

PART III

TRANSITIONS ACROSS EUROPE

13

WHAT HAPPENS TO YOUNG PEOPLE WHO MOVE TO ANOTHER COUNTRY TO FIND WORK?

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13.1. INTRODUCTION

The freedom of movement of citizens across all of Europe has been one of the most important achievements of the European Union (EU).¹ The size, composition, and direction of migration flows in Europe have evolved in a continuously changing pattern, reflecting various social, economic, and political conjunctures and circumstances resulting from both diverse and dynamic pull and push factors (Castles 1986, 2006; Constant and Massey 2003). Recent evidence suggests, however, that the mobility patterns of the past decade in Europe are mostly dominated by youth flows (Eurostat 2011). In particular, educated youth from Eastern and Southern Europe have been migrating to regions to the west and north that offer relatively more favorable labor market opportunities (Kahanec and Zimmermann 2010). However, the recent economic downturn, which has contributed to rising youth unemployment, and the challenges faced by young people transitioning from education to labor markets have put a strain on the labor market transitions of youth. Added to these difficulties are the challenges migrants normally face in integrating into destination-country labor markets.

Against the background of human capital and neoclassical models explaining migration patterns and motivations (Sjaastad 1962; Bowles 1970; Greenwood, Hunt, and McDowell 1986; Borjas, Bronars, and Trejo 1992), and given the evidence that migrants are ever more frequently young, female, and relatively well educated, these population movements raise questions concerning the ability of destination-country labor markets to integrate migrants in accordance with

their human capital endowments. Economic theory predicts a strong correlation between the circumstances of the labor market at origin and in the destination countries (Martin 2009). Based on this theory, if young individuals move mainly to escape stressful economic circumstances in their countries of origin, then one wonders what happens to them once they arrive in the destination country's labor markets. Previous results from the migration literature generally find relatively worse labor market outcomes for foreign-born individuals vis-à-vis native peers. In this vein, if international transferability of skills or qualification recognition is an issue, then it is possible to observe education–occupation mismatches among migrant individuals (Chiswick 2009). In addition to sociodemographic differences such as education and age, the role of ethnic background in the labor market has also been highlighted in explaining some of the observed differences compared to native peers (Akgüç and Ferrer 2015). Furthermore, young migrants sometimes face a double disadvantage: the first for their youthfulness, which usually means that they lack work experience and therefore have difficulty in making the transition from education to the labor market (Brzinsky-Fay 2007), and a second one in the form of the differential and discriminatory treatment that is commonly meted out to migrants. All in all, analyzing the labor market integration of young migrants has important policy relevance because it evidences the (in)effectiveness of labor market institutions (e.g., in terms of recognition of foreign qualifications) in tackling possible labor market mismatches faced by foreign-born residents in destination countries.

To this end, this chapter addresses the following research questions: Do recently arrived young migrants in Europe differ from native peers with respect to socioeconomic and labor market indicators? How do recently arrived young migrants from different regions of origin differ among themselves? To what extent do the observable differences in sociodemographic characteristics explain the gaps in the labor market outcomes of young migrants from various regions relative to native peers? Do we observe gender gaps in labor market outcomes among young migrants?

To address these questions, this chapter conducts a comparative econometric analysis of the labor market integration of young migrants of different origins. In a departure from the main literature on labor market integration (one exception is Spreckelsen, Leschke, and Seeleib-Kaiser, this volume), the chapter focuses on youth aged 35 years or younger because this age group accounts for a large share of the migrants in Europe in the past two decades. In particular, the analysis considers recent migrants who arrived within the past 10 years. Regarding labor market integration, the chapter examines a wide range of outcomes, such as (un)employment, type of job contract (temporary or permanent), self-employment, hours worked, and various indicators of occupational mismatch.² Unlike the general approach in much of the previous research, migrants are not treated as a homogeneous group, and attention is paid to differences in ethnic origins. In line with the recent mobility patterns in Europe, the focus is on young migrants from

Eastern and Southern Europe, but other migrant groups are also considered so as to give a broader picture. Moreover, the novelty of the chapter is that it analyzes the labor market integration of young migrants in a cross-country framework. Last, because the gender gap is highlighted as an important factor in migrants' experience, the chapter also contributes to the literature by embedding gender aspects in the analysis of the labor market integration of young migrants.

The descriptive findings point to differences in socioeconomic characteristics (e.g., age and education) as well as in labor market indicators (e.g., employment and occupational mismatch) across different migrant groups and between migrants and native peers. Econometric analysis suggests that observable characteristics explain part, although not all, of the differential labor market outcomes of migrants. Young Eastern European migrants are found to be overqualified for their occupations compared to native peers of destination countries. Young Southern Europeans are more likely to be self-employed and to be on a temporary employment contract. Regarding broader age groups, the younger cohorts seem to be performing worse than the older cohorts in terms of unemployment, self-employment, contract type, and overqualification, but these differences are not always statistically significant and they vary by the origin of individuals. Furthermore, important gender gaps are observed among youth in favor of men with regard to employment and hours worked per week, and this pattern holds for all migrant groups considered.

The remainder of the chapter is organized as follows. We first provide a brief literature review with a short background on recent migration trends in Europe. We next provide a description of the data, variables of interest, and the econometric methodology used for the micro-level cross-country analysis, followed by a presentation of the descriptive analysis and the estimation results. Finally, we discuss the results along the youth and gender dimensions and provide concluding remarks, suggesting areas for future research and discussing issues related to policymaking aimed at alleviating migrant and youth vulnerabilities in destination labor markets.

13.2. LITERATURE REVIEW

The majority of the literature has focused on migrant integration into English-speaking countries, examining single-country cases (Chiswick 1978, 1979; Borjas 1987; Ferrer and Riddell 2008; Constant, Nottmeyer, and Zimmermann 2012). Most of these papers examine a limited number of labor market outcomes, such as wages (Chiswick 1978; Borjas 1987; Ferrer and Riddell 2008). There are a few studies comparing several countries, but even these do not always use comparable data sources (Constant and Zimmermann 2005; Antecol, Kuhn, and Trejo 2006; Algan et al. 2010). One novelty of this chapter is that it takes a comparative approach and conducts an analysis using harmonized cross-country data on

labor market integration covering various outcomes. Notwithstanding a number of caveats—discussed in Section 13.3—pooled cross-country data add to our understanding of differences in the integration of migrant populations across countries (Adsera and Chiswick 2007).

Most contributions find relatively worse outcomes for migrants compared to native peers in the labor markets for various reasons (Chiswick 1978; Adsera and Chiswick 2007; Jean et al. 2007). Although part of the nativity gap is related to socioeconomic background, such as education—where the latter has been obtained (Akgüç and Ferrer 2015)—and previous labor market experience, another part could be caused by skills recognition or transferability issues in destination countries (Chiswick 2009). Earlier studies also emphasize the assimilation process, whereby migrants catch up—if ever—with native outcomes only after a certain amount of time has been spent in the country and after obtaining country-specific skills (Chiswick 1978). Country of origin and cultural background are another set of related factors that determine labor market outcomes (Fernández and Fogli 2009; Blau, Kahn, and Papps 2011). Migration motivations, such as economic goals, education, political beliefs, or family reunification, might also be associated with integration patterns (Akgüç 2014), whereby the experience of economic and student migrants seems to more closely approximate that of native peers. Last, differential treatment in the form of discrimination might also lie behind native-immigrant gaps. Considering these dimensions, this chapter contributes to the literature by providing further insights into the labor market integration of recent young migrants in Europe by controlling for socioeconomic and ethnic backgrounds.

In the migration literature, the main focus is usually on working-age individuals rather than on migrating youth, except in some contributions, such as Seeleib-Kaiser and Spreckelsen (2016) and Spreckelsen et al. (this volume). Examining recent young European migrants in the United Kingdom, Seeleib-Kaiser and Spreckelsen find that although these migrants are highly integrated in terms of employment, they end up in poor-quality jobs. Similarly, Clark and Drinkwater (2008) find that recent Eastern European migrants to the United Kingdom experience relatively low returns on their education and work in unskilled occupations. This chapter likewise focuses on young migrants, but in a cross-country framework; the findings are nevertheless similar to those of previous papers. Although most of the aforementioned reasons for poor integration outcomes can be valid for young migrants as well, this group might also face the additional challenge of being young and the related risks to labor market transitions posed by lack of previous market experience and particularly of skills that are specific to the destination country. Finally, to our knowledge, none of the earlier studies addresses gender gaps while examining the labor market integration of youth migrant groups, as is done in this chapter.

As mentioned in Section 13.1, the chapter mainly focuses on Southern and Eastern European young migrants, even though other origins are included in

order to have a complete picture. The main reason for the focus on these groups are the recent mobility patterns in Europe. Regarding Southern Europe, Spain has turned from a migration destination during the boom years of 1995–2000 into an emigration country during the recent recession, whereby many young native peers and foreign residents have left to find employment elsewhere as jobs have become scarce (González Gago and Kirzner 2013; Izquierdo, Jimeno, and Lacuesta 2016). In the Italian case, despite the stable emigration in the pre- and postcrisis periods, the recent composition of migrants has changed to include more highly educated youth older than age 25 years, which suggests that the usual out-migration for study abroad has been replaced by work motives with lower return rates (Constant and D’Agosto 2008; Ciccarone 2013), thus raising the issue of brain drain (Beine, Docquier, and Özden 2011; Docquier and Rapoport 2012). Regarding migrants from Eastern Europe, the major policy change influencing their mobility has been the Eastern enlargement of the EU. However, EU accession did not immediately give the right of free movement and work to the citizens of the new member states,³ with transitional measures of up to 7 years restricting free movement for work purposes (Galgóczi, Leschke, and Watt 2011; Galgóczi and Leschke 2012).⁴ Regardless of the transition measures, a striking feature of recent migrant flows from Eastern Europe is that they are mainly dominated by young and well-educated individuals, as will be shown in the empirical analysis.

13.3. DATA AND METHODOLOGY

To conduct the econometric analysis of labor market integration of migrants within a cross-country framework, we have at least two options regarding data sources: the European Union Labour Force Survey (EU-LFS) and the European Social Survey (ESS). Given the focus on Southern and Eastern European origins, we opted for the ESS, mainly because it provides detailed country-of-origin information. For example, we are not able to distinguish Southern European migrants in the EU-LFS, which gives only a broader country-of-origin categorization, such as EU15.

The ESS is a biennial—partly repetitive—cross-section survey including conventional demographic and socioeconomic variables as well as labor market indicators relating to diverse populations in more than 30 countries. The survey covers all persons aged 15 years or older who are residents within private households—regardless of their nationality, citizenship, language, or legal status—in the 36 participating countries (mainly in Europe). The survey is accessible via the Norwegian Social Science Data Services.

Using the ESS, we focus on 15 destinations, namely Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, and the United Kingdom. These are countries that

have received important migrant flows during the past few decades not only from within but also from outside Europe (Brücker, Capuano, and Marfouk 2013). The migration flows to these destinations have been influenced by and have evolved through various economic, social, and political developments during this period—for example, the Eastern enlargement of the EU, occasional amnesties offered to illegal migrants (e.g., in Spain), rising youth unemployment, and widening socioeconomic inequalities. Not all of the 15 countries participated in all rounds of the survey, but quite a few of them participated in almost all rounds (see Table A13.1 in the Appendix). The total sample has 145,564 observations, composed of native- and foreign-born individuals from diverse origins; in fact, the sample includes 198 different countries of origin.

In order to have a large enough sample for the econometric analysis, we use all available ESS rounds (1–7) during the period 2002–2015. We pool the countries together and over time and include individuals aged 15–65 years at the time of the survey. Given that young people from various origins have been more mobile in Europe in recent years, we pay particular attention to the youth dimension, searching for possible heterogeneities and patterns across various countries of origin. To this end, we create two age bands using 35 years as the cut-off age, whereby individuals are defined as being young if they are aged 35 years or younger. In addition to providing standard summary statistics including everyone, we report additional descriptive information on the youth dimension so as to inspect the differences in outcomes by age group.

Regarding the definition of migrants, an individual is defined as a migrant if his or her country of birth is different from his or her country of residence at the time of the survey. However, this definition of migration, although standard in the literature, can be rather broad because it can also include migrants who arrived as small children and hence would be considered second-generation migrants, which is not the focus of this chapter. Because the focus is mainly on first-generation migrants who move for work, we address this potential issue by limiting the sample to “recent” migrants who migrated within the previous 10 years. In this way, we capture—to a large extent—individuals who recently migrated as adults or youth. Moreover, because there is no particular information on seasonal, circular, or cross-border migration in the data, we are not able to capture such temporary migration here.

Given the focus on Southern and Eastern European migrants, because they have been among the most mobile groups in Europe recently, we create aggregate categories of origins for migrants, in addition to the *native peers*:⁵ (1) *Southern Europe*, which includes individuals from Greece, Italy, Portugal, and Spain; (2) *Eastern Europe*, which includes individuals from EU10 countries—that is, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia; (3) *intra-EU*, which consists of individuals from other EU countries, excluding Southern and Eastern Europeans; and (4) *non-EU*, which consists of individuals from countries other than the 28 member states

of the European Union.⁶ The main focus is on Southern and Eastern European individuals, but to give a complete picture, residents from non-EU origins as well as the other intra-EU countries are also included. In total, approximately 10.3% of the population in the sample is foreign born of diverse origins.

While carrying out the descriptive analysis, we also run several *t*-tests (not reported here but available upon request) of mean differences in characteristics across various groups in order to check whether the observed unconditional differences are statistically significant, in which case analysis across groups is justified. Results from these tests point to statistically significant heterogeneities in almost all observed characteristics across diverse origins. Therefore, we distinguish these various subgroups, taking native peers as the reference in the remainder of the econometric analysis.

For a comparative analysis of the socioeconomic characteristics and the labor market integration of various populations, we initially examine the unconditional differences in individual characteristics such as age, gender, household size, marital status, number of children, residential area, and educational attainment, in addition to several labor market indicators, such as employment, unemployment, self-employment, weekly total hours worked in main job (overtime included), contract type (temporary/permanent), and education–occupation mismatch. With regard to mismatch, we mainly have in mind overqualification, referring to individuals who are capable of handling more complex tasks and whose skills are underused, as defined by the Organization for Economic Cooperation and Development (OECD 2012; see also McGuinness, Bergin, and Whelan, this volume).⁷ Technically, we construct the overqualification indicator based on the definition used by Chiswick and Miller (2010) and Aleksynska and Tritah (2013): Using information on the average years of educational attainment per occupation in each country, an individual is defined to be overqualified if his or her education is one standard deviation above the average within the occupation.⁸

The different access years for citizens from Eastern Europe to the labor markets of the old member states because of various transitional measures can potentially raise issues when one analyzes migration for work, but it is outside the scope of this chapter to analyze labor market integration incorporating all possible restrictive transitional periods. However, evidence from aggregate data by Akgüç and Beblavý (2015) suggests that there has already been a substantial and continuous migrant flow from Eastern European countries to Western and Northern European countries since the early 1990s. Moreover, taking into account country and time effects in the econometrics analysis partially captures the differential transition periods as well.⁹

We address the differences in labor market integration by controlling for socioeconomic characteristics and their interactions across different groups analyzed within a multivariate regression framework. For the baseline model, each binary dependent variable (employment, unemployment, self-employment, contract

type, and overqualification) Y_{ict} of individual i in country c at time t is estimated by probit using the following model:¹⁰

$$P(Y_{ict} = 1 | \mathbf{X}) = \Phi(\mathbf{X}\beta) \quad (13.1)$$

where \mathbf{X} includes dummy variables (ORI_{ic}) for five broad origin groups for each individual i in country c (native peers, Southern Europeans, Eastern Europeans, intra-EU, and non-EU migrants); demographic/socioeconomic controls (X_{ict}) such as age and age squared, gender, household size, marital status, children, educational attainment in years, and residential area; and country-fixed effects (η_c), year effects (μ_t), and a random error term (ε_{ict}). To facilitate the interpretation of the coefficients, all the estimation results with binary variables report the estimated marginal effects of the respective control variable.

