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STRESSED ECONOMIES, DISTRESSED POLICIES, AND DISTRAUGHT YOUNG PEOPLE

EUROPEAN POLICIES AND OUTCOMES FROM A YOUTH
PERSPECTIVE

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4.1. INTRODUCTION

This chapter assesses recent labor market policies and outcomes in Europe, with a focus on the impact upon young people.¹ Our point of departure is the inadequacy of moribund “flexicurity” policies that lost both their political sponsors and their credibility during the Great Recession.² These weaknesses were compounded by an overemphasis on flexibility measures, a gender-blind approach to policy, and limited consideration for the impact on young people.

The crisis facing young people on the labor market has become a growing concern for both policymakers and academic researchers. Whereas some of these concerns reflect long-standing challenges faced by young people entering the labor market, other issues are linked more specifically to outcomes and policy changes resulting from the severe economic downturn. These challenges have short-term (rising unemployment), medium-term (long-term unemployment and precariousness), and long-term consequences (scarring and delayed family formation) for the generation of youth that entered working life in the years of the Great Recession (see Part II of this volume).

Our critique of policies and outcomes is based on extensive analysis—as part of the STYLE project—of recent European and national policies for youth at the flexibility–security interface. This includes studies tracing and scrutinizing policy

reforms—in particular, developments in active labor market policies (ALMPs) and unemployment insurance—using, among other sources, European comparative policy databases such as the Labour Market Reforms Database (LABREF) and the Mutual Information System on Social Protection (MISSOC) (Eamets et al. 2015; Smith and Villa 2016; also see Leschke and Finn, this volume). Another study under the project used quantitative analysis on European Social Survey (ESS) data to analyze the impact of flexicurity on young people’s insecurity and subjective well-being (Russell, Leschke, and Smith 2015). Based on these studies and previous research by the authors (e.g., Smith and Villa 2013; Leschke, Theodoropoulou, and Watt 2014), we demonstrate in this chapter four key weaknesses in employment policy related to young people in Europe. First, there has been an over-reliance on supply-side policies and on quantitative targets. Second, labor market reforms have been driven by external pressures of macroeconomic stability rather than by a coherent strategy toward sustainable labor market outcomes. Third, reforms have been based on a downward pressure on job security and a strengthening of employability security through ALMPs, despite slack labor demand. Fourth, due to the over-reliance on quantitative targets, there is a lack of consideration by policymakers of the wider (subjective) impact of precariousness and early career insecurity on young people and their life courses. In identifying these four elements, we argue that employment policy, both European and national, has not been well adapted to the needs of young people. The consequences of all these four weaknesses in policymaking are particularly acute for young people and are frequently not taken into consideration.

The remainder of this chapter is divided into three sections. Section 4.2 explores the context of European employment policymaking, with a particular focus on the evolution of the European Employment Strategy (EES) and the position of young people within this pan-national framework for policy learning and development. Section 4.3 explores, in turn, the four key critiques of European employment policy and their impact on young people. Section 4.4 concludes with a consideration of the policy implications and a call for a renewed perspective on durable and resilient labor markets for young women and men transitioning from school to work.

4.2. YOUTH AND EUROPEAN UNION EMPLOYMENT POLICY

Within the European Union (EU), the most direct way to influence member states’ employment policy is via labor law directives, which are often negotiated autonomously by the social partners in the area of working conditions. These initiatives, however, have been rather ineffective in setting EU-wide minimum standards during the past 15 years—at least at a cross-sectoral level (Falkner 2016). The EES has provided a framework whereby the EU exerts a soft influence on member states’ employment policy.³ The aim has been to achieve broadly

defined European-level goals in terms of labor market performance—in particular, a high level of employment—by way of benchmarking and best-practice learning. These ideals were proposed in order to help member states improve their labor market policies (including structural reforms) and achieve shared goals—articulated through the “employment guidelines” and the “country-specific recommendations” (CSRs). The extent to which the EES—based on the voluntary open method of coordination (OMC)—influences national employment policies has been a question for researchers over the life of the strategy as this innovative form of policymaking has evolved (Heidenreich and Zeitlin 2009; de la Porte and Pochet 2012; Copeland and ter Haar 2013; Smith and Villa 2013). Although direct links between European-level analysis and prescription on employment policy, on the one hand, and national-level implementation, on the other hand, have been difficult to draw, there is evidence of a number of mechanisms whereby EU policy formulations have some influence on national policymaking (Heidenreich 2009; de la Porte and Heins 2015).

The EES operates on the basis of employment guidelines and quantitative headline targets to be achieved by the EU as a whole. These guidelines provide concise and general guidance in terms of what is “expected” of member states regarding the achievement of the different targets set within the general goal of “high employment,” as established in the Amsterdam Treaty. Over this period, EU influence has been exercised via the OMC framed by the employment guidelines, which form the basis for the country-specific reporting in the so-called National Reform Programmes; specific guidance on national employment policy is provided via CSRs (issued by the European Commission (EC) and endorsed by the Council of Ministers). These processes have been complemented by best-practice events between national policymakers and the EC. Moreover, this has also been a period in which European countries have been encouraged (by the EC and the Organization for Economic Co-operation and Development (OECD)) to make their labor markets more flexible (i.e., more responsive to changes), with an emphasis on moving from job security (i.e., employment protection legislation (EPL)) to employment or employability security (i.e., smooth transitions from unemployment to employment or directly between different jobs through ALMPs), under the assumption that an increase in flexibility should lead to more employment opportunities for all.⁴ At the heart of the EES, there has been an idealized view of the employment relationship and of good labor market performance, based on freeing up supply-side constraints. Indeed, flexibility has been a theme of the EES since its early formulation, albeit with limited recognition of the impact on youth in its diverse effects for insiders and outsiders. However, as the economic context and the political leadership of member states have changed, the policy buzzwords and foci on particular labor market problems, key labor supply groups, and core solutions have also shifted. Over time, the policy tools proposed for reaching the goals of the EES have evolved, shifting from flexibility toward flexicurity (for a critique, see Hansen and Triantafyllou 2011).

The promotion of flexicurity was the policy approach that marked the period directly prior to the crisis (Wilthagen and Tros 2004), although without an explicit target group and with blindness toward differences in age and gender (Jepsen 2005; Plantenga, Remery, and Rubery 2008). The shift from “security of the job” to “security on the labor market” suggested by Wim Kok’s (2003) report was often interpreted by policymakers at the national level as a prescription for reducing EPL and flexibilizing labor markets. This resulted in an underdevelopment of the security dimension⁵—at least before the crisis kicked in—which was also implied by an overemphasis on flexibility vis-à-vis security in the EU version of flexicurity (Heyes 2011).

