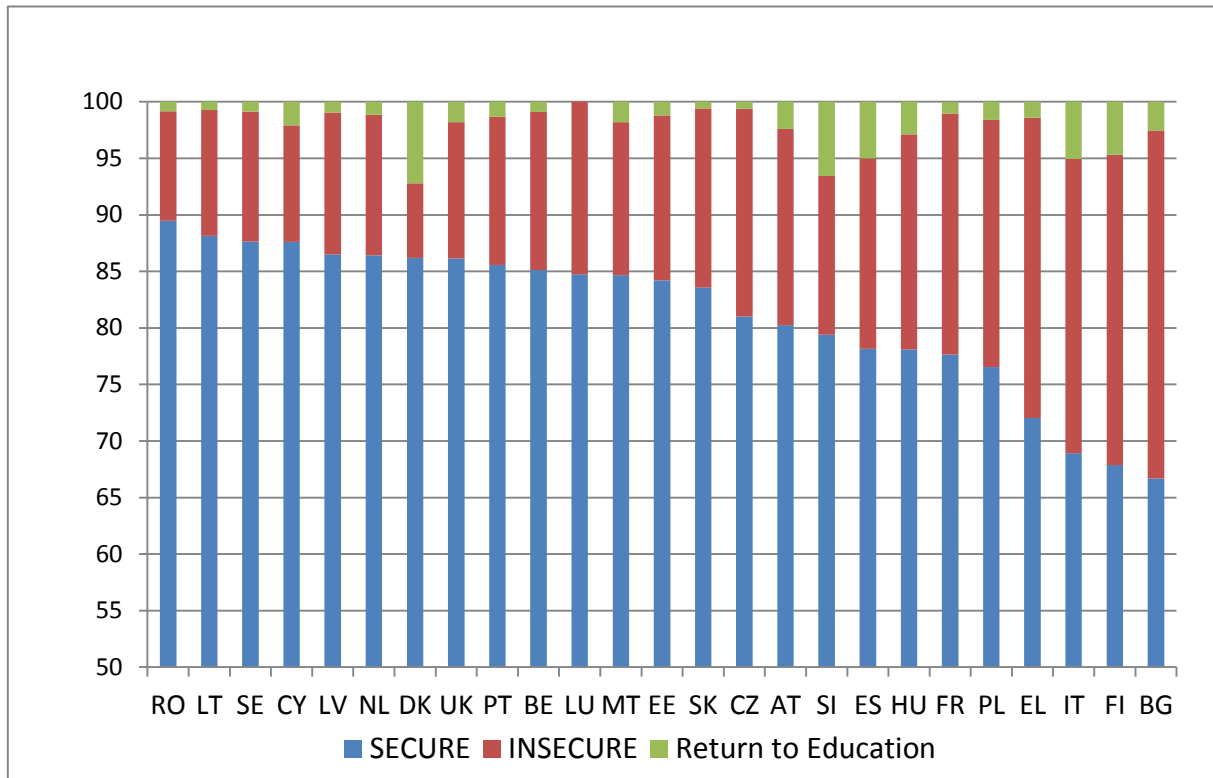


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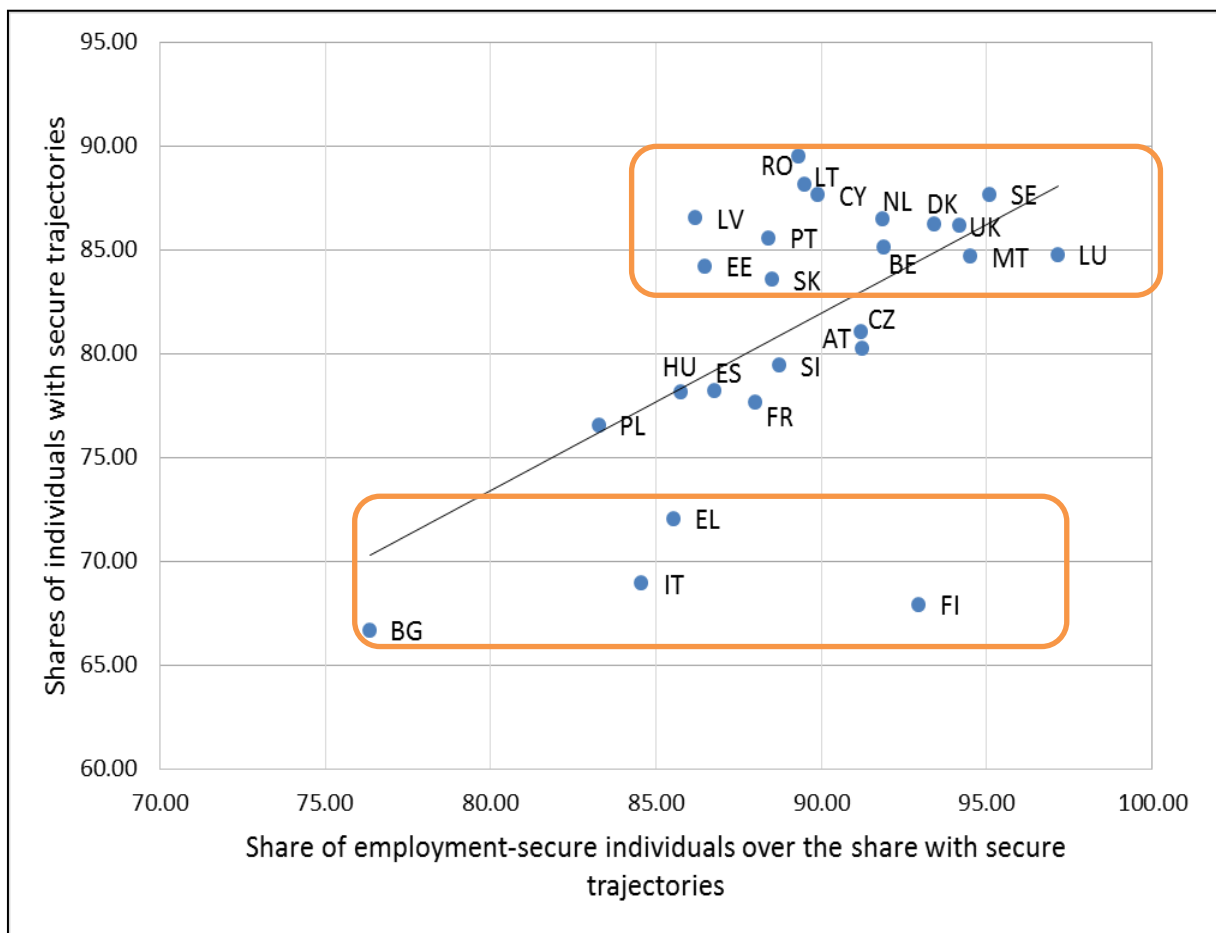