For the continuous dependent variable (weekly total hours worked) of individual i in country c at time t , we estimate an ordinary least squares version of Eq. (13.1):

$$Y_{ict} = \beta_0 + \beta_1 ORI_{ic} + \beta_2 X_{ict} + \eta_c + \mu_t + \varepsilon_{ict} \quad (13.2)$$

where the same notation as before follows. For self-employment, contract type, hours worked, and overqualification, we add the condition of “being employed.” In this way, we compare, for example, the number of hours worked among employed individuals only and not also among unemployed. In the models, the coefficients of interest are those in front of the origin dummies as well as the youth dummy—where relevant—and they are interpreted as the deviation in the outcomes from the reference population, consisting of native-born and older individuals.

Next, with the aim of exploring heterogeneities in these initial results for different age cohorts by origin, we estimate the previous models by interacting the origin dummies with the youth dummy. This implies adding the term $\beta_1 ORI_{ic} * YOUTH_{ict}$ into the previous equations, where $YOUTH_{ict}$ is an indicator of youth (1 if aged 35 years or younger). Furthermore, we explore the gender dimension in the analysis by running similar interaction models as with the youth dimension but replacing the youth dummy by the gender dummy $FEMALE_{ict}$. Finally, we estimate gender gaps across native-born and migrant groups for selected labor market outcomes among young individuals only. This last exercise allows us to explore the potential heterogeneities and vulnerabilities experienced by young migrant women.

With respect to the pooling of data across different countries and over time, as we have elected to do in this chapter, there are both advantages and disadvantages to this exercise. We acknowledge that pooling different destination countries with different economic and welfare-state configurations combined with changes

over time makes it difficult to interpret the results—especially in a causal way for a particular country. For this reason, we note that outcomes would be likely to differ from one destination to another if countries were analyzed separately (see Spreckelsen et al., this volume). At the same time, pooling helps smooth out heterogeneities between countries and years and provides a comprehensive overview of the general situation that is complementary to the single-country analysis at a point in time or over time. Pooling also boosts the sample size, particularly for migrants. Furthermore, inclusion of country and time effects in models with pooled data—as done in this chapter—takes into account part of the cross-country and period-related heterogeneities. Finally, in order to have representative results both nationally and across countries, we include country and design weights provided by ESS when pooling all countries throughout the empirical analysis.

13.4. DESCRIPTIVE STATISTICS

13.4.1. Summary Statistics of Main Variables

Table 13.1 displays the main summary statistics for native peers and recent migrant groups of all age groups in the sample. The female ratio is mainly approximately 50% across various population groups, reaching between 55% and 60% for Eastern European and intra-EU migrants. This finding is consistent with the feminization of migration during recent decades. Migrants tend to live in more urban areas than do native peers. The latter finding might be related to the prediction by Harris and Todaro (1970) that individuals from less developed rural regions are more likely to move to developed urban areas.¹¹ Regarding educational attainment, the numbers suggest that recent migrants from Eastern Europe, followed by those from intra-EU countries, have acquired more years of education compared to native-born individuals. The educational profiles of migrants overall seem to be in line with the human capital theory of migration, which postulates that migrants tend to be relatively well educated notwithstanding differences across different origins.

Regarding the labor market variables, the employment rate is approximately two-thirds for all groups, whereas unemployment is approximately 5% or 6%, on average, for native-born individuals, Southern migrants, and intra-EU migrants, and it is higher for Eastern European and non-EU migrants (8%–10%). Self-employment is more common among intra-EU migrants and Southern European migrants. The average number of weekly hours worked is approximately 39 hours for everyone. Regarding contract type, migrants from Eastern European and non-EU countries are more likely to be on temporary contracts compared to the rest of the sample. This could be due to the fact that these groups are younger than the others. At the same time, there has been a general increase in the share of temporary

Table 13.1 Summary statistics of main variables (all age groups)

	Native peers	Southern European migrants	Eastern European migrants	Intra-EU migrants	Non-EU migrants
Female	0.515 (0.500)	0.496 (0.500)	0.549 (0.497)	0.597 (0.492)	0.512 (0.500)
Household size	3.050 (1.377)	3.115 (1.394)	3.062 (1.423)	2.800 (1.330)	3.430 (1.619)
Married	0.533 (0.499)	0.688 (0.463)	0.587 (0.492)	0.559 (0.497)	0.623 (0.485)
No. of children	0.803 (1.067)	0.993 (1.094)	0.781 (1.028)	0.815 (1.096)	1.124 (1.284)
Residence in urban area	0.274 (0.446)	0.352 (0.478)	0.362 (0.481)	0.314 (0.464)	0.459 (0.498)
Education (years)	13.21 (3.837)	11.52 (4.984)	13.41 (3.538)	14.36 (4.213)	12.96 (4.500)
Employed	0.643 (0.479)	0.682 (0.466)	0.653 (0.476)	0.639 (0.480)	0.596 (0.491)
Unemployed	0.053 (0.224)	0.062 (0.240)	0.083 (0.275)	0.062 (0.241)	0.099 (0.294)
Self-employment	0.135 (0.341)	0.143 (0.351)	0.114 (0.318)	0.148 (0.355)	0.120 (0.325)
Total hours of work (week)	38.98 (13.46)	38.80 (12.80)	39.46 (16.02)	38.48 (13.54)	39.25 (13.80)
Contract type (temporary)	0.107 (0.309)	0.109 (0.311)	0.170 (0.376)	0.093 (0.290)	0.165 (0.371)
Education–occupation mismatch	0.147 (0.354)	0.152 (0.359)	0.201 (0.401)	0.199 (0.399)	0.223 (0.416)
No. of observations	129,395	1,389	2,011	3,832	8,711

Notes: Means are reported, standard deviations are in parentheses. Only migrants who arrived within the previous 10 years are included. Intra-EU refers to EU countries other than Southern and Eastern Europe.
Source: ESS (2002–2015).

contracts since the early 2000s. Therefore, an econometric estimation that controls for sociodemographic characteristics together with time trends can shed light on this finding. Finally, the constructed overqualification indicator suggests that native peers are the least likely to be overqualified in their jobs, whereas non-EU migrants are the most likely to be overqualified. Southern Europeans are relatively similar to native peers in this regard, whereas Eastern Europeans and intra-EU migrants are more likely to be overqualified compared to native peers.

13.4.2. Further Inspection of Age Structures, Migrant Backgrounds, and Gender Gaps

Regarding the age structure, a comparative report by Eurostat (2011) on the migrant population in Europe suggests that compared to native peers, the foreign-born population is younger and more concentrated in the lower working-age group. The figures from the ESS sample, as displayed in Table 13.2, suggest parallel results. Although the share of native peers aged 35 years or younger is approximately one-third, the numbers jump almost twofold among migrants who arrived within the past 10 years; for example, approximately two out of three migrants from Eastern Europe and non-EU countries are young, whereas slightly more than half of Southern Europeans are young. In line with the youth shares, recent migrants are, on average, much younger than the native-born population (aged 41 vs. aged in their early 30s, respectively).

The youth dimension among migrants is given further inspection in Figure 13.1, which shows the evolution of youth shares among migrants from the main sending regions per survey year. Each column gives the composition of migrants aged 35 years or younger by region of origin. For example, in 2002, the majority of young migrants (almost 70%) were from non-EU countries, whereas less than 10% were from Southern and Eastern Europe combined. In 2009, the total share of young European migrants increased to more than 40%. Moreover, the relative share of young Eastern Europeans has increased significantly since 2008, which is likely due both to the changing economic circumstances brought on by the global recession and to the Eastern enlargement of the EU. Overall, an increasing number of young people of diverse origins seem to be on the move in Europe during the past decade.

Table 13.3 examines the gender gaps in different age cohorts in general, without distinguishing between migratory origins. To do this, we first estimate the mean gaps in outcome between men—the reference group—and women for a selected set of variables that are closely associated with labor market performance (e.g., educational attainment, employment status, hours worked, contract type, and mismatch indicators). In order to investigate whether gender gaps differ by age structure, we repeat the first step for young individuals younger than age 35 years and for individuals aged 35 years or older, respectively. In this

Table 13.2 Youth shares and average age by country of origin

	Native peers	Southern Europe	Eastern Europe	Intra-EU	Non-EU
Youth population share (%; recent migrants only)	33.6	53.5	65.5	45.4	65.1
Average age (years)	41.1	33.6	32.1	36.4	32.3

Source: Authors' calculations based on ESS (2002–2015).

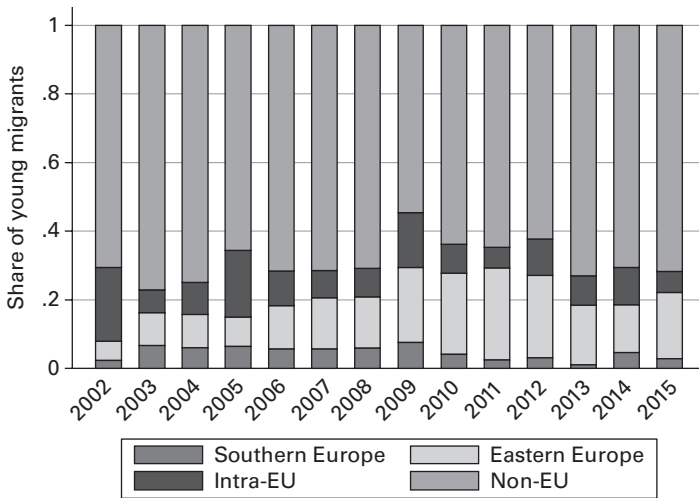


Figure 13.1 Distribution of youth share among migrant groups by survey year.
Source: Authors' calculations based on ESS (2002–2015).

way, we get a hint as to how gender gaps in selected outcomes evolve across the life cycle.¹² From the results shown in Table 13.3, we observe that young women have significantly more years of education (0.25) compared to young men, whereas the difference goes in the opposite direction among older individuals. Young women are also 8% less likely to be employed compared to young men, and this gap widens to 12% among the older cohorts. In terms of unemployment, women in general (regardless of their age cohort) are 1% less likely than men to be unemployed, which could be explained by the higher inactivity shares among women. The gender gap in self-employment is also in favor of men and widens with age, whereas the gender gap in weekly working hours widens by almost half in favor of men aged 35 years or older. For the remaining outcomes (e.g., contract type and overqualification), the gender gaps remain significant but do not differ across age groups. Without claiming causal relations, the econometric analysis in Section 13.4.3 acknowledges these differences by taking into account sociodemographic and ethnic background as well as variation across countries and time.

13.4.3. Baseline Estimation Results for Recent Migrants

Table 13.4 reports the baseline results of estimating Eqs. (13.1) and (13.2). By default, we always include the broad origin variables (first column of each outcome variable) and then add the common set of explanatory variables, comprising age, age squared, female dummy, household size, children, education, marital status, and urban dummy (second column of each outcome variable) in order to

Table 13.3 Mean gender gaps in labor market outcomes by age groups

	(1)	(2)
	35 years or younger	35+ years
Education (years)	0.249*** (8.02)	-0.088*** (-3.39)
Employed	-0.080*** (-18.02)	-0.121*** (-41.59)
Unemployed	-0.010*** (-4.67)	-0.009*** (-6.73)
Self-employment	-0.038*** (-12.83)	-0.096*** (-35.51)
Hours worked (week)	-7.076*** (-46.17)	-9.702*** (-100.47)
Temporary contract	0.03*** (6.15)	0.024*** (12.64)
Overqualified	-0.013*** (-2.87)	-0.016*** (-5.79)
No. of observations	49,068	96,459

Notes: *t* statistics in parentheses. Reference group is men.

**p* < .10.

***p* < .05.

****p* < .01.

Source: ESS (2002–2015).

determine whether holding observed characteristics constant modifies the initial effects of origins on the labor market outcomes of interest among native-born individuals and recent migrants. The improvement of the (pseudo/adjusted) R^2 when additional explanatory variables are added implies a better fit of the models when the positive influence on this coefficient due to the increase in the number of covariates is taken into account.

The results of the baseline employment regressions before introducing additional controls suggest that there is no significant difference in employment across groups, except for migrants from non-European countries. Once we take into account differences in personal characteristics, however, significant gaps emerge: For example, migrants from Eastern Europe and intra-EU have lower employment levels compared to the native-born population. The explained employment gap between native-born individuals and non-EU migrants rises to 12 percentage points once individual controls are held constant. The change from column 1 to column 2 in Table 13.4 suggests that migrants have characteristics that lead to lower employment compared to native peers. The remaining coefficients in column 2 have expected signs: Age increases employment at a

Table 13.4 Baseline estimations of labor market performance with full set of control variables

	Employment		Unemployment		Self-employment	
	(1)	(2)	(3)	(4)	(5)	(6)
South	0.030 (0.028)	-0.021 (0.029)	0.014 (0.011)	0.012 (0.010)	0.023 (0.023)	0.022 (0.022)
East	-0.026 (0.020)	-0.072*** (0.021)	0.027*** (0.007)	0.021*** (0.007)	-0.030* (0.018)	-0.000 (0.018)
Intra-EU	-0.015 (0.017)	-0.078*** (0.019)	0.016 (0.010)	0.017* (0.009)	0.017 (0.014)	0.022 (0.014)
Non-EU	-0.073*** (0.009)	-0.120*** (0.010)	0.039*** (0.004)	0.033*** (0.003)	-0.023*** (0.009)	-0.015* (0.009)
Age		0.098*** (0.001)		0.007*** (0.000)		0.010*** (0.001)
Age squared		-0.001*** (0.000)		-0.000*** (0.000)		-0.000*** (0.000)
Female		-0.153*** (0.004)		-0.004*** (0.002)		-0.072*** (0.003)
Household size		-0.006** (0.003)		0.001 (0.001)		0.006** (0.003)
Education (years)		0.017*** (0.001)		-0.004*** (0.000)		0.002*** (0.000)
Married		0.055*** (0.005)		-0.034*** (0.002)		-0.006 (0.004)
No. of children		-0.024*** (0.004)		-0.005*** (0.001)		0.001 (0.003)
Living in urban area		-0.019*** (0.005)		0.003 (0.002)		-0.004 (0.004)
Pseudo R ²	0.008	0.198	0.023	0.062	0.024	0.063
No. of observations	140,813	139,641	140,813	139,641	92,543	91,960

Table 13.4 Continued

	Temporary contract		Hours of work (weekly)		Overqualified	
	(7)	(8)	(9)	(10)	(11)	(12)
South	0.033* (0.019)	0.046** (0.018)	-0.436 (0.781)	-0.529 (0.726)	0.020 (0.023)	0.022* (0.013)
East	0.060*** (0.014)	0.042*** (0.013)	1.615 (1.385)	0.679 (0.762)	0.048** (0.019)	0.030*** (0.009)
Intra-EU	-0.001 (0.012)	0.004 (0.012)	-0.229 (0.612)	-0.347 (0.553)	0.071*** (0.014)	-0.000 (0.007)
Non-EU	0.073*** (0.007)	0.064*** (0.006)	0.605* (0.356)	0.580* (0.338)	0.075*** (0.008)	0.037*** (0.004)
Age		-0.017*** (0.001)		0.965*** (0.055)		-0.001* (0.001)
Age squared		0.000*** (0.000)		-0.011*** (0.001)		0.000 (0.000)
Female		0.017*** (0.003)		-9.524*** (0.127)		-0.019*** (0.002)
Household size		0.007*** (0.002)		-0.214 (0.139)		0.003** (0.001)
Education (years)		-0.000 (0.000)		0.242*** (0.018)		0.031*** (0.001)
Married		-0.032*** (0.003)		-0.462*** (0.158)		-0.008*** (0.002)
No. of children		-0.007*** (0.002)		-0.737*** (0.162)		-0.003* (0.002)
Living in urban area		0.001 (0.003)		-0.643*** (0.138)		-0.009*** (0.002)
Pseudo R ²	0.026	0.113	0.017	0.159	0.008	0.409
No. of observations	92,543	91,960	89,902	89,445	92,226	91,670

Notes: Reference group is native-born individuals. Robust standard errors are in parentheses. Individual controls include age, age squared, gender, household size, education, marital status, children, and urban residence. Only recent migrants who arrived in the destination countries within the previous 10 years are included. Intra-EU refers to EU countries other than Southern and Eastern Europe.