Young people have not always been visible in the various formulations of the EES framework and have mainly been included where there have been chronic problems in certain member states. One of the most significant lines of action of the EES highlights the need to improve the quality of human capital through education and continuous training, in particular that of the most “disadvantaged” groups (women, older workers, low-skilled, migrants, and the disabled). Thus, education, particularly important for young people, has been a central plank of the EES since its inception and was further strengthened in 2010 when the new strategy, Europe 2020, was launched, providing guidelines for the new decade. In particular, Europe 2020 included some revisions of the EES by way of introducing two explicit headline targets on education. Indeed, an underlying principle of the “ideal labor market” proposed by the EES (throughout its many reformulations) has been the provision of high-quality education and skills. This should equip young people with the appropriate characteristics to enter employment; hence, failures in this area may result in high drop-out rates; youth unemployment; and not in employment, education, or training (NEET) status (see Mascherini, this volume).

Despite the position of education in the EES, analysis of the 477 CSRs issued by the EC over time (2000–2013) shows that young people were not identified as a group in need of specific employment policies.⁶ Indeed, mention of younger workers was rather rare, likewise in the documentation and other mechanisms of the EES (Smith and Villa 2016). For example, in the early years of the EES (2000–2002) there were, on average, just 5 CSRs per year linked to youth out of the 50–60 issued each year. By contrast, older workers and women received more CSRs: 8–9 and 12–13, respectively. Only when the situation on the youth labor market deteriorated did we witness a greater focus on young people in the CSRs. In 2011 and 2012, there were 15 and 17 CSRs, respectively, that explicitly considered young people (Smith and Villa 2016, 19–20).

The impact of labor market reforms on young people received little attention before the economic recession of 2008–2009. So-called “reforms at the margin” in the name of flexicurity had been recommended and implemented in a number of member states—with dramatic consequences for young people, not taken into account by policymakers. Prior to the economic recession, several member states

started deregulating their labor markets: Although this move enabled the entry of many young people into employment when the economy was growing, it turned into something of a boomerang effect when these young workers became among the first to lose their jobs during the severe recession (European Commission 2010; Leschke 2012; O'Reilly et al. 2015). As a result, the subsequent call to member states was to strengthen ALMP and to intervene with individualized and well-targeted policies of activation to prevent long-term youth unemployment (e.g., the Youth Guarantee (YG) in 2013). The evolving economic crisis meant that the emergence of high youth unemployment became a key theme. Against the backdrop of the EES, member states also responded to their own priorities (and political constraints) as well as to the various recommendations for reform from the EC.

The 2010 Youth on the Move flagship policy of Europe 2020 did place young people in a more prominent position within the employment strategy as one of the seven flagship policy areas. This followed the publication of the Youth Strategy Communication a year earlier, which again placed a heavy emphasis on education and training opportunities but also highlighted the principles of flexicurity as a means to ease youth transitions (European Commission 2009). The Youth on the Move policy documentation did recognize the risks associated with segmentation of young people on temporary contracts (European Commission 2010), but there were few targeted initiatives in this regard. Furthermore, the gender dimension to these policy proposals was almost completely absent, reflecting a long-term decline in the position of gender equality and gender-mainstreaming mechanisms within the EES (Villa 2013). The Youth Opportunities Initiative (2012–2013) led to more action as the effects of the crisis on young people became clear (European Commission 2011). The main area of action for this initiative was supporting the transition from school to work, particularly for those young people falling out of the system having failed to achieve an upper secondary education. But it also included intra-EU mobility and the use of the European Social Fund to support youth labor markets. Although these initiatives represented an increased focus on young people, an integrated approach to youth transitions and the challenges young people face on the labor market was still absent (Knijn and Plantenga 2012). These initiatives coalesced around the YG—an EU-wide scheme aimed at providing employment or training opportunities for all young people before they experience 4 months without work or training, in order to avoid the risk of long-term unemployment. The scheme was bold in its ambitions, reflecting acknowledgment of the scale of the problem facing European youth, but it was weak in its implementation (Bussi and Geyer 2013).

The somewhat ambivalent position of the EES toward youth has been mirrored in national policy priorities, leading to a situation in which concerns about the position of young people on the labor market have not been widely considered. Responses were reactive rather than proactive, and they often materialized only in the face of the deterioration of youth labor market prospects created by the

Great Recession. In Section 4.3, we explore in more detail the consequences of the relatively scant attention given to young people in European employment policymaking.

4.3. FAILED POLICIES AND OUTCOMES FOR YOUNG PEOPLE

4.3.1. Over-Reliance on Supply-Side Solutions and Quantitative Targets

Employment policy guidance from the EC and national-level policy implementation have been characterized by an over-reliance on supply-side solutions to high unemployment and low employment rates, with emphasis being placed on the activation of unemployed and inactive people and on the need for new forms of “flexible” contracts to encourage employers to recruit. The 2015 revised guidelines do call for “boosting demand for labor,” but they focus on reducing “barriers” to job creation rather than on aggregate demand (see Section 4.3.3). Yet the subsequent guidelines call for “enhancing labor supply, skills and competences,” underlying the ongoing reliance on supply-side approaches. In a sovereign debt crisis (that followed the 2008–2009 recession), there may well be constraints on policymakers’ options (which are focused on labor market policies rather than on expansionary macroeconomic policies), but it is then also necessary to acknowledge the limitations of those options that, by definition, rely only on supply-side policy measures. For young people, the activation approach has been evident in the emphasis on educational investment, highlighting the idea that failings have been linked to inadequate qualifications rather than to the functioning of the labor market or to a lack of demand. Indeed, the reformulation of the EES under the Europe 2020 strategy reinforced this position, with the inclusion of education headline targets (reducing early school leaving and, in particular, raising the share of young people with tertiary education to 40%),⁷ as well as the new skills and jobs agenda.

The emphasis on labor market flexibility could be considered to have been optimistic before the crisis and to have been unrealistic during the crisis and austerity period (Lehndorff 2014). The weaknesses of the supply-side philosophy were exposed during the crisis, with the consequences falling on young people. The EES has also been heavily focused on increasing the quantity of people in employment, with a limited (and then invisible) focus on job quality. This is most evident in the strong priority given to quantitative targets over quality outcomes and the creation of new atypical contracts. Also, the focus has been on soft law under the OMC in employment; indeed, the past decade and a half has seen very few labor law directives with binding and sanctionable content.⁸ An exception is the 2008 Temporary Agency Work Directive—an issue that had long been in stalemate due to disagreement between the European-level social partners.