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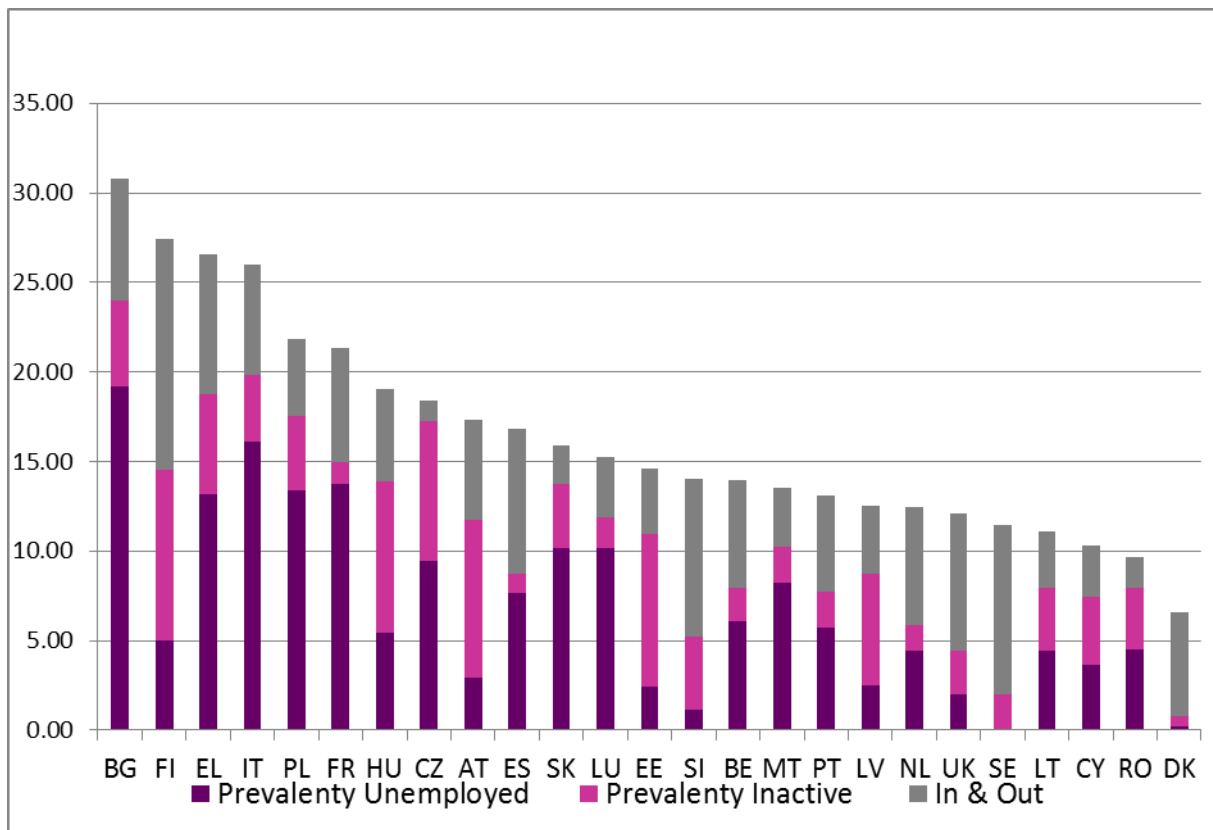
**Figure 1 Within country distribution of trajectories (2004/5 – 2007/8)**