* $p < .10$.

** $p < .05$.

*** $p < .01$.

Source: ESS (2002–2015).

decreasing rate, being female is negatively related to employment, and an additional year of education increases employment. Regarding unemployment, migrants from Eastern Europe and of non-EU origins have higher chances of being unemployed, and adding individual controls does not modify the results to any great extent. In terms of self-employment, Eastern Europeans and non-EU migrants are less likely (although the significance of the coefficient is barely 10% for the former group) to be self-employed compared to native peers; however, this difference almost disappears once individual controls are introduced. Regarding contract duration, most migrants—except for intra-EU migrants—are more likely (to a varying extent by origin) than native peers to hold a temporary job. The estimated gaps in temporary contracts between native-born workers and migrants remain significant even after introducing individual controls.

As seen in the unconditional means from the descriptive statistics, weekly hours of work do not differ across groups in general for the main groups of interest, except for the non-EU migrants, who work slightly more hours than the others. Concerning occupational mismatch, all migrants except Southern Europeans have a higher chance of being overqualified compared to native-born individuals, but this picture changes somewhat once sociodemographic controls are introduced. For example, whereas migrants from intra-EU no longer differ from native peers, Southern Europeans now appear to be overqualified in terms of their educational attainments (although only at 10% significance), together with individuals from Eastern Europe and non-EU countries, even though the extent of mismatch is reduced for the latter origins once control variables are added.

13.4.4. Results with Youth Interactions and Gender Gaps Among Youth

Following the baseline estimations, we investigate the labor market outcomes of various migrant groups by distinguishing between different age cohorts in order to obtain insights into the possible vulnerabilities that young people might experience in destination labor markets. To this end, we conduct several additional exercises.¹³ First, we rerun similar models by adding an interaction term for the youth indicator and the origin dummies (Table 13.5). Next, based on these estimation results with youth interactions, we choose the migrant origins in which we are interested—Eastern and Southern Europe—and conduct a post-estimation mean-differences test (i.e., a *t*-test) to compare the labor market outcomes of young migrants to those of native-born young people (Table 13.6). We illustrate the results with youth interactions graphically for selected labor market outcomes by origin and by age group, broken down by the 35-year cut-off (see Figure 13.2). Finally, we augment the econometric analysis thus far with the gender dimension by estimating labor market performance models across different migrant origins by gender and by age groups only among individuals

Table 13.5 Estimations of labor market performance with youth interactions (with full set of controls)

	Employment	Unemployment	Self-employment	Temporary contract	Hours (weekly)	Overqualified
	(1)	(2)	(3)	(4)	(5)	(6)
South	0.049 (0.034)	0.018 (0.014)	0.003 (0.025)	0.044* (0.024)	-0.607 (0.838)	0.012 (0.018)
East	-0.076*** (0.028)	0.044*** (0.010)	-0.015 (0.023)	0.052*** (0.019)	-0.115 (0.917)	0.030** (0.014)
Intra-EU	-0.108*** (0.022)	0.019* (0.012)	0.015 (0.016)	0.031** (0.014)	-0.666 (0.662)	-0.006 (0.008)
Non-EU	-0.064*** (0.013)	0.047*** (0.005)	-0.018* (0.010)	0.069*** (0.008)	0.960** (0.418)	0.048*** (0.005)
Young (age < 35)	-0.071*** (0.005)	0.016*** (0.002)	-0.082*** (0.005)	0.083*** (0.003)	-1.091*** (0.184)	0.017*** (0.002)
South*Young	-0.038 (0.062)	-0.002 (0.021)	0.081 (0.052)	0.001 (0.036)	1.243 (1.684)	0.030 (0.025)
East*Young	0.119*** (0.041)	-0.036*** (0.014)	0.025 (0.035)	-0.024 (0.026)	2.038 (1.505)	0.002 (0.018)
Intra-EU*Young	0.145*** (0.039)	0.001 (0.019)	0.020 (0.032)	-0.069*** (0.023)	1.389 (1.187)	0.016 (0.014)
Non-EU*Young	-0.006 (0.020)	-0.018*** (0.007)	-0.004 (0.019)	-0.013 (0.012)	-0.683 (0.715)	-0.026*** (0.009)
Female	-0.138*** (0.004)	-0.006*** (0.002)	-0.073*** (0.003)	0.018*** (0.003)	-9.501*** (0.128)	-0.019*** (0.002)
Household size	-0.055*** (0.003)	-0.003*** (0.001)	-0.001 (0.003)	0.018*** (0.002)	-0.778*** (0.137)	0.004*** (0.001)

(continued)

Table 13.5 Continued

	Employment	Unemployment	Self-employment	Temporary contract	Hours (weekly)	Overqualified
	(1)	(2)	(3)	(4)	(5)	(6)
Education (years)	0.028*** (0.001)	-0.003*** (0.000)	0.002*** (0.000)	-0.001** (0.000)	0.284*** (0.018)	0.031*** (0.001)
Married	0.056*** (0.005)	-0.035*** (0.002)	0.009** (0.004)	-0.049*** (0.003)	-0.008 (0.151)	-0.011*** (0.002)
No. of children	0.103*** (0.003)	0.005*** (0.001)	0.004 (0.003)	-0.020*** (0.002)	0.229 (0.152)	-0.003** (0.002)
Living in urban area	-0.020*** (0.004)	0.003 (0.002)	-0.004 (0.004)	0.000 (0.003)	-0.650*** (0.139)	-0.010*** (0.002)
Individual controls	Yes	Yes	Yes	Yes	Yes	Yes
Year effects	Yes	Yes	Yes	Yes	Yes	Yes
Country-fixed effects	Yes	Yes	Yes	Yes	Yes	Yes
Pseudo R ²	0.099	0.048	0.057	0.099	0.149	0.408
No. of observations	139,641	139,641	91,960	91,960	89,445	91,670

Notes: See notes to Table 13.4.

Source: ESS (2002–2015).

Table 13.6 Labor market performance differences between native-born youth and young Southern/Eastern migrants

	Young Southern European migrants vs. young native-born	Young Eastern European migrants vs. young native-born
Employment	+	+
Unemployment	+	+
Self-employment	+**	+
Temporary contract	+*	+
Hours of work (weekly)	+	+**
Overqualified	+	+***

Notes: The table displays post-estimation *t*-test results of linear combinations of origin interacted with youth dummies. A plus sign indicates that the respective migrant group has a higher value of the outcome variable compared to native-born. Asterisks indicate the significance level of the *t*-tests based on conventional notation. No asterisk means nonsignificance of the tested coefficients. Only recent migrants who arrived in the destination countries within the previous 10 years are included in the analysis.

**p* < .10.

***p* < .05.

****p* < .01.

Source: ESS (2002–2015).

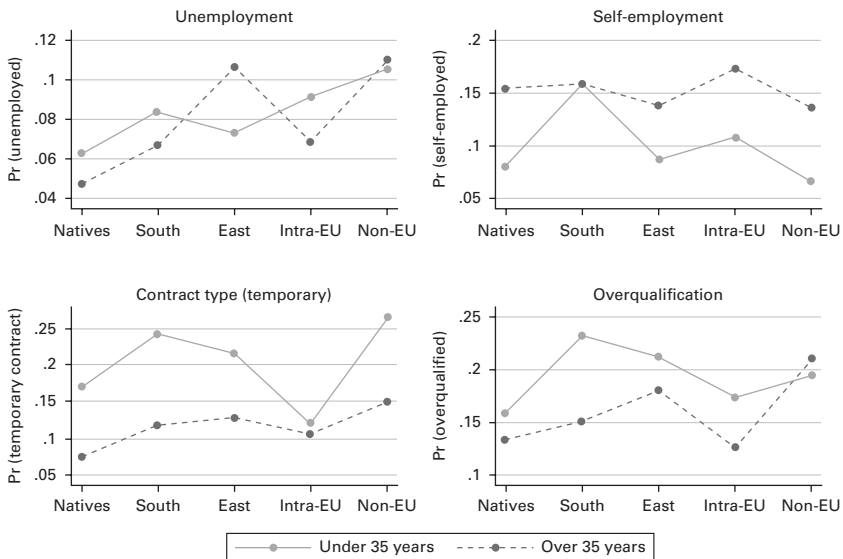


Figure 13.2 Predicted labor market outcomes by origins and age groups.

Source: ESS (2002–2015).

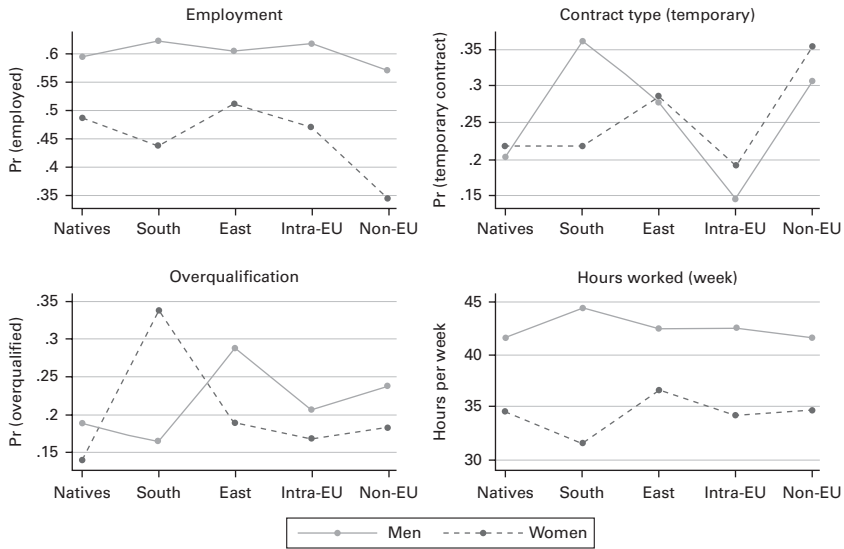


Figure 13.3 Predicted gender gaps in labor market outcomes by origin of youth.
 Source: ESS (2002–2015).

younger than age 35 years. We display the predicted gender gaps among young people and by origin in selected labor market outcomes (see Figure 13.3)

In Table 13.5, the single coefficients of the origin dummies for Southern and Eastern Europe give the average effect for these groups without distinguishing the age group, whereas the interacted terms with the youth dummy give the effects for young individuals from these regions. Therefore, to obtain the overall effect of being young and being of a particular origin on the outcome variable, we need to add these coefficients together. Before assessing the overall effects, a quick glance at the estimated coefficients suggests that compared to older individuals, young individuals are less likely to be employed or self-employed, are more likely to be unemployed or have temporary job contracts, and are more likely to be overqualified for their occupations.

In order to determine whether the joint effect of being young and from a particular migratory origin on labor market outcome is statistically significant, we run post-estimation significance tests of linear combinations of the coefficients of the youth and respective origin dummies from Table 13.5. Table 13.6 summarizes these post-estimation test results for young Southern and Eastern European migrants by taking native-born young people as the reference group.¹⁴

The results show that young Southern and Eastern Europeans are not significantly more likely than young native peers to be employed or unemployed. However, young Southern Europeans are more likely than young native peers to be self-employed (which is not a general result for Southern migrants of all ages, as seen in Table 13.4). Finally, the results suggest that young migrants from

both Eastern and Southern Europe are more likely than young native peers to be overqualified for their occupations, where the gap compared to native peers is statistically significant for Eastern Europeans, in particular.

To further illustrate these results visually, Figure 13.2 shows the predicted probabilities of selected labor market indicators—such as unemployment, self-employment, contract type, and overqualification—across origins for two age bands (cut-off age is 35 years). The graphs in Figure 13.2 are based on the estimated probit models with the full set of controls, and each point in the figure gives the marginal effect of a particular age group on the predicted outcome for a given origin. The top left panel shows that unemployment is generally higher for all young groups of different origins except for Eastern Europe and that the overall predicted unemployment is highest among non-EU migrants. Regarding self-employment, young individuals of all origins have lower predicted self-employment compared to older individuals. Among young people, Southern Europeans have the highest level of self-employment. Similar to self-employment, young individuals of all origins are more likely than older individuals to have a temporary contract, but among the youth of different origins, there is quite a bit of heterogeneity in predicted outcomes. For example, young migrants from non-EU countries and Southern Europe have higher predicted values for having a temporary contract compared to young intra-EU migrants and native-born workers. Finally, younger individuals are generally more likely to be overqualified across all groups, except for non-EU migrants. However, as the post-estimation test from Table 13.4 suggested, the difference is significant mainly for Eastern Europeans.

Finally, we examine the gender gaps among individuals of different origins and aged 35 years or younger for selected labor market outcomes, such as employment, contract type, overqualification, and hours worked per week. We choose the labor market outcomes for which we observed significant (unconditional) gender differences, as reported previously (see Table 13.3). Figure 13.3 is based on the estimation of predicted probabilities for these selected outcomes after including all control variables as before. We see that there is an important gender gap in favor of men in employment and hours worked per week and that this pattern holds for all migrant groups considered. As observed previously for other outcomes, there are also variations in the outcomes among the migrant origins. For example, young women of non-EU origins have the lowest employment and hours worked per week compared to young women of other origins and compared to young men in general. Concerning contract type, we observe that the previous gender-gap patterns are somewhat broken but that they still seem to exist. For example, young migrant men from Southern Europe have a higher probability of having a temporary job compared to their female counterparts of the same origin, whereas the predicted probability of being on a temporary job contract is almost the same for young native-born individuals and for Eastern European

male and female migrants. Regarding the gender gap in the overqualification outcome, it seems that there is again a slight gender pattern, although this time it is more in favor of women, whereby young men of most origins, including native-born men (except for Southern Europe), are more likely than young women to be overqualified for the jobs they hold.