The employment rate headline target (75% of 20- to 64-year-olds to be employed in 2020, with specific national targets reflecting their current situation)⁹ illustrates the dominance of quantitative over qualitative ambitions. In order to assess the development of employment in the EU and the member states, the employment rate indicator from the EU Labour Force Survey (EU-LFS) is used, which records any employment in the interview reference week of 1 hour or more. This implies that the employment rate headline indicator does not differentiate between regular full-time employment and employment with few hours, including marginal employment or involuntary part-time work. The heterogeneity of employment forms means that a single measure is inadequate for capturing and measuring experiences on the labor market. For example, Eurostat does not publish the full-time equivalent (FTE) employment rates on its web page, although using FTEs provides a very different picture—in particular, the (qualitative) employment integration of women and young people. The contrast is clearest in the Dutch case, in which female employment rates in the Eurostat definition are close to 70% and thus among the highest in Europe, whereas FTEs are only approximately 48% for 2015 and thus at the bottom of the European ranking.¹⁰

European initiatives establishing a complementary set of quality-of-work indicators include the 2001 Laeken indicators (with 10 quality-of-work dimensions) and the more recent deliberations of the Employment Committee of the Council, aimed at rendering these indicators more concise. Yet these initiatives have not been very fruitful in terms of visibility (for an extensive discussion, see Peña-Casas 2009; Bothfeld and Leschke 2012). A stronger focus on work-quality issues was first “overshadowed” by the flexicurity drive in European policies and then by the urgency of the economic crisis and rising unemployment (Bothfeld and Leschke 2012). On a more general level, even though there exist several European-level social indicator systems and scoreboards that include more qualitative indicators, when it comes to using them in a more concrete manner, they usually disappear into annexes or complementary assessment documents; also, the fact that there are several parallel social indicator systems and scoreboards does not make coherent reporting easy (Leschke 2016).

4.3.2. External Pressures on Employment Policy

The external pressures on national employment policymakers have been rising for all member states and have been very intense for those under financial assistance and experiencing the worst of the sovereign debt crisis (Scharpf 2011; de la Porte and Heins 2015). There has been a resulting high intensity of policymaking across the EU, as well as widespread reforms that have not necessarily been coherent with the founding vision of the EES or the aims of improving labor market performance—not least among those countries suffering most as a result of the Great Recession. Indeed, there are some member states that demonstrate

a particularly high intensity of policymaking and appear to be struggling in the more turbulent waters created by the changing economic conditions. Both policy and youth labor market outcomes suggest that these countries are finding it difficult to “swim” in these shifting waters of the European economic and policy environment (Smith and Villa 2016). Equally, Hasting and Heyes (2016) suggest that these conditions have made it more difficult to develop security policies associated with the flexicurity approach. Contrariwise, there are some countries that seem to have developed policy more incrementally and to have refined their “swimming technique” in these choppy waters; these countries have more stable institutional environments and have had some success on youth labor markets (Smith and Villa 2016). The uneven distribution of these external pressures may lead to a further variety of outcomes across youth labor markets and poorer chances of convergence toward stronger labor market performance.

The contradictory outcomes of pressure for change due to high youth unemployment during the crisis, on the one hand, and austerity pressure for fiscal consolidation, on the other hand, can be illustrated by the developments in unemployment benefits over the course of the Great Recession (for other examples of incoherent developments in welfare policies, see Heise and Lierse 2011; Lehndorff 2014). Young workers are subject both to explicit disadvantage in terms of differential rules of access to unemployment benefit and to implicit disadvantage in access through their over-representation in temporary contracts and shorter tenure. Reliable unemployment benefits of sufficient generosity and duration render it possible to search for an adequate job, facilitating a better match between education and jobs (Gangl 2004), instead of forcing unemployed youth to take the first-best option. Indeed, the limited access of youth to unemployment benefit schemes in many countries has appeared on the national, international, and supranational agendas in light of high and rising (youth) unemployment in the early years of the economic recession (OECD 2011; European Commission 2011; Dullien 2013; Del Monte and Zandstra 2014). The previous focus on supply-side measures was no longer deemed effective because of the lack of realistic possibilities to bring large numbers of youth back into employment quickly. A number of European countries accordingly improved the situation of youth and other weakly covered groups—such as temporary workers—by permanently or temporarily increasing access, benefit levels, or benefit duration; lump-sum and one-off payments were also common instruments (Leschke and Finn, this volume). However, the initial positive developments in terms of benefit coverage were no longer visible in 2014 when the effects of austerity had kicked in. During the stimulus period (2008–2009), the focus in several countries was on relaxing eligibility and increasing benefit levels. Reforms relating to eligibility, in particular, even when not explicitly geared toward youth, usually have a disproportionate effect on the young unemployed given their shorter average tenure. The austerity period (2010–2014), in contrast, was characterized by tightening of eligibility and decreasing of benefit levels. However, there was still a

limited number of countries that relaxed the qualifying criteria for youth during the austerity period; these reforms usually stipulated a strong link between passive benefit entitlements and participation in education and training programs (for details on institutional changes and outcomes, see European Commission 2014; MISSOC 2014; Leschke and Finn, this volume). Obviously, cutting income security in times of crisis is problematic because alternative income sources both in terms of job opportunities and wider household income are scarce (Mazzotta and Parisi, this volume).

Another example of external pressure on more inclusive employment policies is inherent in the way the EES has operated since the mid-2000s. The coordination of employment policy under the EES takes place together with the macroeconomic coordination. Since 2010, this is done in the framework of the so-called “European Semester,” in which the countries submit both the National Reform Programme—as part of the EES—and a Stability and Convergence Programme. This implies that there is a general danger that qualitative employment and social targets may be subordinated to budgetary discipline, particularly in times of austerity. The fact that at the height of the crisis the Council of Ministers put fiscal discipline first on the list of country-specific recommendations confirms this view. We can observe a similar “hierarchy” in the 2010 guidelines, in which guidelines 1–3 deal with macroeconomic stability and guidelines 7–10 with employment and social policy (European Commission 2010). Leschke et al. (2014) demonstrate the contradictions between the recent EU economic governance reforms and the austerity measures, on the one hand, and the Europe 2020 inclusive growth target, on the other hand. Their analysis shows that the fiscal austerity bias, as evident in the national social spending projections, makes it very difficult to reduce poverty and social exclusion. Indeed, further doubts are raised by the fact that the national-specific targets on poverty reduction do not add up to achieve the EU-wide 2020 headline target and that countries use different poverty indicators in their reporting, ranging from at-risk-of-poverty after social transfers to low work-intensity households and long-term unemployment.