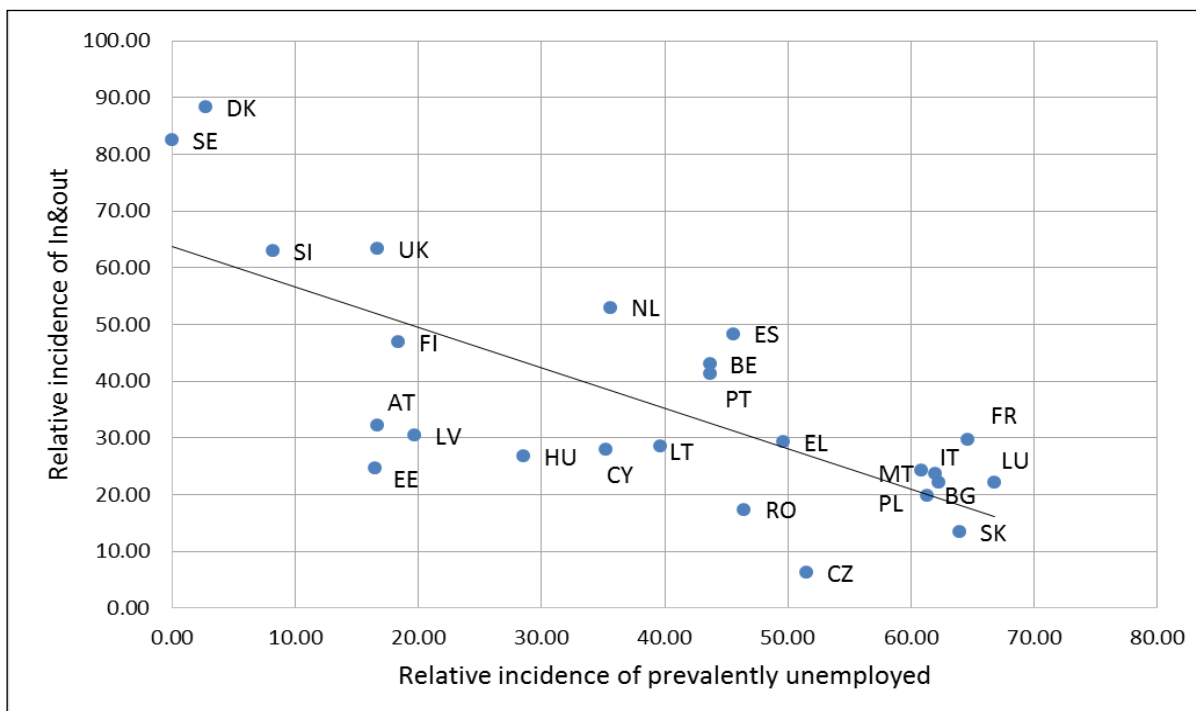
**Figure 2 Relative incidence of employment-secure individuals (among the group with Secure Trajectories) vs. overall share of individuals with secure trajectories**



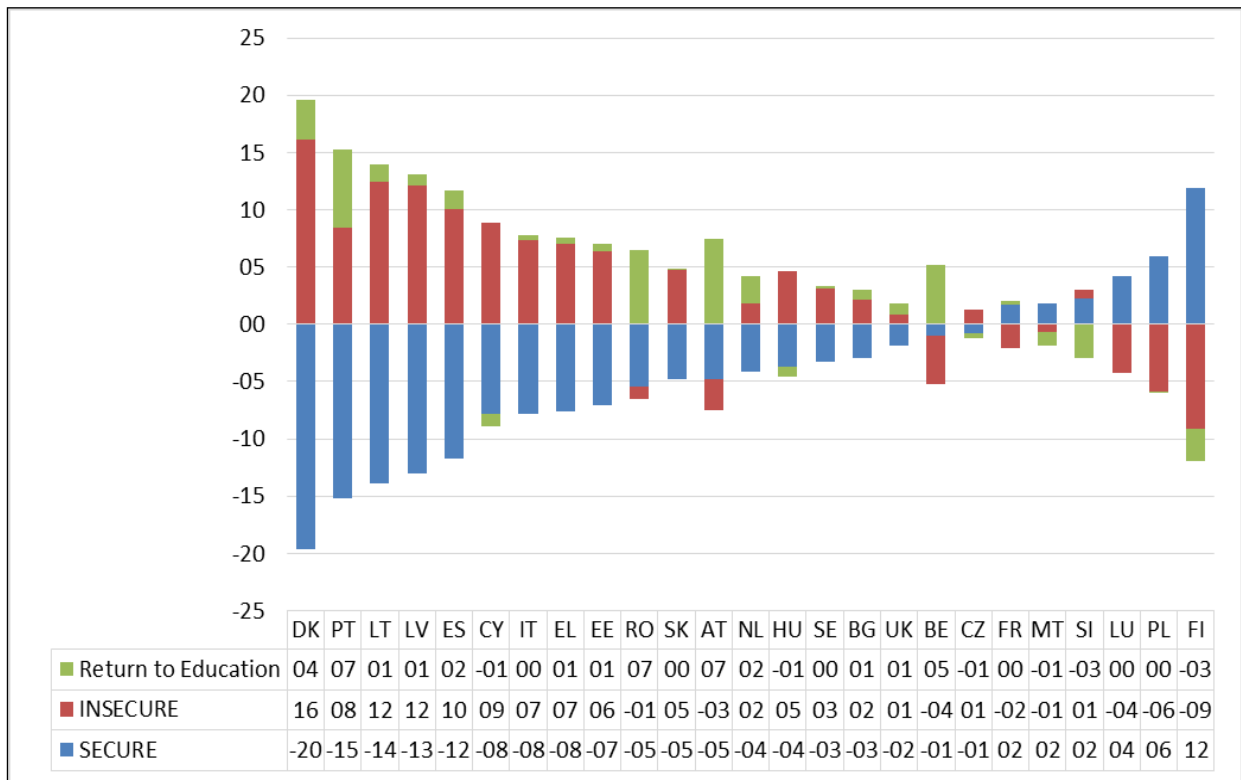
**Figure 3 Proportions of young people with Insecure Trajectories and their relative composition (2004/5 – 2007/8)**