13.5. DISCUSSION

Overall, regarding the main groups of interest in the destination countries analyzed, the results from baseline estimations show clearly that migrants from Eastern Europe and non-EU countries (as well as from Southern Europe, to a lesser extent) display important differences in certain labor outcomes, such as employment, unemployment, and overqualification for the occupation held, even after taking into account differences in their socioeconomic characteristics. This comes as a surprise given the strong educational and socioeconomic background of some migrants. At the same time, examining the fit of the models in different columns, we observe that the performance of the model estimation varies across outcomes of interest, whereby the fit of the models for employment, hours worked, and overqualification is better than for the rest.

The finding of a relatively worse labor market performance of migrants compared to native peers is not very new in the literature (Chiswick 1978; Adsera and Chiswick 2007; Jean et al. 2007; Akgüç and Ferrer 2015). Chiswick asserts that the earnings gap between native-born individuals and immigrants in the labor markets narrows the longer the migrant stays in the destination country and that this assimilation period can last for a relatively long time (10–15 years). The fact that we focus our analysis only on recent migrants could partially explain these nativity gaps because it might take a longer time for recent migrants to accumulate country-specific skills. Other reasons behind the persisting gaps between various populations in European destination labor markets could be related to factors not accounted for here, such as individual unobserved heterogeneity, language proficiency gaps, and so on. A further explanation for labor market outcome gaps between native-born individuals and migrants could be related to differential labor market treatment in the form of discrimination.

Regarding the main results with youth interactions, we find that youth generally have worse outcomes in employment, unemployment, contract type, and education–occupation match compared to older cohorts but that these differences are not always significant. This is in line with the findings from the literature pointing to various transitional challenges faced by youth in general (Brzinsky-Fay 2007). Moreover, this differential performance varies by the origin of the young individuals. Our results also suggest that Eastern and Southern

migrants are more likely than native-born people to be overqualified and that the overqualification of Eastern Europeans seems to be mainly found among young migrants. These findings, again, could be associated with the theses that there is imperfect international skills transferability across countries (Chiswick 2009) or that these young migrants need more time to fully assimilate and accumulate skills that are specific to the destination country so that they can catch up with the native-born individuals (Chiswick 1978). Moreover, we note that because the estimated models are based on pooled data from a number of relatively heterogeneous destination countries with different labor market institutions, welfare systems, and compositions of migrant populations, it is impossible to pin down the exact mechanism explaining why the migrant–native gaps persist in the labor markets.

Regarding the gender dimension in labor market integration among youth migrants, our findings highlight the fact that the gender gaps seem to generally exist among young individuals regarding certain labor outcomes such as employment and hours worked, although some differential patterns are also observed in contract type and occupational mismatch. Moreover, the predicted outcomes also vary by different migratory origins. In summary, various factors—such as different labor market institutions in terms of their flexibility for work–life balance, differences in childcare access, as well as different cultural attitudes toward labor market participation among various migrant groups—could be behind these gender gaps. A comprehensive understanding of the causal mechanisms behind these differences is beyond the scope of this chapter; however, we highlight these gender differences among youth migrants by controlling for various sociodemographic and ethnic backgrounds and by exploiting the variation across countries and time.

13.6. CONCLUSIONS

Using a microeconomic framework, this chapter examined the labor market integration of recent migrant populations vis-à-vis native-born individuals, with a focus on youth in major European countries that have received important inflows in recent decades. Although the quantitative analysis is carried out including all migratory origins, particular attention is paid to migrants from Southern and Eastern Europe, given that these two regions have been the largest source of young migrants within Europe especially during the past decade. In this vein, examining the recent migration flows from within Europe, Akgüç and Beblavý (2015) point to a shift from Southern Europe to Eastern Europe as an important region of origin. The stock figures suggest, however, that Southern European migrant stocks are still larger than those of Eastern Europeans across many destinations in Europe, such as France, Germany, and the United Kingdom.

This chapter focused on youth migrant integration and investigated outcomes following migration because—based on several theories outlined previously—(1) migration is an essential part of a strategic transition in an individual's life and (2) youth is a particular group with possibly different migration behavior and human capital endowment compared to the rest of the population. With this aim in mind, the microeconomic analysis using individual-level data from the ESS across 15 European countries specifically examined how young migrants differ from older migrants and from native peers, and especially whether young migrants from Southern and Eastern Europe have different labor market outcomes compared to young migrants from the rest of Europe and from outside the EU. The chapter treated migrants as a heterogeneous group and distinguished ethnic origins via broader country clusters. The descriptive analysis highlighted that recent migrants (who arrived within the past 10 years) are, on average, much younger than the native-born population. The findings from the micro-level analysis suggest that migrants from Eastern and Southern Europe show important differences compared to native-born people regarding certain outcomes, such as employment, unemployment, contract type, and overqualification, even after taking into account differences in socioeconomic characteristics such as education, gender, age, and country-fixed and year effects. Furthermore, young migrants from both Eastern and Southern Europe are more likely to be overqualified compared to young native-born workers. These findings imply that individual characteristics explain only part of the differential performance of migrants in the destination-country labor markets. Moreover, we also find important gender gaps in favor of men in employment and hours worked per week and that this pattern holds for all migrant groups considered (and very significantly so for non-EU migrants).

There could be various reasons for the unexplained gaps between different young migrant groups and native peers, such as differential treatment of these groups in destination countries. Regarding the vulnerabilities faced by—especially female—migrants in the labor markets, there is also the issue of their selection into the labor force (and employment), which could lie behind the discrepancies compared to the performance of native-born workers. However, dealing with selection issues, in general, is outside the scope of this chapter and has been left for future research. Last, we note that given the pooled nature of the cross-country data, we can expect different outcomes and findings if the analysis is carried out on a single country; nevertheless, these findings on differential outcomes for migrants in destination-country labor markets call for further research on the underlying channels leading to native-migrant gaps. In this vein, panel data would prove very useful in controlling for unobserved individual heterogeneity.

To tackle issues of persisting native-migrant gaps in labor market performance, policies could be geared toward further integration and nondiscriminatory treatment of foreign-born residents in the destination labor markets. Employers

could adopt anonymous job applications to avoid discriminatory hiring based on ethnicity. On the education–occupation mismatch issue, better screening and more transparent evaluation schemes could be developed to compare and recognize the degrees, qualifications, and skills possessed by the migrants so that their skills and competences could be put to better use in destination countries. Similarly, mechanisms that facilitate international skill transferability and on-the-job training possibilities could be offered to (young) migrants so as to avoid skill mismatches in occupations. Regarding the persisting gender gap found among migrants, especially in outcomes such as employment and hours worked, policymakers could take a targeted approach, whereby they inform migrant women about existing facilities, such as family-friendly work schedules and access to childcare, depending on the destination-country context and labor market flexibilities.

NOTES

- 1 We thank Silvana Weiss, Paweł Kaczmarczyk, and the editors of this volume—Jacqueline O’Reilly, Janine Leschke, Renate Ortlieb, Martin Seeleib-Kaiser, and Paola Villa—for valuable comments and feedback.
- 2 We are not able to analyze wages because the data we used contain no information on this point.
- 3 Except for countries such as Ireland, Sweden, and the United Kingdom, which opened their labor markets immediately to migrants from the new member states.
- 4 See <http://ec.europa.eu/social> for more information regarding the year when free access to the receiving-country labor markets in the old member states was given to citizens of new member states.
- 5 We acknowledge the existence of further heterogeneities among migrants within country-of-origin clusters; however, this compromise is offset by the possibility of getting an overall effect for these broader groups of origin, which still have certain sociodemographic characteristics in common. We leave the more detailed analysis of the peculiarities of migration experiences by specific origins to future research.
- 6 In this construction, non-EU also includes Switzerland and Norway; however, given the relatively low emigration rates from these countries compared to the rest of the non-EU, the data are not significantly affected by this inclusion. Moreover, the results are also not sensitive to including these two countries in the intra-EU cluster.
- 7 We also estimated models with indicators for underqualification and correct matches; the results are not reported here but are available from the authors upon request.

- 8 There may be other ways to define overqualification that take into account migrant niches in certain occupations, where migrants might be overrepresented (see Kacmarczyk and Tyrowicz 2015).
- 9 We also ran the analysis dropping the first round of the survey (hence, years 2002 and 2003) so as to account for the first year of the enlargement period, but the results remained substantially the same. Therefore, we decided to use all the survey rounds.
- 10 As a robustness check, we estimated the mismatch variables using a multinomial logit specification; the results (available upon request) remain qualitatively unchanged compared to binary probit estimations.
- 11 Of course, there could also be network effects, in which the existing migrant networks in urban areas attract further migrants.
- 12 Note that we do not observe the same individuals over their exact life cycle in the ESS data set; rather, we observe different cohorts of representative individuals at various cycles in their lives.
- 13 We also ran models without native-born individuals and included controls for years since migration, but the results did not change substantially; thus, we present the findings with the full set of population groups.
- 14 We note that the comparison of young migrants to older native-born individuals would be a different exercise, which we also performed but have not reported here (available upon request). We also note that these results are based on pooled country estimations and hence might show different patterns if applied to and tested in separate country studies.

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APPENDIX

Table A13.1 European Social Survey (2002–2015)

Country	ESS Round							Total sample
	1	2	3	4	5	6	7	
Austria	✓	✓	✓	o	o	o	✓	7,322
Belgium	✓	✓	✓	✓	✓	✓	✓	10,266
Denmark	✓	✓	✓	✓	✓	✓	✓	8,729
Finland	✓	✓	✓	✓	✓	✓	✓	11,314
France	✓	✓	✓	✓	✓	✓	✓	10,209
Germany	✓	✓	✓	✓	✓	✓	✓	16,294
Ireland	✓	✓	✓	✓	✓	✓	✓	12,435
Italy	✓	✓	o	o	o	✓	✓	2,993
Luxembourg	✓	✓	o	o	o	o	o	2,712
Netherlands	✓	✓	✓	✓	✓	✓	✓	10,678
Norway	✓	✓	✓	✓	✓	✓	✓	9,868
Spain	✓	✓	✓	✓	✓	✓	✓	10,823
Sweden	✓	✓	✓	✓	✓	✓	✓	10,200
Switzerland	✓	✓	✓	✓	✓	✓	✓	9,890
United Kingdom	✓	✓	✓	✓	✓	✓	✓	11,831
Total sample	23,827	23,742	20,901	19,228	18,498	19,774	19,594	145,564

Note: A checkmark indicates that the country was included in the survey round.

Source: ESS (2002–2015; rounds 1–7).

14

EUROPE'S PROMISE FOR JOBS?

LABOR MARKET INTEGRATION OF YOUNG EUROPEAN UNION
MIGRANT CITIZENS IN GERMANY AND THE UNITED KINGDOM

**Thees F. Spreckelsen, Janine Leschke,
and Martin Seeleib-Kaiser**

14.1. INTRODUCTION

Migrant youth are faced with the double disadvantage of labor market entry and problems associated with assimilation and discrimination in the broad context of migrant life courses (Kogan et al. 2011, 75). In the words of Hooijer and Picot (2015, p. 5), “Migrants are by definition labour market entrants” (see also Kogan 2006). Although there is some literature on barriers to labor market integration for recent immigrants in general (Kogan 2006; Andrews, Clark, and Whittaker 2007; Clark and Lindley 2009; Demireva 2011; Altorjai 2013), little country-comparative evidence is available on the working conditions of recent *young* EU migrant workers. Also, to date, only a few studies have explicitly compared migrant citizens from different European Union (EU) countries of origin with regard to their labor market outcomes (Akgüç and Beblavý 2015; Höhne and Schulze Buschoff 2015; Recchi 2015) while simultaneously taking into account the different institutional contexts in the countries of destination.

Against this backdrop, this chapter focuses on the quantitative and qualitative labor market integration of recent young *EU migrant citizens*¹ from Central and Eastern Europe (CEE, EU8),² Romania and Bulgaria (EU2), and Southern European countries (South-EU),³ who are living in Germany and the United Kingdom.⁴ To contextualize our analysis, results are also presented for

the old EU member states (EU-Rest)⁵ and for third-country nationals (TCNs). Quantitative labor market integration is captured by examining the levels of employment of each group compared to nationals. Qualitative labor market integration is captured by comparing income, forms of nonstandard employment, and particularly marginal, fixed-term, and (solo) self-employment, as well as skills/qualification mismatch of each group against nationals. Germany and the United Kingdom were selected as destinations because these two countries not only have very different labor markets and welfare regimes but also are major destination countries for intra-EU migration (Galgóczi and Leschke 2015). A comparison between the two countries is of special interest given that intra-EU migration—in contrast to the openness of the British labor market in the past—was one of the key issues in the debate leading up to the 2016 Brexit referendum in the United Kingdom, whereas major European politicians, such as the German chancellor Angela Merkel, are outspoken advocates of freedom of movement.

On the basis of the quantitative and qualitative labor market indicators outlined previously, this chapter addresses the following research questions: How well are recent young migrants integrated in the labor market relative to their peers in the respective destination countries? Does the degree of labor market integration reflect structural differences between the regions of origin (in particular, CEE and Southern European countries) and macroeconomic changes caused by the economic crisis after 2008? Is there evidence that quantitative and qualitative labor market integration of recent young EU migrants varies across welfare regimes?

The novelty of our research is its comparative perspective at the level of both country group of origin and destination countries. The analyses describe the situation in both Germany and the United Kingdom using—for the most part—proportions and means across the different migration groups. Furthermore, in line with the public debates reflecting on “migrants” as a holistic group, characteristics such as skill levels are not controlled for, nor are young EU citizens’ undoubtedly various motives for migrating (Verwiebe, Wiesböck, and Teitzer 2014) taken into account. Thus, this chapter investigates the aggregate differences between young nationals and the recent EU migrant population in Germany and the United Kingdom, with a focus on the precrisis and postcrisis periods, in order to provide an assessment of their situation.⁶

The following section briefly presents the economic and welfare-state context of the two receiving countries in order to formulate expectations with regard to the labor market integration of EU citizens. Section 14.3 presents the data, definitions, and measures. Section 14.4 contains the empirical results, focusing on forms of nonstandard employment, skills/qualification mismatches, and income. Finally, the discussion draws out commonalities and differences in relation to the region of origin and receiving countries.

14.2. ECONOMIC AND WELFARE-STATE CONTEXTS

Young migrants face the same risks and challenges with regard to labor market integration as all young people, as well as those difficulties that are specific to migrants. Labor market “outsiderness”—inactivity, unemployment, low income, and low employment protection—is increasingly problematic for young people across Europe (Seeleib-Kaiser and Spreckelsen 2018), leading to a “new generation with higher exposure to systematic labor market risks” (Chung, Bekker, and Houwing 2012, 301). Youth vulnerability to labor market outsiderness is due in part to limited work experience, which impacts on the transition from education to employment (Brzinsky-Fay 2007; Schmelzer 2008). Early career insecurity is exacerbated by a prevalence of fixed-term contracts and “last-in, first-out” principles. In addition, the dualization literature (Emmenegger et al. 2012) has highlighted the risk of migrants becoming labor market outsiders who are exposed to (insecure) precarious employment and low wages (Standing 2009).

Access to the labor market by EU migrant citizens from EU8 countries has differed significantly between Germany and the United Kingdom. Whereas EU8 migrant citizens had more or less immediate access to the UK labor market after the accession of the CEE countries in 2004, Germany applied strict transition rules until 2011 (Fihel et al. 2015). Prior to the 2008–2009 economic crisis, and after 2012, the United Kingdom had strong economic pull factors for EU migrants—low unemployment, overall good economic performance, and a liberal regulatory regime coupled with language advantages. By contrast, weak economic growth and comparatively high unemployment rates made Germany less attractive up until the economic crisis. Nevertheless, long-term traditions of migration from CEE countries, including particular inflows for seasonal labor, the existence of migration networks, and geographic proximity, played important roles in attracting EU migrant workers to Germany (for details, see Kogan 2011). EU2 migrants were restricted from entering the German and the UK labor markets as employees for the maximum possible transition period of 7 years following the 2007 EU enlargement.