4.3.3. Mixed Implementation of Flexicurity Measures

The direction and tone of both EU and national policymaking have often been characterized by a downward pressure on EPL. In recent years, the focus has been, in particular, on decreasing EPL for permanent contracts, thereby narrowing the gap between EPL for permanent and temporary workers. Between 2008 and 2013 (most recent data), 12 out of 22 EU countries included in the OECD EPL database lowered EPL on permanent contracts (OECD 2016). Three countries (Greece, Portugal, and Spain) lowered EPL also for temporary contracts between 2008 and 2013; in all three of these countries, there were also reductions in EPL for permanent contracts (i.e., further increasing labor market flexibility). Although at times there have been measures to promote security, such measures were often triggered by situations of urgency (i.e., the youth unemployment

crisis) and usually did not follow a steady upward logic. This reflects the mixed implementation of flexicurity measures and an ethos of deregulation. During the period of EU-led structural reform, much policy (and much research) has been driven by a focus on downward pressure on EPL. The declining position of job quality as a goal and the increasing emphasis on quantitative employment targets testifies to the increasingly explicit focus on liberalization of the labor market in order to raise the number of people in employment. Some authors claim that this has long been the goal of European employment policy (Hermann 2007; Amable, Demmou, and Ledezma 2009; Van Apeldoorn 2009), whereas others suggest that the changing political, economic, and social climate have reduced the scope for policies associated with a more secure and inclusive labor market (Villa and Smith 2014; Hastings and Heyes 2016).

The debate between the merits of more flexible hire-and-fire labor markets and more regulated protection of labor markets is not new and has driven policy and research debates for many years (OECD 1994). Comparisons of EPL over time and across countries are central to this debate. The evidence for the effects of EPL reduction is at best contradictory (Solow 1998, 2000; Simonazzi and Villa 1999; Freeman 2005; Aleksynska 2014). However, although the research suggests that there are limited effects of EPL reduction on “performance” and that the impact varies by specific target group (even proponents of the deregulation agenda admit that it is not easy to predict the impact of EPL reforms on young people (OECD 2004)), the propagation of the reform agenda in EC and European Central Bank (ECB) documents has continued. For example, recent ECB analysis of the limited impact of labor market reforms calls for more time, more reforms, and greater inter- and intracountry mobility (European Central Bank 2014, 67). This commitment on the part of European institutions reflects the hegemony of macroeconomic policy linked to monetary union, defining labor market policy in relation to its response to macro/finance shocks (European Commission 2012) rather than gearing labor market policy toward quality outcomes for participants. Indeed, closer reading of these documents shows that rather than being based on empirical evidence, the case continues to be made on the basis of economic theory and on prior expectations regarding the outcomes of EPL reduction.¹¹ Furthermore, some evidence shows the increasing inefficiency of labor markets, as measured by an outward-shifting Beveridge curve—a sign of declining “efficiency” in matching jobs to workers (Simonazzi and Villa 2016), with increasing risks for young people scarred by the crisis and the reform agenda. In addition, there is evidence of a strong divergence in the performance of EU labor markets despite a common reform agenda (Hastings and Heyes 2016).

Much of the reform agenda around reducing EPL has been conducted in the name of flexicurity as policymakers focus on the flexibility rather than the security dimension to the portmanteau (Eamets et al. 2015). Others have noted that flexicurity policies can have a disproportionate impact on young people,

especially measures to reduce job security (Madsen et al. 2013). The youth labor market may have much to gain from effective balancing of flexibility and security (O'Reilly et al. 2015), but “reforms at the margin” (i.e., increasing flexibility for outsiders) risk increasing segmentation of youth labor markets and rising precariousness.

In order to illustrate the uneven implementation of flexicurity measures, we present here results from an analysis of the LABREF database to chart policy activity categorized as affecting different elements of the flexicurity model (see Smith and Villa 2016). In particular, we identify a subset of LABREF policy domains that fall under the three conventional flexicurity categories (see, e.g., Wilthagen and Tros 2004):¹² job security (i.e., EPL),¹³ employment security (i.e., ALMP),¹⁴ and income security (i.e., unemployment benefits and other welfare support measures).¹⁵ In short, these policies were categorized according to whether they are *ex ante* likely to promote or diminish job security, employment security, and income security.¹⁶ The focus is on the explicit intention of policymakers (as recorded in LABREF), not the actual impact of the measures enacted.

Figure 4.1 illustrates the intensity in policymaking categorized under the three elements of the flexicurity model by direction of policy (increasing or decreasing protection or coverage). The data demonstrate significant policy activity in the areas of both job security and employment security and less activity regarding income security. It is worth noting that whereas employment security measures are almost exclusively categorized as “increasing” (i.e., promoting employment security through changes in ALMP), job security measures and income security measures go in both directions (increasing and decreasing security)—not only over time but often also within the same year. This result holds across country groups and years.

When we focus on measures linked to job security (EPL), we observe that the Mediterranean group stands out with significant policy activity reducing job security; this is particularly stark during the austerity years. After the Mediterranean group, this pattern is most notable in the Central and Eastern European (CEE) countries. Elsewhere, there is evidence of policy activity reducing the level of job security across most country groups during the austerity years (least among the Nordic countries). However, the English-speaking countries have marked policy activity reducing income security in the austerity period. This is in contrast with the income security measures showing an increase in intensity in the crisis and austerity subperiods in all the other country groups—that is, Continental, Nordic, CEE, and Mediterranean.