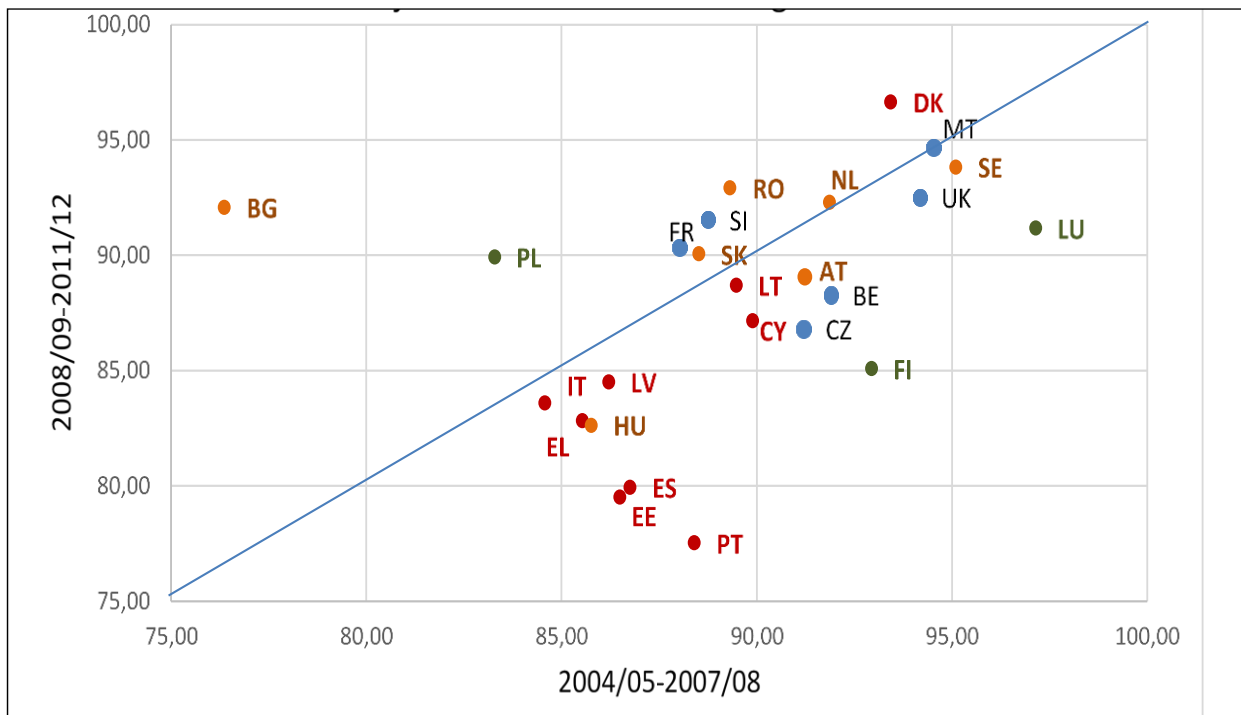
**Figure 4 Composition of the group with Insecure Trajectories: Prevalently Unemployed vs. In&Out**



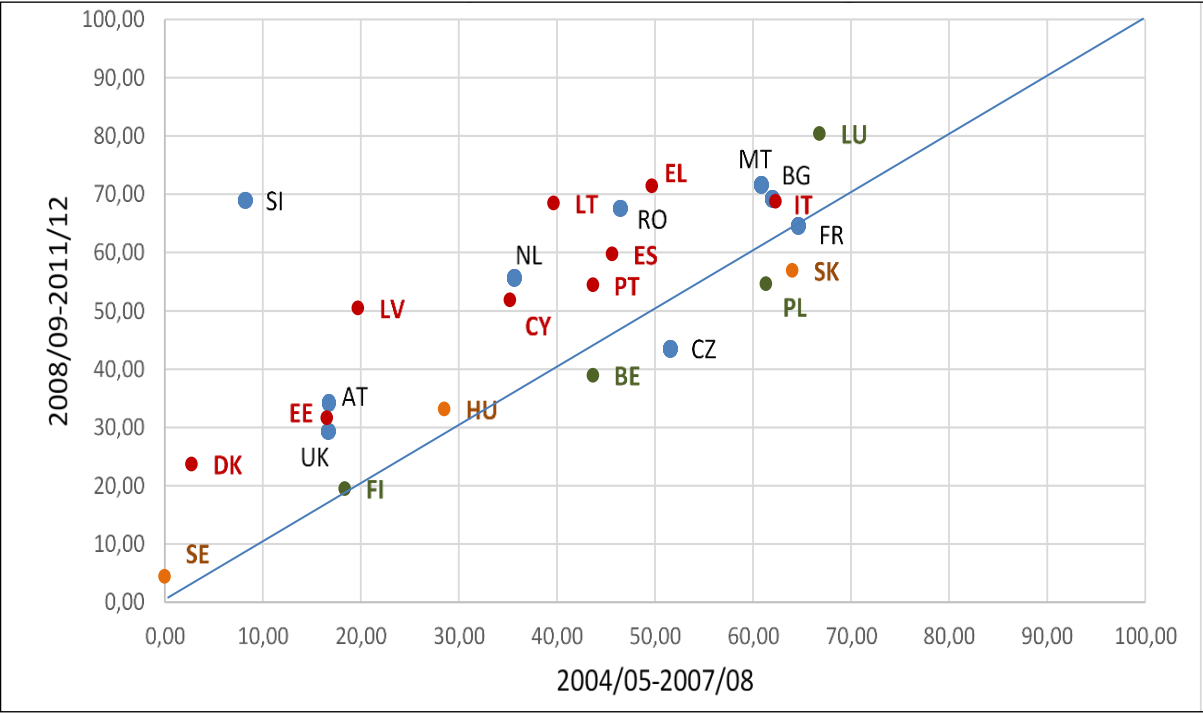
**Figure 5 Percentage points differences in the shares of various trajectory types between 2008/09-2011/12 and 2004/05-2007/08**