As a result of the asymmetric economic development within the EU after 2008, the growing German economy became much more attractive for intra-EU labor migrants, whereas the crisis had a dampening effect on the UK labor market. Given rising unemployment and a shift in migration policies (transitional measures for workers from Romania and Bulgaria and changes in benefit entitlements), the United Kingdom became comparatively less attractive during the crisis period (Tilly 2011). Hence, the labor market integration of migrants in Germany is likely to have improved over time, whereas an inverse trend might be visible in the United Kingdom. The impact of transition measures is expected to be visible in particular with regard to the share of (solo) self-employed migrant citizens in the economy because the freedom of establishment can be used to

“circumvent” employment restrictions (for more details on self-employment, see Ortlieb, Sheehan, and Masso, this volume).

Quantitative labor market integration of (young) EU migrant citizens might be easier in the United Kingdom than in Germany given the two countries’ different school-to-work transition regimes (Walther and Pohl 2005; Hadjivassiliou et al., this volume) and, in particular, the prevalence of general skills in the United Kingdom. Strongly institutionalized vocational education systems and a relatively strong reliance on specific skills, as found in Germany (Hall and Soskice 2001), can represent an entry barrier to migrant employment and might thus potentially also lead to more segmentation between nationals and migrants in qualitative labor market outcomes. Irrespective of institutional labor market and welfare-state differences (Esping-Andersen 1990; Hall and Soskice 2001; Hall 2007), both Germany and the United Kingdom have highly segmented labor markets, as evidenced in the low-wage sectors. Similarly, both countries have institutionalized job categories at the outer fringes of the labor market: “minijobs” in Germany and “zero-hours contracts” in the United Kingdom. In addition, trade union density has been declining substantially during recent decades in both countries. The German labor market is also segmented with regard to job security, partly as a result of strict employment protection for insiders, which differs significantly from the relatively low overall level of employment protection in the United Kingdom (Organization for Economic Co-operation and Development (OECD) 2013).

Empirical research by Fleischmann and Dronkers (2010) suggests that country-of-origin effects can be more significant for labor market integration than the nature and characteristics of the destination labor market. There are several reasons for potential differences in labor market integration by country or region of origin. Wage differentials between country of origin and destination country and differences in reservation wages might be a result of much lower (exportable) unemployment benefits. As Bruzelius, Reinprecht, and Seeleib-Kaiser (2016) have shown, the exportable weekly unemployment benefit of an ideal-typical unemployed Romanian worker moving to another EU member state is approximately €27/\$32, compared to the benefit of €228/\$267 for an unemployed German worker. Low exportable benefits are likely to expose migrants from CEE countries and Southern Europe to precarious work. Compared to migrants from EU-Rest countries, they might thus also be more likely to take up jobs below their skill levels or that do not reflect their formal qualifications, leading to qualification and skill mismatches (McGuinness, Bergin, and Whelan, this volume). This problem will be even more pronounced for youth migrants, given that young people typically are less often eligible for unemployment benefits compared to adults because of insufficient contribution records (Leschke and Finn, this volume).

Overall, our expectation is to find a clear stratification of labor market integration by EU migrant citizens’ region of origin as a result of differences in

reservation wages and variations in the application of transition measures. We expect to find less labor market integration overall and more segmentation compared to nationals in Germany than in the United Kingdom. This would reflect the stronger reliance of the German labor market on specific compared to general skills and the recent precarization and dualization trends (Lehndorff 2015), which indeed are also found in the United Kingdom (Leschke and Keune 2008). We expect

- a segmentation of labor market integration by region of origin in terms of employment (quantitative integration), income, and quality of jobs (qualitative integration), with potentially more segmentation in Germany;
- higher rates of solo self-employment of EU8 and EU2 migrants in Germany and of EU2 migrants in the United Kingdom as a result of institutional and transition arrangements; and
- improving quantitative and qualitative labor market integration of EU youth migrants over time in Germany, with an inverse trend in the United Kingdom because of economic developments.

14.3. DATA, DEFINITIONS, AND MEASURES

In our analysis, we define youth as *young people* aged 20–34 years. As a consequence of data restrictions, migrants are identified slightly differently between the United Kingdom and Germany.⁷ This chapter studies recent migrants, specifically those who arrived in the respective receiving country within the previous 5 years (Rienzo 2013). The region-of-origin effects regarding EU migrant citizens are best studied among those who have arrived recently because after 5 years of residence, EU migrant citizens have the same social rights as nationals, irrespective of their economic activity or economic status. Moreover, more established migrants might have already caught up with or assimilated with their national peers.

The analyses utilized the German Microcensus⁸ and the UK Quarterly Labour Force Survey (UK-LFS),⁹ both of which are the national inputs to the European Labour Force Survey (EU-LFS), rendering them relatively comparable in terms of sampling and indicators. However, the UK-LFS has been known to underestimate migrant populations (Martí and Ródenas 2007; Longhi and Rokicka 2012). The same is likely to be true for the German Microcensus because the questionnaire is only available in German (with translation assistance into English for the interviewers).¹⁰ Because of the sampling design, both data sets largely exclude short-term migrants (e.g., seasonal workers) and cross-border or posted workers. Furthermore, the numbers for youth migrant workers are comparatively small,

particularly when broken down by region of origin. Consequently, the data were pooled across waves to increase estimation samples and reliability. The results are provided with confidence intervals reflecting often small case numbers.¹¹

The chapter combines data for 2004–2009 and 2010–2014 for the United Kingdom and for 2005–2008 and 2009–2012 for Germany so as to assess differences between the precrisis and crisis periods. Proportions and means were estimated for national youth and EU migrant citizen youth using the standard weights from the Microcensus and the UK-LFS. These account for nonresponse and adjust for demographic factors, namely age, nationality, and gender.

Table 14.1 summarizes the dimensions of labor market integration and their corresponding indicators in the German and UK data. Comparable measures and international standard classifications were used. Thus, employment is operationalized according to the International Labour Organization convention.¹²

Table 14.1 Measuring dimensions of labor market integration

	Germany	United Kingdom
Quantitative integration		
Employment, unemployment, inactivity	ILO	ILO
Qualitative integration		
Marginal employment	Minijobs (earnings < €400/approx. \$470)	Gross hourly wages at or below the national minimum wage according to age group ^a
Fixed-term employment	Employees only	Employees only
(Solo) self-employment	Self-employed without employees	Self-employed without employees
Skill/qualification mismatch	Mean ISEI ^b score for skill level (low, medium, and high; ISCED ^c)	Mean ISEI score by origin of education (school, work-related, and university)
Income	Net hourly income (broad: including social benefits) adjusted for inflation (CPI)—only persons whose main source of income is employment	Net hourly income (pay) ^d adjusted for inflation (CPI)

^aUK minimum wage limits differed over time: prior to 2010, the minimum wage increased at age 18 years and at age 22 years; subsequent to 2010, the age thresholds were 18 and 21 years, with a lower minimum for apprentices (GOV.UK 2016b).

^bInternational Socio-Economic Index of Occupational Status (ISEI; Ganzeboom and Treiman 2003), calculated using syntax from the GESIS Institute (<http://193.175.238.45/missy-qa/de/materials/MZ/tools/isei/>); for a critical account of the ISEI measure, see Schimpl-Neimanns (2004).

^cThe International Standard Classification of Education (ISCED) was created using routines available at GESIS (Lechert, Schroedter, and Lüttinger 2006).

^dProportions estimated using a zero-inflated Poisson regression, adjusted for illness/absence in reference week (United Kingdom only).

CPI, consumer price index; ILO, International Labour Organization.

Marginal employment is the key dimension that was conceptualized differently in the two countries. Marginal employment in Germany is characterized by the prevalence and recent increase of so-called “minijobs.” Minijobs pay a maximum monthly wage of €450/\$525 (€400/\$470 until 2013) and are, in principle, exempt from social insurance contributions (Voss and Weinkopf 2012). These low-paying jobs are often topped up with in-work benefits (Bruckmeier et al. 2015)—similar to tax credits in the United Kingdom and United States. They are of particular relevance given the absence of a statutory minimum wage in Germany until 2015. In the United Kingdom, marginal employment was measured as employment at or below the national minimum wage. Temporary employment was operationalized as employees being on fixed-term contracts.

Self-employment can be very heterogeneous, taking place at both the high end and the low end of the labor market (Ortlieb and Weiss 2015), whereby self-employed workers without employees (solo self-employed) have worse labor market outcomes than do self-employed with employees. Self-employed workers in Germany, unlike the United Kingdom, are not obliged to contribute to social insurance. Hence, self-employed workers with comparatively low earnings are likely to have insufficient social insurance coverage (Schulze Buschhoff and Protsch 2008).

Qualification mismatch and skill mismatch were assessed by comparing the average occupational status for a qualification (skill level) among natives against the corresponding status for the same qualification (skill level) among migrants (see Section 14.4.3.2 for an explanation of the distinction between the two types of mismatch). Although this is a fairly standard way of comparing skills–occupation mismatch, such a relative measure has the disadvantage that immigrants may be clustered in specific immigrant occupation niches (Joassart-Marcelli 2014), which could potentially distort the results. In this regard, subjective measures on qualification mismatch would be more appropriate, but they are not available in the context of the research presented here. Income was measured somewhat differently in Germany and the United Kingdom. In both countries, net hourly income is analyzed; however, in Germany this refers to income including social benefits and is only recorded for persons whose main source of income is employment. By contrast, income in the United Kingdom refers to pay from employment only, which in principle will exclude all benefits because even (Working or Child) Tax Credits are paid directly to claimants (GOV.UK 2016a). However, the respective survey question does not explicitly exclude other income. Income is adjusted for inflation using the respective country's consumer price index (Destatis 2016; Office of National Statistics 2015b).

14.4. RESULTS

14.4.1. Demographic Characteristics of Young European Union Migrant Citizens

In Germany and the United Kingdom, EU migrant citizens, especially those from EU8 and EU2 countries, increased as a share of all recent migrants from

pre- to postcrisis (for details, see Leschke et al. 2016). Notably, and despite the economic crisis, we observe no *relative* increase for Southern European migrant citizens in the United Kingdom compared to the precrisis period. A relative increase can be observed for this group for the entire period in Germany, as well as a steep *absolute* increase since the crisis (Destatis 2012).

Recent EU migrant citizens in Germany and the United Kingdom are predominantly young, aged 20–34 years (Table 14.2). In Germany, gender proportions differ considerably across migrant groups, with relatively more female CEE youth and fewer female EU-South and EU-Rest youth. Gender proportions seem similar among youth migrant groups in the United Kingdom, except for fewer females among EU-South youth. Postcrisis, more young migrant citizens are students in Germany (13%–30%) than in the United Kingdom (9%–23%).

14.4.2. Quantitative Labor Market

Integration: Economic Activity

Figure 14.1 records the employment, unemployment, and inactivity levels of young EU migrant citizens. Overall, they are well integrated compared to TCNs, and several groups have improved their status over time. In the United Kingdom, CEE migrants have higher employment rates compared to their native peers, whereas in Germany they have lower employment rates, which, however, have increased from pre- to postcrisis. This result is consistent with a labor demand argument, given the comparatively robust economic growth in Germany, the gradual opening up of the labor market in particular for qualified CEE migrants, and the end of transition measures for CEE nationals in 2011. The different proportions of youth in the respective employment statuses reflect the different shares of students among the migrant groups (e.g., larger proportions of students correspond to higher proportions of inactive youth because the inactive status is defined as including students; see Table 14.2).

14.4.3. Qualitative Labor Market

Integration: Prevalence of Nonstandard Employment

Despite finding (relatively) positive quantitative employment integration levels, particularly in the postcrisis period, the results presented here demonstrate significant shortcomings in the quality of employment. Quality of employment is gauged by the prevalence of nonstandard employment, skills–occupation and qualification–occupation mismatch, and wages. Forms of nonstandard employment are reported separately; however, they tend to overlap and often correlate with low wages (Leschke 2015; on youth labor market outsidership, see Seeleib-Kaiser and Spreckelsen 2018).

Table 14.2 Demographics of recent migrants to Germany and the United Kingdom, precrisis and postcrisis periods

Destination	Region of origin	Youth, % (aged 20–34 years)		Females, % (of youth migrants)		Students, % (of youth migrants)	
		Precrisis	Postcrisis	Precrisis	Postcrisis	Precrisis	Postcrisis
Germany	CEE (EU8)	72.5	65.0	67.4	58.4	18.1	12.8
	Bulgaria/Romania (EU2)	52.4	52.9	66.0	50.2	36.1	19.0
	EU-South	66.9	63.5	46.3	43.0	24.2	29.8
	EU-Rest	67.0	58.2	48.5	45.4	24.2	26.5
	Third country (TCN)	68.7	71.4	53.7	54.7	25.2	28.7
United Kingdom	CEE (EU8)	70.0	60.7	46.2	51.3	12.4	8.6
	Bulgaria/Romania (EU2)	68.7	67.1	50.1	51.1	17.7	14.9
	EU-South	63.3	61.6	53.4	44.0	17.7	14.3
	EU-Rest	53.3	53.2	50.4	55.8	15.9	14.3
	Third country (TCN)	55.9	57.4	49.4	50.3	24.0	23.1

CEE, Central and Eastern Europe; TCN, third-country nationals.

Sources: Pooled German Microcensus (2005–2012) and pooled UK-LFS Survey (2004–2014).

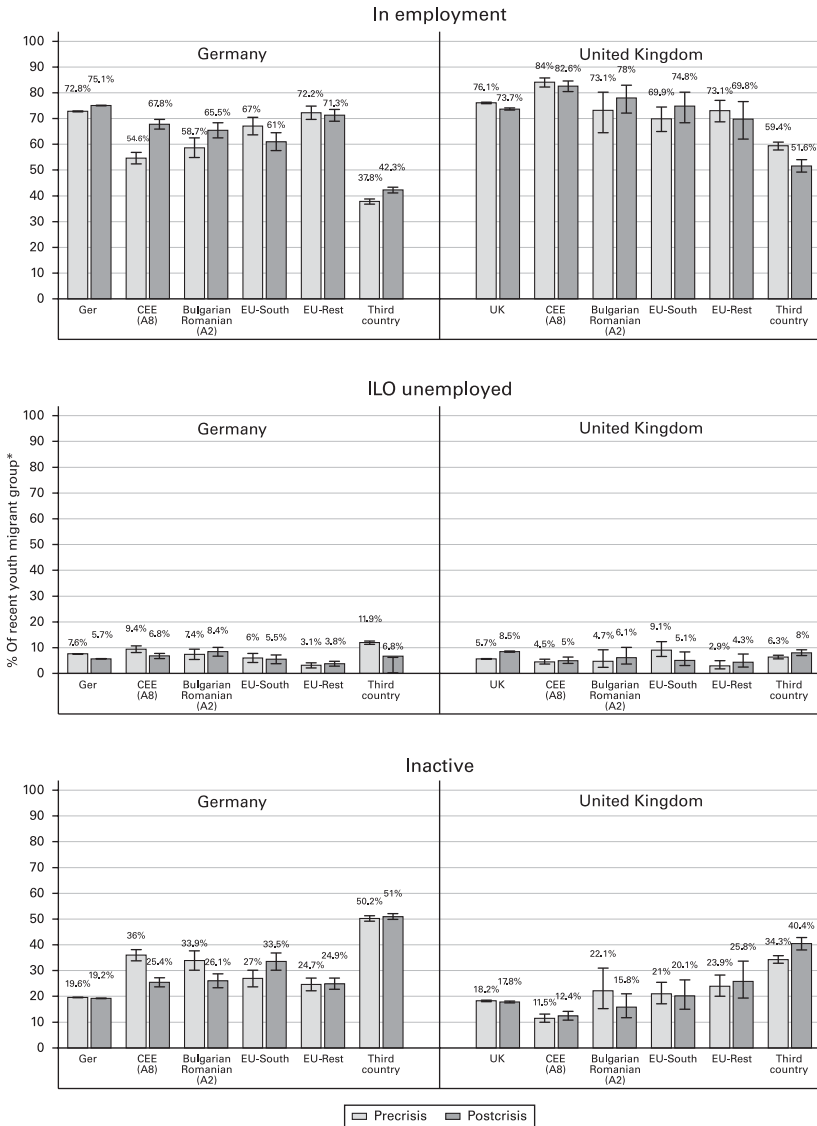


Figure 14.1 Employment status of recent youth migrants compared to nationals (Germany/United Kingdom, precrisis/postcrisis periods). Weighted estimates adjusted for sampling design.