The policies in Figure 4.1 relate to the whole labor market because young people are affected by wider changes in employment policy. However, it is also possible to analyze these flexicurity measures concentrating only on policies identified in LABREF as relating to young people. This focused policy activity

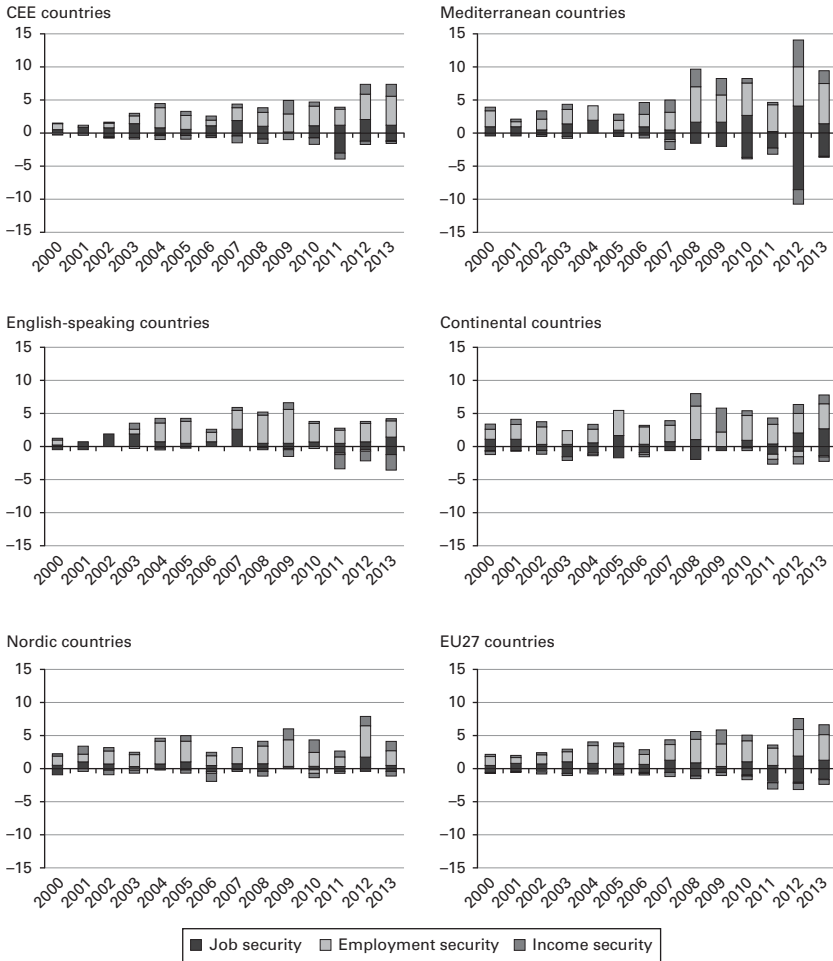


Figure 4.1 Flexicity policy intensity by direction of policy (increasing/decreasing) and country group, 2000–2013 (average number of policies enacted per country).

Note: Figures below the Y axis (<0) indicate the average number of policies decreasing security, while those above the Y axis (>0) show the number of policies increasing security.

Source: LABREF database; authors' analyses.

shows an increasing share of flexicity policies targeted at young people as the economic conditions deteriorated, rising from just 6% in the precrisis subperiod to 12% in the crisis subperiod and to 15% in the austerity subperiod.

This subset of policymaking for young people is almost exclusively focused on increasing employment security, but in the austerity subperiod we not only see a greater intensity of measures but also a greater diversity. In the final period, the promotion of employment security for young people accounts for approximately four-fifths of new policies (Table 4.1). The Nordic and Mediterranean countries stand out, with certain measures aimed at reducing job security for young people.

Table 4.1 Distribution of youth-focused flexicurity policies by country group and subperiod, 2000–2013 (% and number of policies)

	Job security (%)		Employment security (%)		Income security (%)		Total (%)	No.
	Increasing	Decreasing	Increasing	Decreasing	Increasing	Decreasing		
2000–2007								
Continental	–	–	100.0	–	–	–	100	26
Central and Eastern	–	–	100.0	–	–	–	100	20
Nordic	–	–	100.0	–	–	–	100	13
Mediterranean	–	–	100.0	–	–	–	100	10
English-speaking	–	–	100.0	–	–	–	100	7
EU27	–	–	100.0	–	–	–	100	76
2008–2009								
Continental	–	–	76.9	–	23.1	–	100	13
Central and Eastern	–	–	100.0	–	–	–	100	5
Nordic	–	–	100.0	–	–	–	100	7
Mediterranean	–	–	100.0	–	–	–	100	13
English-speaking	–	–	100.0	–	–	–	100	15
EU27	–	–	94.3	–	5.7	–	100	53
2010–2013								
Continental	–	–	84.0	4.0	8.0	4.0	100	25
Central and Eastern	4.0	2.0	84.0	2.0	6.0	2.0	100	50
Nordic	–	11.1	77.8	5.6	–	5.6	100	18
Mediterranean	1.8	12.7	80.0	1.8	3.6	–	100	55
English-speaking	–	–	80.0	10.0	–	10.0	100	20
EU27	1.8	6.0	81.5	3.6	4.2	3.0	100	168

Note: See Chapter 3, Section 3.3 for details.

Source: LABREF database; authors' analysis.

Overall, we see the main element of youth-focused policymaking in the area of ALMP, which we have broadly categorized as promoting employment security (i.e., security in the labor market through ALMP) in line with the conventional flexicurity model. However, during the austerity subperiod, we observe other measures too, and at the margins these policies appeared to be weakening rather than strengthening the “principles” of flexicurity. The concentration of reforms in countries subject to “Euro Pact” pressure increases the risks for already vulnerable workers in weak labor markets, particularly the young. In this context, it is important to expand the metrics for judging labor market performance and to go beyond shifts in much-criticized EPL measures.

4.3.4. Consequences of Early Career Insecurity and Precariousness

Although quality of employment and the wider consequences of insecurity have been neglected in policy developments, these are nevertheless crucial issues for understanding the impact of the crisis on young people in Europe.

Poor labor market integration and precariousness have negative consequences for all labor market participants, but for young people, early career insecurity can create longer-term consequences with regard to both labor market outcomes and family formation. The scarring effects of early unemployment for later career prospects and earnings have been found in many countries (Ackum 1991; Arulampalam, Gregg, and Gregory 2001; Burda and Mertens 2001). Precarious employment may have similar consequences. Chung, Bekker, and Houwing (2012) argue that the low and decreasing rate of transition from temporary jobs means that the current youth cohort may be facing long-term labor market risks and scarring processes. As our results show, there is also growing evidence that early career employment precariousness may have persistent effects on psychological well-being and health (Clark, Georgellis, and Sanfey 2001; Bell and Blanchflower 2011). In addition, McGuinness and Wooden (2009) show that skill mismatches in the early career can lead to a pathway of mismatched jobs, lower returns to qualifications, and unfulfilled potential (McGuinness, Bergin, and Whelan, this volume). Moreover, poor labor market integration of youth can also lead to delayed family formation or unfulfilled plans for having children (Scherer 2009).