**Figure 6 Incidence of Employment Secure among Secure Trajectories before and during the crisis**



**Figure 7 Incidence of Prevalently Unemployed among Insecure Trajectories before and during the crisis**



**Figure 8 Incidence of Prevalently Inactive among Insecure Trajectories before and during the crisis**

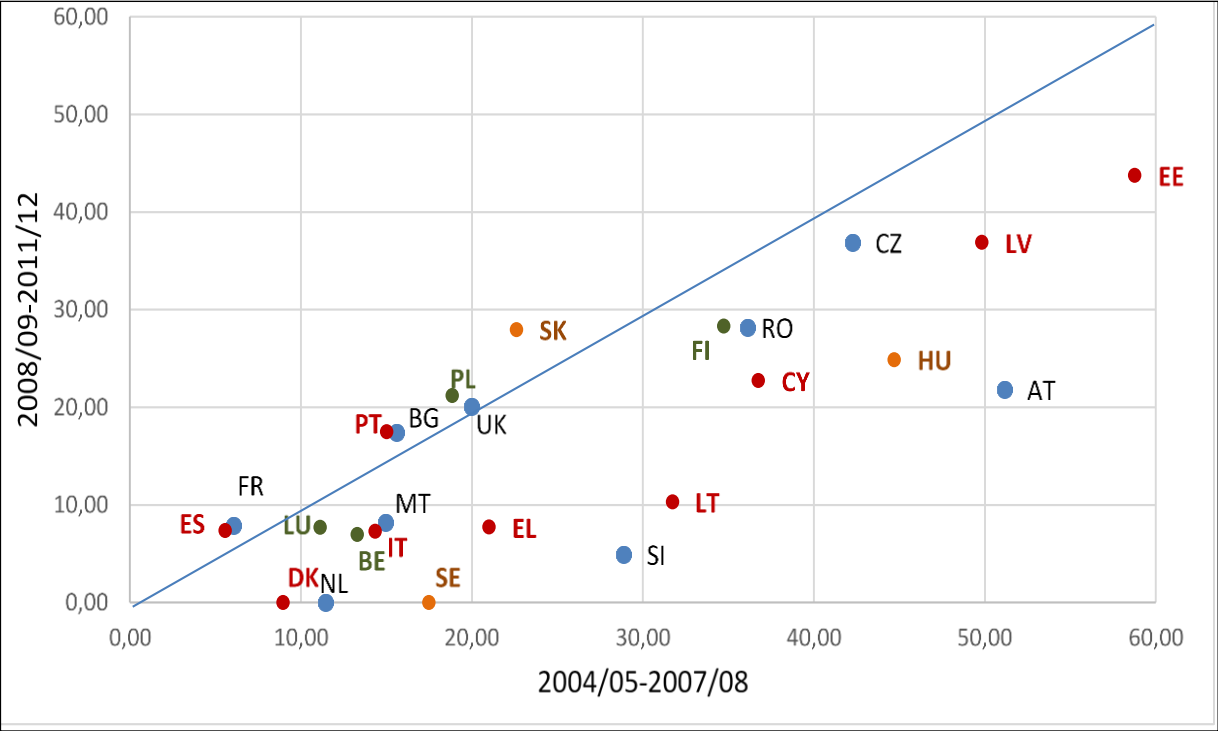
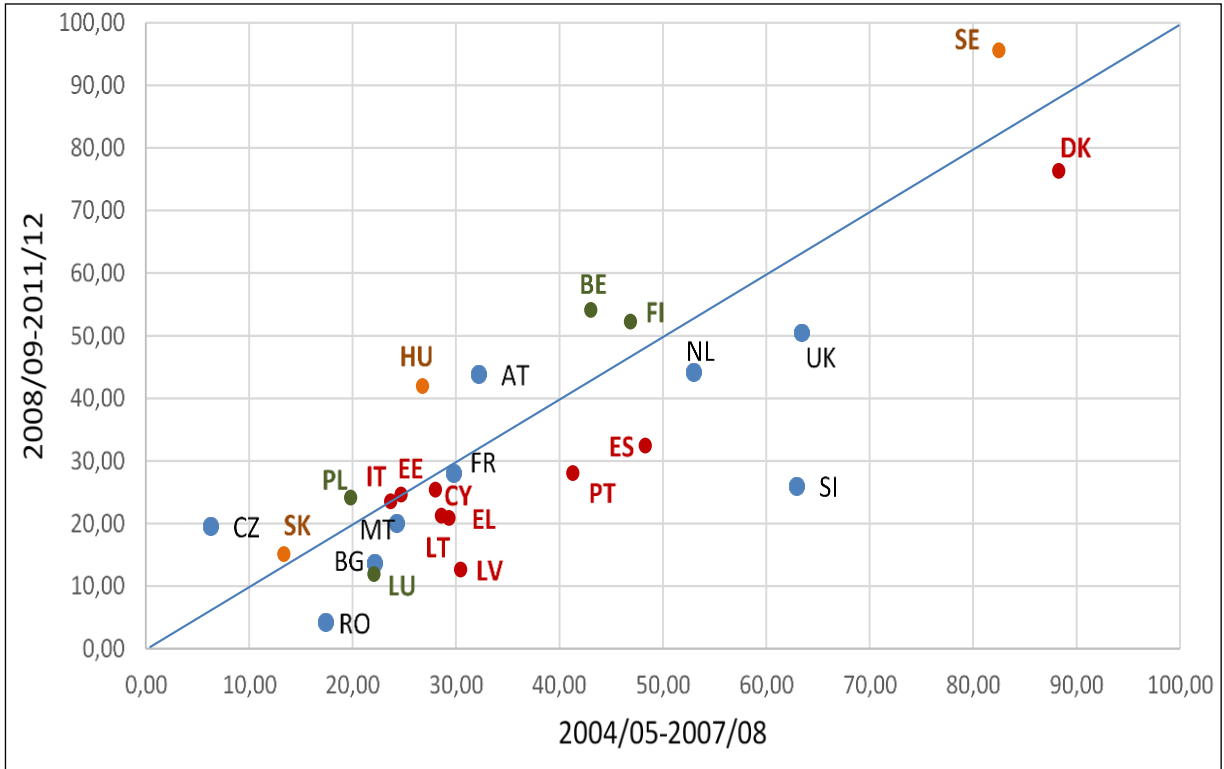
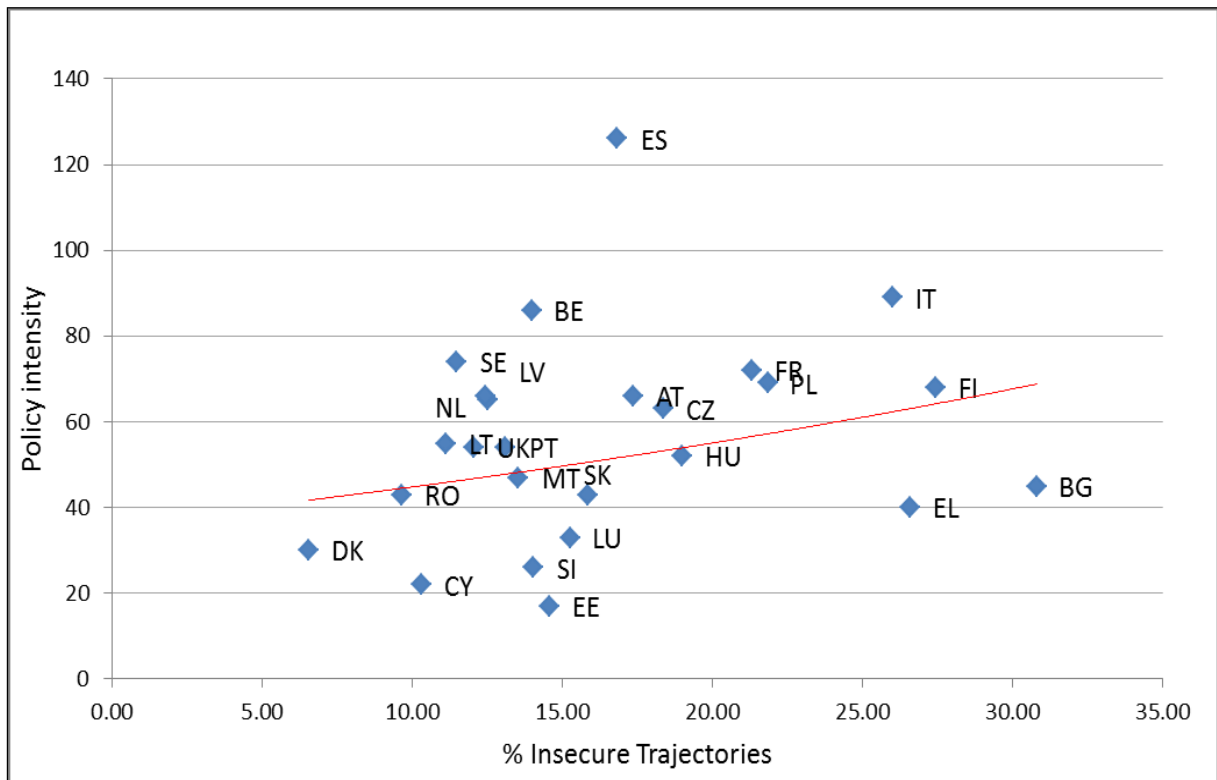