Source: Pooled German Microcensus (2005–2012) and pooled UK-LFS (2004–2014).

14.4.3.1. Nonstandard Employment

In both countries, the results (Figure 14.2) show higher fixed-term employment levels among all migrant groups compared to their native peers, with larger differences in Germany, partially reflecting the weaker overall employment protection in the United Kingdom (OECD 2013). The higher level of fixed-term

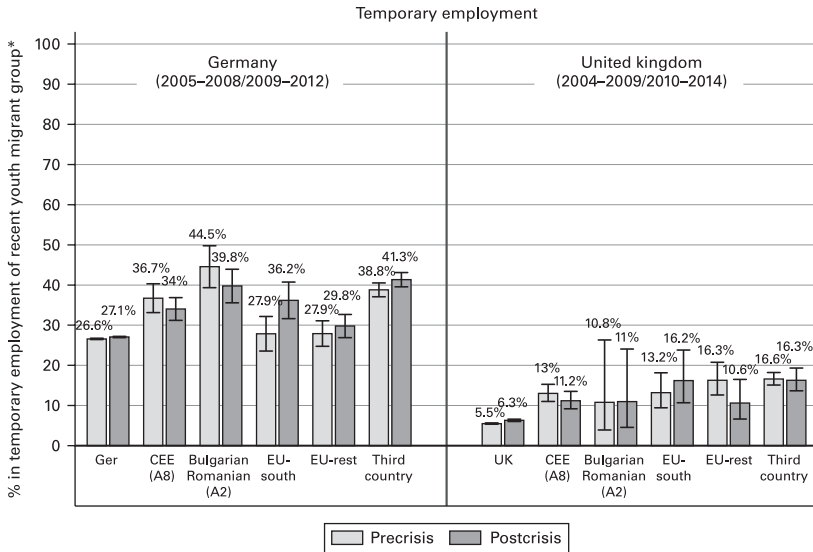


Figure 14.2 Temporary employment of recent youth migrants compared to nationals (Germany/United Kingdom, precrisis/postcrisis periods). Weighted estimates adjusted for sampling design.

Source: Pooled German Microcensus (2005–2012) and pooled UK-LFS (2004–2014).

contracts very likely reflects the labor market entrant status of recent migrants, irrespective of the host country. German nationals (postcrisis) have the longest fixed-term contracts and cite “being in education or training” as the main reason, whereas CEE nationals frequently mention probation periods (Leschke et al. 2016, Table 4a). CEE and EU-South nationals state “not finding a permanent job” as the main reason for *involuntary fixed-term employment*—more than other migrant groups and especially more than Germans (Leschke et al. 2016, Table 4a). Notably, one cannot discern consistent substantial changes in temporary employment from pre- to postcrisis.

The proportions of *solo self-employment* (self-employed without an employee; Figure 14.3) attest strongly to the labor market impact of the post-enlargement transition regimes (Fihel et al. 2015). Restrictions on the freedom of movement of labor applied to EU8 and EU2 migrants in Germany and to EU2 migrants in the United Kingdom. Consequently, EU migrant citizens from these countries were able to use the freedom of establishment to gain access to the labor market on the basis of self-employment (with some sectoral restrictions in place for Germany, including construction and commercial cleaning), which led to higher shares of solo self-employed EU8 and EU2 youth in Germany and to significantly higher solo self-employment among EU2 youth migrant citizens in the United Kingdom. These proportions declined slightly in Germany for EU8 nationals in the postcrisis period when transition measures were phased out.

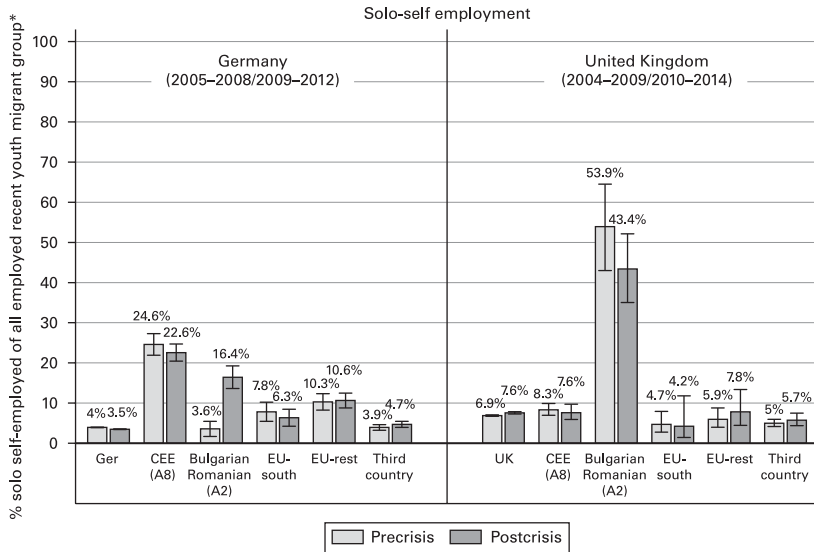


Figure 14.3 Solo self-employment (i.e., self-employed without employees) of recent youth migrants compared to nationals (Germany/United Kingdom, precrisis/postcrisis periods). Weighted estimates adjusted for sampling design.

Source: Pooled German Microcensus (2005–2012) and pooled UK-LFS (2004–2014).

In addition to solo self-employment, it seems pertinent to analyze *marginal employment*. In Germany, youth from EU8, EU2, and Southern European countries have higher shares in minijobs compared to natives. Nationals from the EU-Rest countries have the lowest and TCNs the highest shares in this form of employment (Figure 14.4).¹³

Although the United Kingdom has a lower earnings limit for national insurance contributions, somewhat similar to German minijobs, employment at the national minimum wage constitutes the main form of marginal employment (more than 5% of all jobs).¹⁴ Youth from CEE are more likely to earn a minimum or below-minimum hourly wage compared to their United Kingdom peers. This also holds for EU2 but not for EU-South or EU-Rest youth. If anything, the latter have a lower share working at the minimum wage. Mirroring the German findings, a larger proportion of TCNs compared to nationals earn a minimum hourly wage in the United Kingdom (Figure 14.5).

14.4.3.2. Skill Mismatch and Qualification Mismatch

Several studies highlight a skills–occupation mismatch, particularly among CEE migrant workers in EU15 countries (European Integration Consortium 2009; Bettin 2012; Engels et al. 2012). This mismatch refers to situations in which the occupation a person works in requires a different skill level from what the person has at the present time. The “requirement” should be viewed in relative terms, referring, for example, to the average skill level in an occupation.

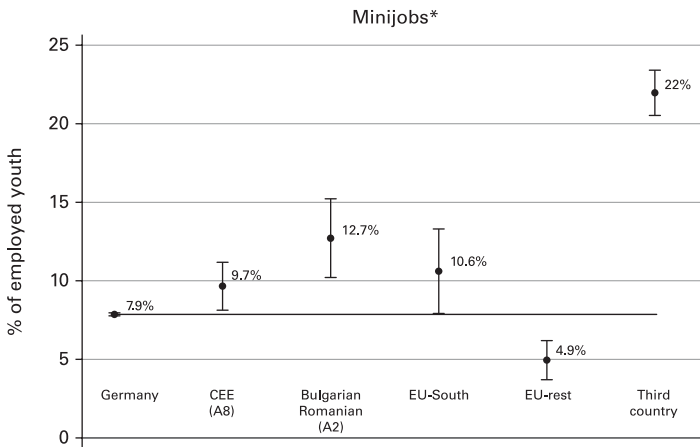


Figure 14.4 Share of minijobs among employed recent youth migrants compared to nationals (Germany, postcrisis period). * Maximum pay <€450/\$525, no social insurance contributions. *Source:* Pooled German Microcensus (2009–2012).

Similarly, a qualification–occupation mismatch refers to the difference between the formal qualification a person holds and the qualification level of the person’s occupation.

The measures of both skill and qualification mismatches are relative here, using the mean occupational status of the native youths in a skills/qualification category as a reference point (their status level is indicated by the horizontal line in each panel of Figures 14.6 and 14.7). Pooled data are presented here combining

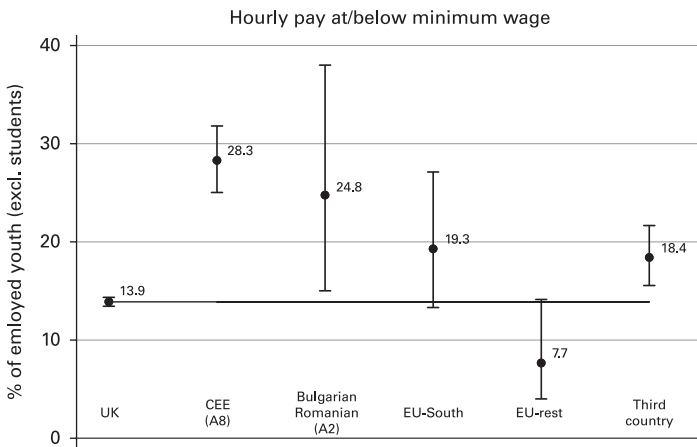


Figure 14.5 Hourly pay at/below the minimum wage for recent youth migrants compared to nationals (United Kingdom, postcrisis period). Estimates based on hourly pay ≤ minimum wage threshold. *Source:* Pooled UK-LFS (2010–2014).

the pre- and postcrisis periods because of the low case numbers resulting from the division of the migrants into three groups according to their skill levels. The following results should be viewed with caution, given the differences between the indicators used (see Table 14.1), namely skills (Germany) and qualifications (United Kingdom). Therefore, the following sections refer correspondingly to skill mismatch and qualification mismatch in order to highlight the limited comparability of the measures.

Recent youth migrants from EU8 and EU2 work consistently in lower status jobs compared to their German peers (Figure 14.6). In the United Kingdom (Figure 14.7), the same holds for EU8 youth migrants (on the low rate of return to education for Polish migrants in the United Kingdom, see Kacmarczyk and Tyrowicz 2015) but not for their Bulgarian and Romanian peers. Consistently, young recent migrants from the Rest-EU find higher status jobs in the same skills bracket as their native peers in both Germany and the United Kingdom.

EU-South migrants with tertiary education seem to achieve on average higher status jobs compared to their native peers in Germany. Those with medium- or low-skilled backgrounds fare consistently worse than their native peers. For the United Kingdom, in contrast, EU-South nationals with tertiary education have comparatively poor occupational outcomes. The same holds true, although with smaller gaps, for those with work-related qualifications.

In Germany, migrant workers with medium skill levels (secondary and post-secondary nontertiary education) might have particular problems applying their skills (Engels et al. 2012), which again might follow from the importance of specific rather than general skills in the German economy.

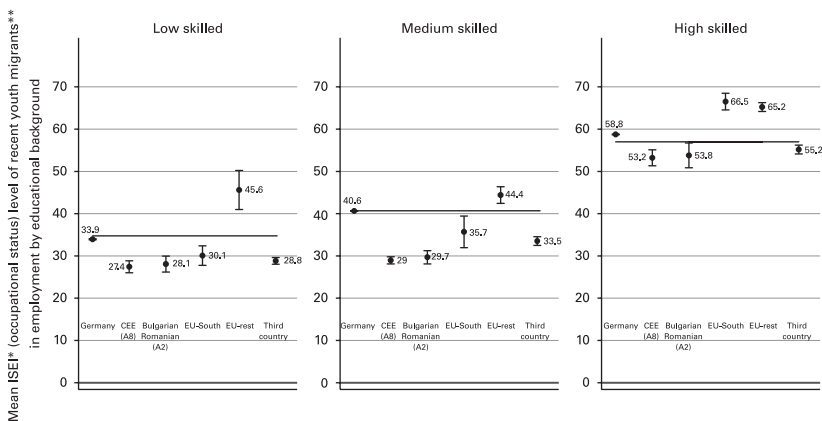


Figure 14.6 Levels of skill mismatch in Germany for recent youth migrants compared to nationals. *Mean ISEI-08 by educational background (**ISCED).

Source: Pooled German Microcensus (2005–2012).

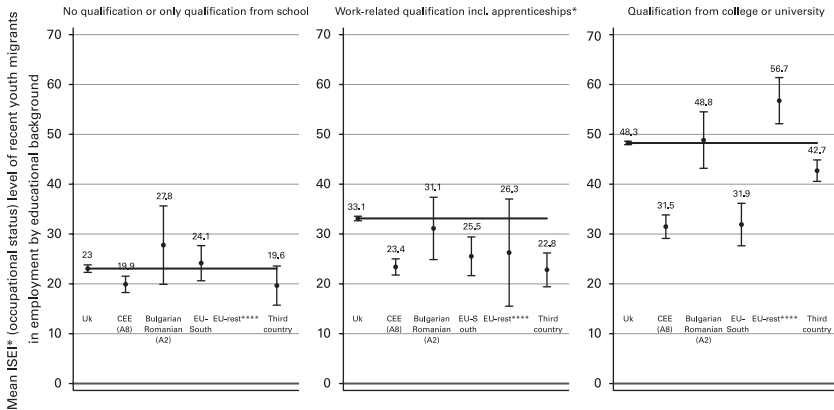


Figure 14.7 Levels of qualification mismatch in the United Kingdom for recent youth migrants compared to nationals. *Mean ISEI-08. Weighted estimates adjusted for sampling design. *Source:* Pooled UK-LFS (2004–2014).

14.4.3.3. Income Differentials

Migrant–native income differentials have long been studied (Andrews et al. 2007) in their own right. The focus here is instead on the comparison between youth migrant groups: Figure 14.8 presents the average hourly income levels of the different groups as a percentage of those of their German/UK peers.