There is evidence of a deterioration in the quality of work across a range of dimensions for young people who entered the workforce during the Great Recession. The proportion of young people working part-time involuntarily increased very substantially. Between 2007 and 2014, involuntary part-time work increased across the EU from 27% to 35% among those aged younger than 30 years, and this figure rose to 69% in Spain, 82% in Italy, 75% in Greece, and 72% in Romania.¹⁷ Temporary contracts also became increasingly widespread and in some countries became the norm for young people (OECD 2014). Across

the EU27, temporary employment among young people grew from 29% in the first quarter of 2005 to a peak of 34% in the third quarter of 2015.¹⁸

These objective trends in precarious work have other consequences, too. Feelings of subjective insecurity also increased among employed young people as a result not only of rising temporary work but also of perceived vulnerability to job loss and underemployment, as well as concerns about future prospects (Peiró, Sora, and Caballer 2012; Green et al. 2014). Data from the ESS show that across Europe between 2006 and 2008–2009, the proportion of the employed who believed it was “likely” or “very likely” that they would become unemployed in the next 12 months rose from 17% to 27% among those aged younger than 30 years, whereas the figure for those aged 30 years or older rose by 7 percentage points (Figure 4.2).¹⁹ The rise in insecurity was particularly sharp in Estonia, Ireland, Portugal, and Spain, and young women experienced a greater increase in perceived insecurity than young men. As a consequence of these trends, the age gap in subjective insecurity widened, reflecting the disproportionate effect of the crisis on young people. Perceptions of wider employment security, or the extent to which employees perceive there to be opportunities outside their current job, were also adversely affected by the economic crisis (Russell et al. 2015).

In addition to increased insecurity and underemployment, labor market entrants are also particularly vulnerable to pay adjustments. In Ireland, for example, the austerity measures included significant cuts in entry-level salaries for public-sector workers such as nurses and teachers. Results from the Structure of

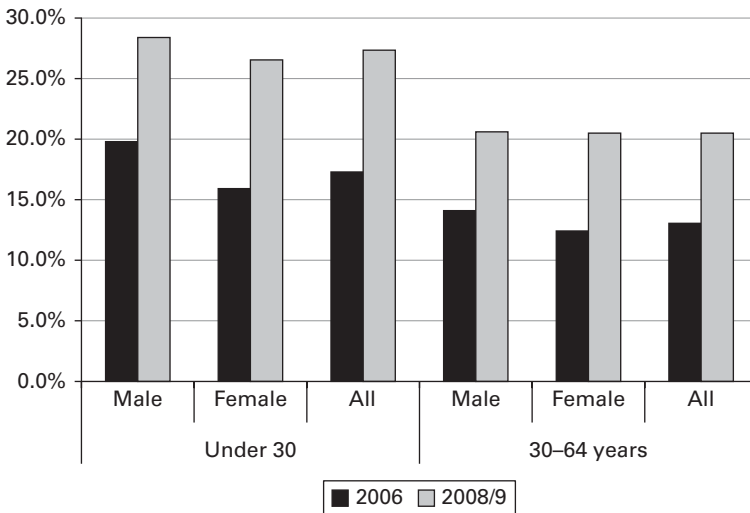


Figure 4.2 Subjective job insecurity, 2006 and 2008–2009: percentage of the employed who think it is “likely” or “very likely” that they will become unemployed in the next 12 months. *Source:* ESS Round 3 and ESS Round 4. Average across 20 countries; weighted by post-stratification weights.

Earnings Survey (SES) show that the ratio of youth earnings (aged younger than 30 years) to average earnings declined across 20 of 23 European countries between 2006 and 2014, illustrating that pay for young people fell further below the average.²⁰ These figures provide some examples of the range of quality-of-work impacts that are hidden in figures or targets that only measure employment rates and the quantity of jobs.

The effects of unemployment and insecurity on well-being are also invisible in the policy discussions described previously. The impact of both unemployment and job insecurity on psychological well-being is very well established, with longitudinal studies demonstrating a causal link (for reviews, see De Witte 2005; McKee-Ryan et al. 2005; Paul and Moser 2009). However, it is sometimes argued that labor market instability will have a weaker effect on well-being among young people because employment is less central to their self-identity or because they have fewer financial responsibilities and may have access to parental support (Jackson et al. 1983). Furthermore, the argument may be particularly relevant for young people that when unemployment becomes a social norm, the psychological impact is reduced (Clark 2003). The normalization of unemployment, inactivity, and temporary employment for younger workers could mean that the stigma attached to these statuses is reduced. A number of studies have found that the effect of unemployment on psychological well-being is greatest for prime-age workers and is weaker for young people and workers closer to retirement (Theodossiou 1998; Nordenmark and Strandh 1999), although this finding is not universal (McKee-Ryan et al. 2005). Our analyses of the ESS data showed that although overall the satisfaction gap between the employed and the unemployed was narrower for younger people, the effect was nonetheless significant and substantial (Russell et al. 2015). Unemployed young people had significantly lower life satisfaction compared to their employed peers in all but 1 of the 20 countries analyzed, and they had significantly lower well-being—measured by items in the WHO-5 Well-Being Index—in all but 4 countries.

Reduced life satisfaction is also observed among those who believe their job is insecure compared to those who feel secure. Figure 4.3 illustrates the gradient in life satisfaction scores by employment status. A significant difference in the life satisfaction of securely employed and insecurely employed young people is observed across all but six of the countries in the study,²¹ and statistical models reveal that the relationship is just as strong for those aged younger than 30 years as for those aged 30 years or older (data not shown; available from authors upon request). In a number of countries—namely Belgium, Finland, Greece, and Norway—insecurely employed young people are just as dissatisfied as the unemployed (Figure 4.3).

The impact of unemployment and insecurity on the psychological well-being of individuals is often neglected by policymakers. Yet the costs for individuals and their families (Scherer 2009) are high. At the extreme, a number of studies have established a relationship between unemployment and increased suicide