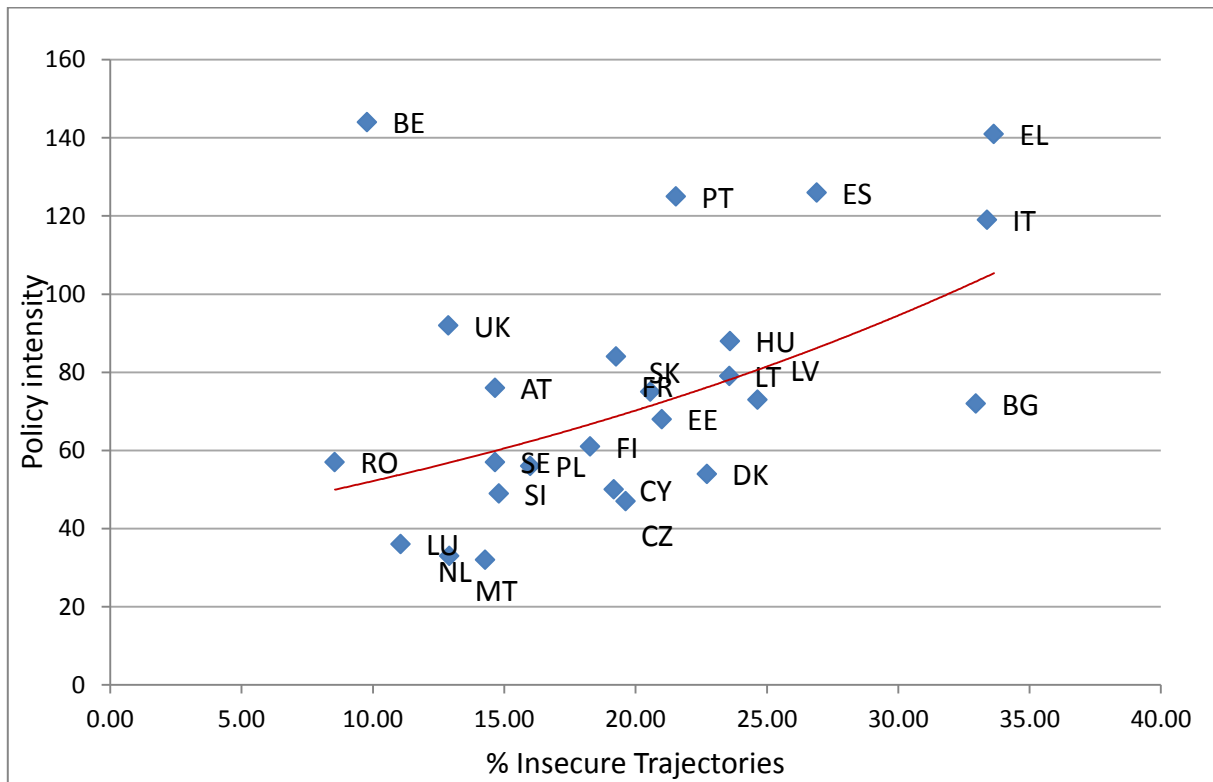
Figure 9 Incidence of In&Out among Insecure Trajectories before and during the crisis



**Figure 10a Incidence of Insecure Trajectories and Policy making Intensity, 2004-2008**



**Figure 10b Incidence of Insecure Trajectories and Policy making Intensity, 2008-2012**





**Table 1 Average number of policies per country by year and country group, 2000-2013**<sup>a, b</sup>

	Continental	Central & Eastern	Nordic	Mediterranean	English Speaking	Total (EU27)
2000	7,4	3,2	6,3	8,0	3,3	5,0
2001	7,8	2,4	6,8	7,8	2,3	4,6
2002	8,0	3,6	6,0	9,0	3,5	5,4
2003	6,6	6,5	5,5	11,0	6,3	6,8
2004	8,8	8,5	10,0	8,5	8,0	8,4
2005	10,4	7,1	9,5	7,3	5,3	7,5
2006	8,0	5,8	7,3	9,8	5,3	6,7
2007	8,2	10,7	8,3	16,0	9,0	10,0
2008	19,2	9,7	10,8	15,0	8,8	11,8
2009	9,6	9,6	9,0	15,8	13,0	10,5
2010	8,8	9,9	7,5	18,0	7,0	9,8
2011	10,2	11,8	4,5	18,3	11,0	10,9
2012	15,2	12,8	10,5	38,5	10,3	15,8
2013	17,8	12,6	8,8	22,3	11,0	13,7

Notes: *a* averages adjusted for the number of countries within groups and the number of years for period;

*b* country groups: *Continental* (AT, BE, DE, FR, LU), *Central and Eastern* (BG, CZ, EE, HU, LT, LV, PL, SI, SK, RO), *Nordic* (DK, FI, NL, SE), *Mediterranean* (EL, ES, IT, PT), *English-speaking* (IE, UK, MT, CY).

Source: LABREF database (authors' analyses).

**Table 2 Classification of countries by share of Secure Trajectories (quartiles)**

	<i>Continental</i>	<i>Central &amp; Eastern</i>	<i>Nordic</i>	<i>Mediterranean</i>	<i>English Speaking</i>
<b><i>a) 2004-2008</i></b>					
Low < 78.10%	FR	BG PL HU	FI	IT EL	
Med-Low 78.10% - 84.20%	AT	SI CZ SK EE		ES	
Med-High 84.20- 86.20%	LU BE		DK	PT	UK MT
High > 86.20%		LV RO LT	SE NL		CY
<b><i>b) 2008-2012</i></b>					
Low < 73.46%		BG LV	DK	IT EL ES PT	
Med-Low 73.46% - 79.35%	AT FR	LT HU EE SK			
Med-High 79.35- 82.50%		CZ SI PL	FI NL		CY
High > 82.50%	BE LU	RO	SE		UK MT

**Table 3 Classification of countries with low and medium low shares of Secure Trajectories by their structure of Insecure Trajectories**