Using the broad Microcensus income measure including social benefits (see Table 14.1), but restricting it to those people who state that their main income derives from work, Germany appears to be comparatively equal in terms of income, with slightly lower net income among EU2 migrants and considerably higher income among EU-South and EU-Rest youth (+11% and +31%, respectively). By contrast, EU8 migrants and, to a lesser extent, EU-South migrants and TCNs report lower income compared to their national peers in the United Kingdom. The experience of lower wages does not apply to migrants from the EU-Rest; both in the United Kingdom and in Germany, these EU migrant citizens do better than their native peers.

14.5. DISCUSSION

14.5.1. Quantitative and Qualitative Labor Market Integration

European Union migrant citizens have generally high employment rates, especially in the United Kingdom. However, EU migrant citizens from CEE countries are more often in precarious employment compared to Southern European and particularly EU-Rest migrants. The latter’s qualitative labor market integration is close to or better than that of nationals. Both countries show by far the worst

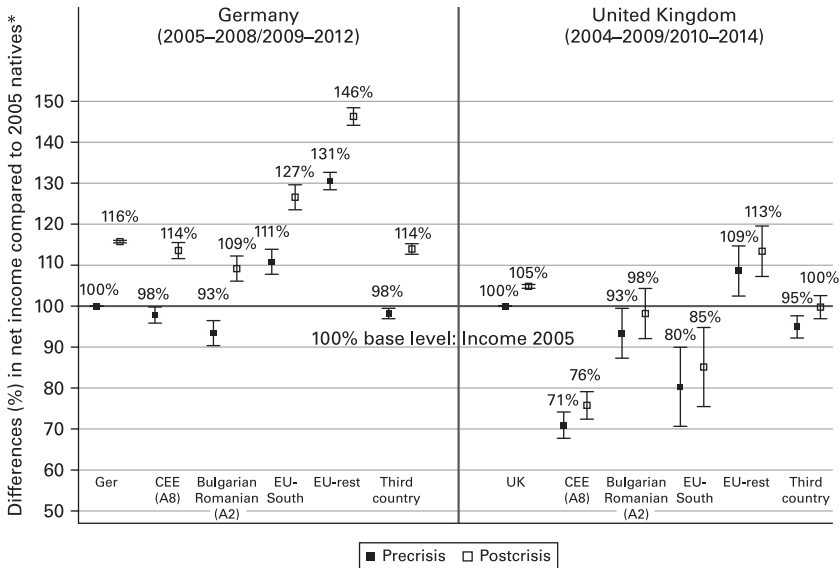


Figure 14.8 Wage-income differentials for recent youth migrants compared to nationals in Germany and the United Kingdom. Estimates: Logarithm of net income adjusted for inflation (GER: Destatis, 2016; UK: CPI base 2005, Source: Office for National Statistics 2015). Source: Net hourly income from German Microcensus (2005–2012); net hourly income from pooled UK-LFS (2004–2014).

outcomes for TCNs on quantitative labor market integration (low employment rates and high inactivity).

These better results for EU migrant citizens might be due to their privileged status compared to that of TCNs, based on the principle of nondiscrimination in relation to nationals. Given free labor mobility, their migration channels differ substantially from those of TCNs, who often come as asylum seekers or under family reunification regulations.

The United Kingdom seems to achieve better quantitative labor market integration of EU migrant citizens (particularly from CEE countries) compared to Germany. This might be explained by the UK economy's orientation toward general rather than specific skills, which facilitates the integration of youth migrants. Furthermore, the improvements in EU migrants' quantitative labor market integration that are visible in Germany during our second observation period are consistent with a labor demand argument, for unemployment significantly declined during this period.

In terms of qualitative labor market integration, the over-representation of migrant workers in nonstandard employment in Germany is not surprising. Given the high degree of dualization of the German labor market, flexibility needs are achieved at the margins—for example, through higher levels of fixed-term employment, solo self-employment (particularly for CEE migrant citizens during the transition period), and minijobs.

The findings on wage income and skill and qualification mismatches—in addition to reflecting issues such as linguistic barriers, transferability of skills, and potential migrant niche effects generated by migrant networks—point to an interesting segmentation of EU migrants according to region of origin. For the United Kingdom, which arguably provides a more clear-cut wage measure than the German data, our analysis points to lower wages for young recent CEE migrants compared to their national peers, higher wages for EU-Rest migrants, and no significant wage differences between nationals and EU-South migrants. EU8 migrants show pronounced skill (Germany) and qualification (United Kingdom) mismatches in their occupations; the results for EU-South migrants are more mixed; and EU-Rest migrants, particularly in Germany, seem to perform better than nationals on this indicator.

These intra-EU differences in qualitative labor market outcomes might partly be explained by destination-country wage differentials and by differences in reservation wages because of much lower (exportable) unemployment benefits (Bruzelius et al. 2016). These potentially render migrant citizens from CEE countries and, to some degree, EU-South migrants more willing than EU-Rest migrants to work under precarious conditions, for low wages, and below their skill/qualification levels. The results for EU2 and EU-South migrants differ between Germany and the United Kingdom, potentially pointing to migrant network effects and the role of general versus specific skills. Crucially, the segmentation of labor market integration outcome seems to reflect structural differences by regions of origin.

The analysis shows that contextual factors, such as transition arrangements, had a clear impact on migration movements, for the share of EU migrant citizens, especially those from CEE countries, increased in both destination countries. In addition, their levels of solo self-employment indicate a response to the previous transition arrangements even though this calls for further analysis taking selectivity into account. The analysis did not identify large relative increases of EU-South migrants, which were quite salient in UK media reporting in the run-up to the Brexit referendum. By contrast, we were able to identify an increasing trend for this group in Germany.

14.5.2. Limitations

The analysis has a number of limitations. First, the pooling of data makes it difficult to identify the effects of the transition periods. The limited panel possibilities of the UK-LFS data mean the labor market outcomes of recent youth migrant workers are only examined in two time periods. Thus, improved labor market integration due to better language skills, acquaintance with working culture norms, and better networks is not accounted for (see Prokic-Breuer and McManus's (2016) notion of “apparent qualification mismatch”).

Sampling biases mean that the data capture “better integrated” recent migrants, who might not fully represent migrants as such. In both countries, the data mainly capture residents, thus under-representing seasonal workers, posted workers, or more recent migrants (see Section 13.3 on methods).

Comparability issues arise from the use of partially harmonized data (e.g., migrant definition, marginal employment, and skill and qualification mismatch with one’s occupation). Most of these reflect data constraints, but also country-specific labor market arrangements (e.g., minijobs). Despite these limitations, the findings are rather consistent across measures and with our theoretical expectations.

14.6. CONCLUSIONS

Despite institutional differences between labor markets and welfare regimes, as well as the different transition regimes, we identified significant similarities in the labor market integration of young EU migrant citizens across Germany and the United Kingdom.

Young EU citizens who recently migrated are well integrated in the respective labor markets (particularly in the United Kingdom), as measured by overall employment rates. However, EU youth migrants’ qualitative labor market integration as measured here by income, marginal, fixed-term, and (solo) self-employment, as well as skills/qualification mismatch, is segmented by their region of origin: EU8 and EU2 citizens often work in precarious and nonstandard employment, youth from Southern Europe take a middle position, and youth from the remaining EU countries do as well or better than their native peers on several indicators. Notably, this segmentation can be observed for these migrant groups without a detailed analysis of demographic characteristics.

A number of broad questions for future research derive from the previously discussed findings. Crucially for labor market and social policy research, does the availability and *exportability of unemployment benefits* influence the segmentation of labor market integration outcomes by region of origin? For example, do these result in observable differences in EU migrant citizens’ reservation wages and support options, which in turn affect their labor market positions in the countries of destination?

Finally, and more generally, the question arises as to whether, at the micro level, EU cross-border labor mobility simply replicates the existing stratification of young people across Europe or whether migration gives young EU citizens an opportunity to improve their relative labor market position compared to their position in the country of origin and their initial position in the country of destination. The corresponding question on the macro EU-wide level is whether, and in what way, young EU citizens’ migration can contribute to an economically and socially ever closer European Union.

NOTES

- 1 Throughout the chapter, we use the term *EU migrant citizen* because our analysis focuses on those EU citizens who have migrated from one member state to another. Working EU migrant citizens have the same rights as nationals and can be differentiated from the category of EU mobile workers (e.g., posted or cross-border workers), for whom different regulations apply; see Bruzelius and Seeleib-Kaiser (2017).
- 2 The EU8 countries acceded the union in May 2004 and are composed of the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.
- 3 Greece, Italy, Portugal, and Spain; Malta and Cyprus.
- 4 Throughout the text, reference is made to the United Kingdom, in line with the main data source, the UK-LFS.
- 5 Austria, Belgium, Denmark, France, Ireland, Luxembourg, Netherlands, Sweden (and, for Germany only, the European Free Trade Association countries), Germany (UK analysis only), and the United Kingdom (German analysis only).
- 6 We particularly thank Silvana Weiss, Franziska Meinck, and Jonas Felbo-Kolding for helpful comments on earlier drafts of this chapter. The chapter also received two reviews from María González Menéndez and Paweł Kaczmarczyk, which were motivating and insightful. Previous versions of the chapter received comments in January 2016 and January 2017 at the STYLE meetings. We further thank Noor Abdul Malik and Magnus Paulsen Hansen for their help with preparing the manuscript and Niamh Warde for her excellent language editing. Finally, we thank Renate Ortlieb for her guidance, support, and patience as section editor and Jackie O'Reilly for getting us all there in the end.
- 7 For the United Kingdom, migrants are defined as having a different country of birth than the United Kingdom, no UK citizenship, and UK residency for between 1 and 5 years. For Germany, migrants are defined as having non-German citizenship and having migrated to Germany within the previous 5 years.
- 8 The Microcensus is a representative sample containing demographic and labor market information from 1% of all households in Germany. All persons who have right of residence in Germany, whether living in private or collective households, or at their main or secondary residence, are sampled and are obliged to participate (Research Data Center of the Federal Statistical Office and Statistical Offices of the Länder).
- 9 The LFS is the largest social survey in the United Kingdom. All adult members from a rotating sample of 41,000 private households are interviewed in five consecutive quarters. The sample size makes it the best data set available for

analyzing the labor market situation of recent migrants (Office for National Statistics 2015a).

- 10 In the German case, there is an obligation to participate, and nonparticipation is penalized. The UK-LFS makes efforts to conduct face-to-face interviews with the help of interpreters if no household member speaks English.
- 11 Analysis of the German data was carried out by Janine Leschke (FDZ Forschungsprojekt: 2014–2631), and that of the UK data and figures was performed by Thees F. Spreckelsen.
- 12 According to the EU-LFS definition, persons working at least 1 hour in the reference week are counted as employed and are asked questions relating to their employment status. The analyses, unless otherwise stated, thus include students and those in vocational training.
- 13 Only information for 2009–2012 has been used. Because the earlier measure is incomparable, these data also capture short-term employment (often seasonal) and “one-Euro-jobs”—an employment integration measure under the subsidiary welfare scheme.
- 14 See Office for National Statistics workforce statistics at <http://webarchive.nationalarchives.gov.uk/20160105160709/http://www.ons.gov.uk/ons/about-ons/business-transparency/freedom-of-information/what-can-i-request/previous-foi-requests/labour-market/workforce-statistics/index.html>.

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15

HOW DO LABOR MARKET INTERMEDIARIES HELP YOUNG EASTERN EUROPEANS FIND WORK?

Renate Ortlieb and Silvana Weiss

15.1. INTRODUCTION

Mainstream economists view the geographic mobility of workers as a prerequisite for well-functioning labor markets.¹ Relatedly, policy measures aimed at increasing the mobility of young people, such as the Youth on the Move flagship initiative launched by the European Commission in 2010, are said to be effective means to combat youth unemployment (European Commission 2010; O'Reilly et al. 2015). Against the background of the high relevance of youth mobility, as endorsed by both academics and policymakers, and given the high numbers of young migrants from Eastern Europe working in Western Europe (Kahanec and Fabo 2013; Akgüç and Beblavý, this volume), the following question arises: How did these young migrants find work in a foreign country? This question is important because the existing literature suggests that migrants from Eastern Europe struggle to find jobs with good working conditions in Western Europe (Favell 2008; Galgóczi and Leschke 2012; Spreckelsen, Leschke, and Seeleib-Kaiser, this volume). Thus, in order to be able to develop theoretical models explaining these difficulties and to design policy measures aimed at improving the labor market opportunities of young migrants from Eastern Europe, detailed knowledge about their routes into employment is crucial.

In the migration literature, entering a foreign labor market is typically conceived as a process in which several actors are involved. Apart from the migrants themselves, employers are key actors in that they may fill vacant job positions with migrants (Moriarty et al. 2012; Ortlieb and Sieben 2013; Scott

2013; Cangiano and Walsh 2014; Ortlieb, Sieben, and Sichtmann 2014). In addition, migrants often draw on informal networks of friends and relatives to find a job and to (temporarily) settle abroad (Agunias 2009; Lindquist, Xiang, and Yeoh 2012). Finally, an important role may be played by labor market intermediaries (LMIs) such as public employment services, online job portals, and temporary work agencies. Previous research shows that LMIs act as significant facilitators of globalized labor markets (Freeman 2002; Coe, Johns, and Ward 2007; Elrick and Lewandowska 2008). Nonetheless, despite the increasing numbers of LMIs worldwide within the past few years (Bonet, Cappelli, and Hamori 2013; CIETT 2016) and the growing body of LMI research in Europe (Andersson and Wadensjö 2004; Findlay and McCollum 2013; Friberg and Eldring 2013; Sporton 2013), the role of these actors in trans-European job search and recruiting is not yet fully understood.

This chapter addresses this knowledge gap. We concentrate on young EU8 citizens—that is, people younger than age 35 years from Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, and Hungary. We examine the role of LMIs for young EU8 migrants entering the Austrian labor market, thereby taking the perspectives of young EU8 migrants, Austrian employers, and LMIs into account. Austria is particularly suitable for studying East–West youth migration in Europe because it is a receiving country with geographical proximity and historically strong ties to Eastern Europe, it has a comparatively good overall labor market situation, and it hosts a large number of EU8 migrants (Benton and Petrovic 2013). At the same time, we posit that our findings offer insights into underlying labor market processes that prevail in other countries as well.

In order to capture specific features of the role of LMIs, we focus on three industrial sectors: high-tech/information technology (IT), hospitality, and 24-hour domestic care. Our choice was determined both by the high number of EU8 migrants and by the strong labor demand that characterize these three sectors, enabling good observation of entry processes. Furthermore, this selection allows us to account for different skill levels, gender compositions, and types of employment relations. To theorize on differences between the three sectors, we apply a framework proposed by Benner (2003). According to this framework, LMIs fulfill three specific functions for both employers and workers: They reduce transaction costs, build social networks, and help manage risks. We suppose that these functions are of different importance in the three sectors. Thus, the role of LMIs for young EU8 migrants entering the Austrian labor market will vary across the three chosen sectors.

Our research relies on 60 semistructured interviews with young EU8 migrants, employers, LMIs, and labor market experts. We find that young EU8 migrants across the three sectors use a broad range of entry ports, including different types of LMIs. They mainly use informal networks and online platforms providing information on job vacancies, working conditions, and general country characteristics. In addition, in the 24-hour domestic care sector, young

EU8 migrants contact agencies that match caregivers with private households and assist with various kinds of paperwork. We also find that, especially in the high-tech/IT and 24-hour domestic care sectors, LMIs reduce transaction costs and risks for both employers and workers. LMIs play a more important role in job search and recruiting processes in these sectors than in the hospitality sector, in which the transaction costs and risks attached to employment relations are comparatively low.