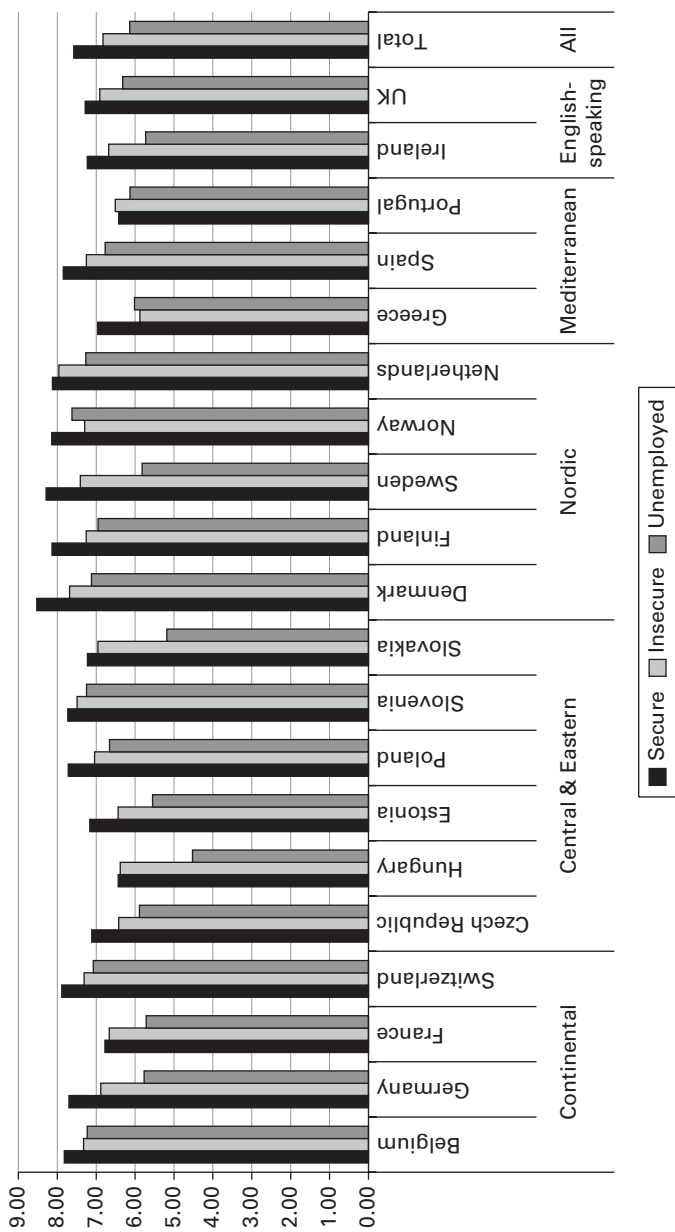


Figure 4.3 Life satisfaction among securely employed, insecurely employed, and unemployed young people younger than age 30 years, 2010.
 Source: ESS 2010; authors' analysis.

rates among young men (Walsh 2011). The existing evidence suggests that young people struggling to gain a foothold in the increasingly precarious labor market may also pay a longer-term price for entering the labor market at the “wrong time.” The longer-term consequences of precariousness for young people will partly depend on policy responses to assist transitions out of unemployment and out of temporary/insecure work into sustainable work.

4.4. CONCLUSIONS

This chapter develops a critique of EU and national employment policies in relation to young people, highlighting the results and outcomes for their labor market experiences and drawing on research conducted for the STYLE project. We identify four main areas of critique:

1. Employment policy has been strongly focused on supply-side measures that highlight the responsibility of individuals to equip themselves for jobs, with little consideration for the quality of employment.
2. Labor market policymaking has been driven largely by the external pressures of austerity, fiscal consolidation, and monetary stability rather than by coherence and a strategy aimed at a sustainable healthy labor market for participants.
3. There has been a partial implementation of flexicurity principles with a heavy focus on reductions in EPL for outsiders—a precrisis trend—without wider consideration of the consequences for young people, who were disproportionately affected by labor market flexibility during the crisis (via the heavy destruction of jobs held by young people and with the dissolution of temporary contracts). In the face of the youth unemployment crisis, the focus then turned to strengthening employment security by way of increasing ALMPs and also (temporarily) income security.
4. The focus on quantitative measures of labor market performance has meant that the subjective outcomes and quality measures have become something of a blind spot for policymakers, yet these outcomes are crucial for young people.

The EC’s response to the declining position of flexicurity has been to call for a “healthy and dynamic” labor market model as the new framework for labor market policy in the Europe 2020 period (European Commission 2014, 75). However, the commitment of the EC and the ECB to the structural reform agenda suggests that the prospects for a healthy labor market—from the perspective of good matches with quality jobs and, more broadly, the well-being of young people—are likely to be limited, not least because an apparent underlying

neoliberal agenda has increasingly dominated the EC employment project, pushing social goals down the agenda (Villa and Smith 2014): Young people have been a casualty of this policy direction.

Before the crisis, flexicurity was seen as the ideal institutional setting that could be viewed as a beacon for policymakers and the problems faced by European labor markets (O'Reilly et al. 2015). The so-called flexicurity model was a key element of the EES, though with an overemphasis on flexibility components compared to security dimensions. Also, there was something of a blind spot with regard to the consideration of young people within flexicurity models (Eamets et al. 2015), just as was the case for gender (Jepsen 2005). Moreover, flexicurity-driven policies faced a major challenge with the onset of the crisis (Hastings and Heyes 2016). Overall, young people tend to have worse flexibility–security outcomes in that their labor market situation is more precarious and they benefit less from income security, especially in the fiscal consolidation period. This is in line with previous literature indicating that vulnerable groups on the labor market, such as youth, the elderly, women, the long-term unemployed, and temporary employees, do not experience the same wins that regular employees might gain from flexibility–security policies (Leschke 2012).

The YG was a major policy initiative at the EU level, but it was based on a delayed recognition of the scale and consequences of the problems facing the youth labor markets (Bussi and Geyer 2013). The YG made a number of bold commitments designed to address the challenges facing a subsection—the so-called NEETs—of young people entering the labor market. Yet the implementation of the YG did not meet expectations (Dhéret and Morosi 2015). The question remains whether this was the embryo of a future policy for young people that lacked support or an inappropriate idea for the time, especially given financial constraints, poorly equipped public employment services to take on the task, and, importantly, poor labor demand in several member states. Part of the explanation rests with an employment policy that remains reactive and subservient to macroeconomic stability measures, but it is also important to consider the limits of European coordination. Policymaking in relation to employment at the European and national levels struggles to find a voice in turbulent economic times, and some countries are finding it difficult to implement coherent and durable reforms and instead are “splashing around,” to use the words of Smith and Villa (2016). At the same time, young people are learning to swim at the start of their active economic life, and in some contexts the waters are very turbulent. The long-term consequences for national labor markets and individual young women and men are potentially severe.