	2004 - 2008	High shares of Prevalently Unemployed and Prevalently Inactive	High shares of In&Out
<i>Central &amp; Eastern</i>	BG, PL, HU , CZ , SI, SK, EE	BG, PL, HU , CZ , SK, EE	SI
<i>Mediterranean</i>	EL , IT , ES	IT	EL, ES
<i>Nordic</i>	FI		FI
<i>Continental</i>	FR , AT		FR,AT
	2008-2012	High shares of Prevalently Unemployed and Prevalently Inactive	High shares of In&Out
<i>Central &amp; Eastern</i>	BG, HU , SK, EE, LT, LV	BG, LV, LT, SK, EE	HU
<i>Mediterranean</i>	EL, IT, ES, PT	IT, EL	PT, ES
<i>Nordic</i>	DK		DK
<i>Continental</i>	FR , AT		FR,AT

**Table 4a Policy intensity of countries with low and medium low shares of Secure Trajectories, 2000-2007**

<i>High shares of Prevalently Unemployed and Inactive</i>			<i>High shares of In&amp;Out</i>		
<i>Policy Domain</i>	<i>No. Obs</i>	<i>Percent</i>	<i>Policy Domain</i>	<i>No. Obs</i>	<i>Percent</i>
Active labour market policies	228	25.25	Active labour market policies	250	26.74
Early Withdrawal	32	3.54	Early Withdrawal	46	4.92
Immigration/Mobility	46	5.09	Immigration/Mobility	58	6.2
Job Protection (EPL)	132	14.62	Job Protection (EPL)	109	11.66
Labour Taxation	176	19.49	Labour Taxation	141	15.08
Other welfare-related benefits	88	9.75	Other welfare-related benefits	88	9.41
Unemployment benefits	76	8.42	Unemployment benefits	75	8.02
Wage Setting	48	5.32	Wage Setting	78	8.34
Working Time	77	8.53	Working Time	90	9.63
Total	903	100	Total	935	100

**Table 4b Policy intensity of countries with low and medium low shares of Secure Trajectories, 2008-2013**

<i>High shares of Prevalently Unemployed and Inactive</i>			<i>High shares of In&amp;Out</i>		
<i>Policy Domain</i>	<i>No. Obs</i>	<i>Percent</i>	<i>Policy Domain</i>	<i>No. Obs</i>	<i>Percent</i>
Active labour market policies	245	24.97	Active labour market policies	267	28.02
Early Withdrawal	22	2.24	Early Withdrawal	54	5.67
Immigration/Mobility	51	5.2	Immigration/Mobility	56	5.88
Job Protection (EPL)	151	15.39	Job Protection (EPL)	98	10.28
Labour Taxation	181	18.45	Labour Taxation	158	16.58
Other welfare-related benefits	80	8.15	Other welfare-related benefits	93	9.76
Unemployment benefits	88	8.97	Unemployment benefits	75	7.87
Wage Setting	72	7.34	Wage Setting	63	6.61
Working Time	91	9.28	Working Time	89	9.34
Total	981	100	Total	953	100

**Table 5a National policies targeted on young people by country, 2004-2013**

2004-08 % Secure Trajectories		2004	2005	2006	2007
Low < 78.10%	BG	-	-	-	-
	EL	2	-	-	-
	FI	1	-	-	-
	FR	2	1	-	1
	HU	-	-	-	-
	IT	-	1	-	2
	PL	1	1	1	1
Med-Low 78.10% - 84.20%	AT	-	2	-	-
	CZ	1	-	-	-
	EE	-	1	-	-
	ES	-	-	1	-
	SI	-	-	-	-
	SK	-	-	-	-
Med-High 84.20- 86.20%	BE	-	2	1	1
	DK	-	1	-	-
	LU	-	1	-	1
	MT	1	2	-	-
	PT	-	-	-	1
	UK	1	-	-	-
High > 86.20%	CY	1	-	-	-
	LT	-	-	-	2
	LV	1	1	1	-
	NL	-	-	-	2
	RO	-	1	-	1
	SE	-	2	3	1

**Table 5b National policies targeted on young people by country, 2008-2012**

2008-12 % in Secure Trajectories		2008	2009	2010	2011	2012	2013
Low < 73.46%	BG	-	-	1	2	3	2
	DK	2	1	-	3	2	2
	EL	3	1	2	1	4	7
	ES	1	-	3	7	8	8
	IT	1	-	2	-	7	5
	LV	-	-	4	3	2	3
	PT	3	5	6	-	5	4
Med-Low 73.46% - 79.35%	AT	1	3	1	-	1	1
	EE	-	1	1	-	-	-
	FR	3	3	-	2	2	5
	HU	3	2	-	-	-	3
	LT	-	-	2	1	1	1
	SK	-	3	-	-	1	3
Med-High 79.35- 82.50%	CY	3	-	-	-	1	-
	CZ	2	-	-	-	2	1
	FI	2	1	1	-	2	1
	NL	-	2	1	-	-	-
	PL	-	-	1	-	2	2
	SI	1	-	1	-	5	-
High > 82.50%	BE	2	-	4	2	6	6
	LU	2	1	-	1	-	1
	MT	1	1	-	-	2	2
	RO	-	-	-	1	1	4
	SE	2	1	3	-	3	2
	UK	2	6	-	5	5	3

Notes: *figures* relate to the number of national policy/measures (enacted) classified as targeted on young people according to the LABREF database

Source: Authors' calculation based on CSRs and LABREF database.