Thus, the challenges in relation to employment policy for young people, in particular, remain. Flexicurity was a much-criticized concept, but for a while it provided a common theme around which guidance and justification for labor market reform could be grouped (Bekker 2012). The weaknesses were an overemphasis on the implementation of flexibility measures, coupled with

economic circumstances creating slack demand when security, through employability on labor markets, was being promoted. These factors were compounded by an absence of a gender and life course perspective, including the perspective on youth in the original formulation. The economic circumstances will remain challenges for employment policy, but intelligent policy development that reflects the realities of generational and gender differences on modern European labor markets and addresses security measures more comprehensively and permanently can help address the policy weaknesses outlined here. Postcrisis, post-austerity, and post-flexicurity Europe requires the development of the “next big idea” around how to develop employment policy that is coherent, impactful, and relevant for young women and men as new entrants to the labor market, while capturing the imagination and commitment of policymakers at the European and national levels. This may require a return to hard-law measures, as evident in the labor law directives of the late 1990s and early 2000s, but it would be a considerable challenge to obtain sufficient support given the underlying policy approach of recent years. However, perhaps more important, the limitations of a primarily supply-side approach need to be addressed so that policymakers can place the promotion of quality employment opportunities at the heart of macro policymaking.

Based on this picture of incoherent policymaking and uncertain youth labor market outcomes, there is a need to (re)integrate the concept of quality into policies addressing the trajectories of young people (Berloff et al., this volume), including school-to-work transitions. In this sense, with a view to longer-term outcomes, the notion of efficiency on the labor market needs to be expanded to consider not only quantity or speed in finding jobs but also quality outcomes (e.g., good matching, job stability and/or continuity in employment, and decent earnings). As with gender inequalities, an impact assessment for generational differences is required to insure against unintended consequences of labor market policies that are not focused on youth but still have an effect on weaker participants because of subsequent changes in the overall institutional settings. At stake are lifelong consequences for today’s young people.

NOTES

- 1 We thank Brendan Burchell, Jochen Clasen, Ruud Muffels, Magnus Paulsen Hansen, the participants at the STYLE meetings in Turin and Krakow, as well as Martin Seeleib-Kaiser and Jackie O’Reilly from the editorial team for critical comments on earlier versions of this chapter.
- 2 See Section 4.2 for an overview of flexicurity. For a critical discussion of the European Union approach to flexicurity, see Smith and Villa (2016) and Leschke and Finn (this volume).

- 3 The Open Method of Coordination (OMC) in employment policy, for simplicity termed European Employment Strategy (EES) in this chapter, was launched in 1997 and was formally included in the Amsterdam Treaty. From 2000, it was conducted as part of the Lisbon strategy, which was replaced in 2010 by the Europe 2020 strategy.
- 4 See the communication on the common principles of flexicurity (European Commission 2007). Also see the approach proposed in the European Commission's report, *Employment and Social Developments in Europe 2014*, for "a healthy labor market: Balancing employment protection legislation, activation and support" in the analysis of the impact of the recession on labor market institutions (European Commission 2015, 75).
- 5 The four EC flexicurity principles are flexible and reliable contractual arrangements, effective active labor market policies, comprehensive lifelong learning strategies, and modern social security systems.
- 6 Smith and Villa (2016) chart the evolution in the EES through a detailed analysis of the content of the 477 CSRs on employment policy issued over the period 2000–2013, identifying the CSRs directly and indirectly focused on young people. In the early years, only a limited number of countries received a recommendation that explicitly considered young people. It was subsequently acknowledged that young people were at a disadvantage in some countries, but the recommendations issued were rather generic. In 2007–2009, only three countries received a simple generic mention of the young without any precise suggestion as to what policy action to follow. It was only in 2011–2013 that the deterioration of youth employment opportunities was reflected in an increasing number of CSRs directly focused on policy recommendations for youth.
- 7 This despite the problem of "brain overflow" (Kaczmarczyk and Okólski 2008), particularly in the new member states, implying that high-skilled young workers from new member states are migrating to EU15 countries, where they often work under precarious conditions and below their skill levels (see Spreckelsen, Leschke, and Seeleib-Kaiser, this volume).
- 8 Although, even with regard to binding labor law directives, derogations are possible with regard to specific roles or activities or by means of collective agreements (e.g., on the working-time directive, see Eurofound 2015).
- 9 In contrast to the Lisbon strategy, there are no longer subtargets for women and older workers.
- 10 FTEs are only presented in the statistical annex of the specialized annual publication *Employment and Social Developments in Europe 2015* (European Commission 2016) and are thus not made widely available.
- 11 So-called "priors" are used as part of the justification for a further deregulatory agenda (see European Commission 2012).
- 12 Also see the chart reproduced in the *Employment and Social Developments in Europe 2014* report, illustrating the balance between EPL, ALMP, and unemployment benefits (European Commission 2015, 75).

- 13 This captures changes in EPL impacting on permanent and temporary, as well as individual and collective, contracts (Smith and Villa 2016).
- 14 ALMP measures were the only policies in LABREF that mapped clearly onto the employment security dimension of flexicurity.
- 15 This subset accounts for 2,216 policies (approximately two-thirds of all policies recorded in the database between 2000 and 2013). Using the additional information in the LABREF database on the direction of policy (i.e., increasing or decreasing), we can further categorize policies according to whether they strengthen or weaken different elements of the flexicurity model.
- 16 Information on the direction of reforms (whether they are ex ante likely to have an impact by increasing or decreasing security) is codified in LABREF by means of binary indicators. The taxonomy developed to construct the indicator of the direction of reforms (built on existing economic literature) needs to be interpreted with caution because some simplifications are inevitable. However, an indicator of direction is necessary when analyzing reforms in order to avoid mixing reforms bringing opposing changes in the policy settings (European Commission 2012, 66).
- 17 Eurostat database: “Involuntary part-time employment as percentage of the total part-time employment for young people by sex and age” (yth_empl_080) (Eurostat 2016).
- 18 Eurostat database: “Temporary employees as a percentage of the total number of employees, by sex and age (%)” (lfsq_etpga) (Eurostat 2016).
- 19 The analysis is based on 20 countries: BE, BG, CH, CY, DE, DK, EE, ES, FI, FR, HU, IE, NL, NO, PL, PT, SE, SI, SK, and UK. Each country was weighted to receive equal representation in the results (i.e., N is constrained to be equal for each country so that more highly populated countries do not dominate). Just under half of the ESS Round 4 interviews were carried out in 2009. The question in ESS Round 4 adds the qualification “unemployed and looking for work.”
- 20 Authors’ analysis of SES published results for 2006 and 2014. Table available from the authors on request. The SES excludes those employed in small establishments and those in the public administration/defense.
- 21 The difference between subjectively securely and insecurely employed young people is not statistically significant in BG, FR, HU, NL, PL, and CH. In the UK and CZ, the difference is only significant at the 10% level.

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