Overall, our research shows that LMIs are important facilitators of youth transitions from Eastern Europe to the West. LMIs can help reduce youth unemployment in Eastern Europe by providing informational, matchmaking, and administrative services to both employers and jobseekers. Our research findings provide a more nuanced understanding of the labor market entry paths of young migrants and the many-faceted role of LMIs in these processes. Taking account of the perspectives of both employers and young migrants, and focusing on sectoral specificities, we go beyond the existing literature on youth migration in Europe.

The chapter is structured as follows. In Section 15.2, we summarize the literature on LMIs, focusing on different types of LMIs and their services. In Sections 15.3 and 15.4, we elucidate our theoretical framework and describe our methods, including the research context of Austria. In Sections 15.4–15.6, we present findings regarding the salience of different LMI types and services in the three sectors and then turn, in Section 15.7, to specific functions of LMIs in the three sectors. In the concluding Section 15.8, we suggest avenues for future research.

15.2. TYPES AND SERVICES OF LABOR MARKET INTERMEDIARIES

Labor market intermediaries serve to mediate the relationship between employers and workers. The controversy associated with LMIs has centered on whether or not they exploit vulnerable workers and whether or not they facilitate job matching. On the one hand, the types of LMIs that receive heightened media attention related to exploitative practices are, in general, a marginal part of this market. On the other hand, the range of legal LMIs is considerably varied. They include traditional public employment services, online job portals, temporary work agencies, and highly specialized executive search firms, as well as non-governmental organizations (NGOs) and social enterprises concerned with the labor market integration of vulnerable people.

To enable a systematic view of these different kinds of institutions, scholars have proposed several frameworks that categorize LMIs in terms of diverse criteria. Table 15.1 presents prototypes of LMIs, drawing on the categorizations by Benner (2003), Agunias (2009), Autor (2009), and Bonet et al. (2013). We categorize different types of LMIs based on their

Table 15.1 Types of labor market intermediaries

Type of LMI	Organizational structure and funding		Services offered to employers and jobseekers		
	Private sector	Public sector	Information provider	Matchmaker	Administrator
Public employment service (e.g., Austrian/AMS, European/EURES)		X	X	X	
Temporary work agencies (e.g., Adecco, ISS, Manpower)	X			X	X
Recruitment agencies, executive search firms (e.g., Kienbaum, Hill, Boyden)	X			X	
Online job portals (e.g., monster.com, karriere.at, ams.at, ec.europa.eu/eures)	X	X	X	X	
Social media (e.g., LinkedIn, Facebook)	X		X		
Educational institutions (e.g., universities, vocational schools)	X	X	X		

AMS, Austrian Public Employment Service; EURES, European Employment Services; LMI, labor market intermediary.

Sources: Authors' compilation based on Benner (2003), Agunias (2009), Autor (2009), and Bonet et al. (2013).

organizational structure and funding as either private-sector or public-sector intermediaries. Thereby, private-sector LMIs typically are paid by employers, whereas their services are cost-free to jobseekers.² Depending on the services LMIs offer to employers and jobseekers, we further distinguish between information providers, matchmakers, and administrators. Information providers either sell or offer cost-free information about vacancies, job profiles, and candidate profiles. Matchmaking services include job and candidate diagnosis, assignment of qualified candidates to jobs, and monitoring of a probation period. Administrative services refer to the full spectrum of human resource management, such as payroll, training, and career planning. Administrator LMIs such as temporary work agencies often act as an employer who hires out personnel to client firms.

Previous research on the role of LMIs for labor market outcomes of (young) migrants has produced mixed results. There is evidence that migrants recruited by LMIs obtain better employment contracts compared to migrants using informal social networks; for example, they are more likely to obtain higher wages (Bonet et al. 2013; Findlay and McCollum 2013). However, LMIs have also been found to increase the risk of devaluation of foreign professional skills (Samaluk 2016). Moreover, their recruiting and selection procedures are not always free of discriminating biases against migrants (Bonet et al. 2013). Also, in some cases, LMIs have been associated with fraud and exploitation of migrant workers (Agunias 2009; van den Broek, Harvey, and Groutsis 2016).

A considerable body of research revolves around temporary work agencies. This type of LMI can have a negative impact on the labor market outcomes of its employees, especially the highly vulnerable group of (young) migrants (McDowell, Batnitzky, and Dyer 2008; Autor and Houseman 2010; Sporton 2013). At the same time, for persons with otherwise limited employment prospects, temporary work agencies can act as stepping stones into employment (Andersson and Wadensjö 2004; Arrowsmith 2006; Heinrich, Mueser, and Troske 2007; Voss et al. 2013).

However, it is unclear whether these findings can be applied to the context of East–West youth migration in Europe. In addition, although previous research suggests that the role of LMIs differs between sectors (see Section 15.3), there is currently no systematic comparative evidence with regard to youth labor migration. In the following, we explore the role of LMIs in shaping East–West youth migration in Europe in greater detail.

15.3. THEORETICAL FRAMEWORK: FUNCTIONS OF LABOR MARKET INTERMEDIARIES ACROSS INDUSTRIAL SECTORS

Prior research based on either single-sector (Benner 2003; Fitzgerald 2007; Findlay and McCollum 2013; Thörnquist 2013) or multisector studies (Friberg

and Eldring 2013; Sporton 2013; Cangiano and Walsh 2014; van den Broek et al. 2016) indicates that the role of LMIs varies across sectors. However, there is as yet no coherent theoretical framework explaining these differences. A promising approach has been suggested by Benner, who theorizes on the relationship between LMI activities and regional development. Based on a case study on Silicon Valley, the author argues that distinctive functions of LMIs can help firms adapt to changing labor markets, which in turn is crucial for doing business in an environment driven by knowledge work and rapid innovation. This reasoning can be applied to explaining the role of LMIs in shaping East–West youth migration in Europe.

According to Benner (2003), LMIs fulfill three functions in the labor market. First, LMIs *reduce transaction costs* for both employers and workers. Because LMIs specialize in certain fields, they possess information and access to other resources that help both employers and workers minimize search costs as well as costs related to contracting and monitoring. Second, LMIs function as *network builders* for both employers and workers. By connecting various individuals and institutions with one another, LMIs can replace informal networks, facilitating person–job matching processes as well as key business activities such as innovation. Third, LMIs help employers and workers *manage risks*, such as firms’ risks related to volatile demand in product markets and workers’ risks related to job loss. Although these three functions of LMIs may be observed throughout the entire labor market, we maintain that their importance varies across sectors, depending on the transaction costs and the need to build networks and manage risks.

15.4. METHODS

15.4.1. Research Context: EU8 Migrants Working in Austria

Austria belongs to the group of EU15 countries that restricted labor movement for EU8 citizens following the enlargement of the European Union in May 2004. Austria and Germany were the only countries that maintained their restrictions until the end of the period of transitional arrangements in April 2011. After the restrictions had been fully removed in May 2011, a growing number of EU8 citizens entered the Austrian labor market. However, it is important to note that EU8 citizens had the opportunity also before May 2011 to (legally) work in Austria, with or without the assistance of LMIs. Work permits were issued for sectors suffering from labor shortages, and self-employed migrants were allowed to offer their services if they fulfilled certain occupational requirements.

Figure 15.1 presents the number of EU8 migrants working in Austria between 2007 and 2015, differentiated by age. In accordance with the available data, EU8 migrants are defined for this figure based on their citizenship. The graph includes

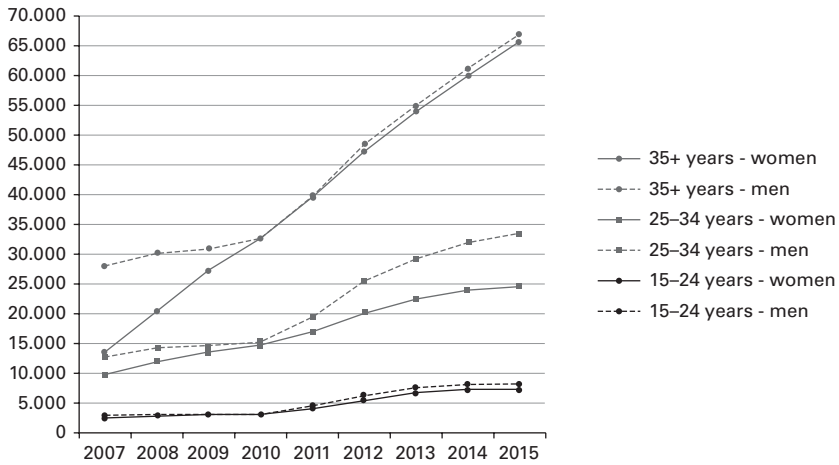


Figure 15.1 Number of EU8 migrants working in Austria, 2007–2015 (employees and self-employed).

Source: Austrian Labor Market Service Monitoring of Occupational Careers (Erwerbskarrieremonitoring, AMS 2016, personal communication); authors' calculations.

both EU8 citizens who migrated themselves and second-generation migrants. However, the vast majority of these people, and especially those who trigger variation within the curves, are first-generation migrants—that is, EU8 citizens who migrated themselves.

According to Figure 15.1, a total of 206,294 EU8 migrants worked in Austria in 2015 as either salaried employees or self-employed, which is more than 5% of the Austrian labor force and almost three times as many EU8 migrant workers as in 2007 (68,965 persons). People younger than age 35 years account for 36% of the EU8 migrants (73,650 persons). Men outnumber women, with the major differences emerging for the group of adults aged older than 35 years at the beginning of the period of data availability in 2007 and for the group of adults aged between 25 and 34 years after May 2011—when the restrictions for labor movement had been lifted. Although the available data do not allow for conclusive interpretation of these gaps, we suggest that they reflect gender segregation of the labor market in association with both increasing business trends in women-dominated sectors and political efforts to legalize the work of migrants in such sectors.

15.4.2. Key Characteristics of the Selected Sectors

We selected three sectors to gain deeper insight into the role of LMIs by juxtaposing the specific types and functions of LMIs in these different sectors, namely high-tech/IT, hospitality, and 24-hour domestic care. The selection is based on the following three criteria: (1) Both the number of young EU8 migrants working in these sectors and the labor demand should be considerably high; (2) the skill

level should vary across these sectors; and (3) the gender composition should vary across these sectors.³ The three sectors are briefly described next.

The *high-tech/IT sector* is characterized by a long-lasting labor shortage, prompting employers to recruit employees from abroad. The skill level is generally high, and the majority of employees are men. In comparison with the hospitality and the 24-hour domestic care sectors, firms in the high-tech/IT sector are larger, they more often operate in international markets and with business alliances, and their personnel management is more professional.

The *hospitality sector* is characterized by a high share of young migrants among employees, a fairly high labor demand, high labor fluctuation, low or medium skill level, and a balanced gender composition.

The *24-hour domestic care sector* is characterized by a very high share of migrants among caregivers. The required skill level is low, and the vast majority of caregivers are women.⁴ A particularity of this sector is that caregivers usually work as self-employed on the basis of service contracts with private households. For the sake of simplicity, in the following we refer to private households as “employers,” given that the relationships between private households and caregivers resemble those between employers and employees. Caregivers usually live in the same household as their clients for a period of 2 weeks, followed by a break of 2 weeks. During the absence of one caregiver, a colleague takes over. These caregiver tandems usually remain the same over a longer period of time, often up until the client moves into a care home or dies. Legislation related to this sector is complex as a result of the self-employment status of caregivers.

15.4.3. Data

The data we use in this chapter originate from a larger research project comparing East–West and North–North youth migration in Europe (Hyggen et al. 2016). Our empirical material comprises data from 60 semistructured interviews conducted with young EU8 migrants, representatives of employers and LMIs, and labor market experts. We conducted the interviews between September 2014 and August 2015. Each interview lasted between 30 and 90 minutes. Table 15.2 presents the number of interviews we conducted with the different types of interviewees in the three selected employment sectors.

Of the interviewed EU8 migrants, the majority were from Hungary or Slovakia. Fifteen were women and seven were men. Their average age was 28.8 years (ranging from 18 to 36 years), with an average age at the time of migration of 25.4 years. The period of time they had been working in Austria ranged from a few months to 14 years (median, 2 years). The employers were of varying sizes, ranging from one-person “companies” in the case of private households and small companies typical of the hospitality sector to large companies with a few thousand employees, especially in the high-tech/IT sector. LMIs were private-sector agencies, public-sector institutions, and NGOs of varying sizes.

Table 15.2 Sample characteristics: Type of interviewees and industrial sectors

Interviewees	Sector				Total
	High-tech/IT	Hospitality	Care	General	
Young migrants	5	9	8		22
Employers	5	5	5		15
LMI	5	2	6	2	15
Labor market experts	1	1	1	5	8
<i>Total</i>	16	17	20	7	60

IT, information technology; LMIs, labor market intermediaries.

15.5. WHAT TYPES OF LABOR MARKET INTERMEDIARIES DO EU8 MIGRANTS AND AUSTRIAN EMPLOYERS USE?

In our sample, private-sector LMIs appear to be more relevant for connecting employers with jobseekers compared to public-sector LMIs. In the high-tech/IT sector, the EU8 migrants mainly used cost-free online job portals. In addition, they found jobs via direct search on the websites of potential employers in Austria. None of the young interviewees working in this sector had been in contact with an agency. Many employers in the high-tech/IT sector have long-standing business relationships with different kinds of for-profit agencies. For instance, they use executive search firms to fill top management positions, recruitment agencies to find employees with specific skills, and temporary work agencies for large-scale projects.⁵

Although employers from all the sectors stated that they use the informal networks of their (migrant) employees to recruit personnel from abroad, some employers in the high-tech/IT sector strategically use the informal recruitment channel by providing financial bonuses to employees who recommend job candidates. The employers' representatives stated that this strategy is highly effective because employees who recommend a job candidate not only are familiar with the candidate but also informally instruct and supervise their new co-worker. In addition, some of the employers in our sample recruit personnel from their subsidiaries in EU8 countries. Others collaborate with public-sector or private-sector universities in EU8 countries.

In the hospitality sector, EU8 migrants stated that in addition to public-sector or commercial online job portals, unsolicited applications via phone calls or personal visits to restaurants and hotels are effective ways to find a job in Austria. Some employers use public-sector online job portals also for validating the professional skills and the foreign certificates of job candidates. Some of them found employees via the public employment service or social media. One employer in our sample collaborated with a vocational school

in Hungary, from which this employer directly recruited graduates. In general, employers in the hospitality sector only very seldom use recruitment agencies. Exceptions include the filling of high-level positions such as chef de rang. The majority do not use LMIs at all; rather, they recruit personnel via informal networks, or they select candidates from the pool of unsolicited job applications.

In the 24-hour domestic care sector, for-profit agencies are by far the most prevalent LMIs. A particularity of this sector is that agencies receive fees from both private households and caregivers. According to one of the intermediaries interviewed, an estimated one-third of caregivers from EU8 countries use agencies. However, our interviewees indicated that EU8 migrants prefer finding a family through their own networks in order to save money. The caregivers interviewed also stated that they switched between different agencies and sometimes searched for a family without an agency. Likewise, private households use either informal networks or for-profit agencies because they lack the competence and the time to find an appropriate caregiver. Often, they need a caregiver on short notice—for instance, after a family member has suffered a stroke.

Overall, the interviewed young EU8 migrants from all three sectors use LMIs whenever they are searching for information and cannot draw on their informal networks of friends and family. According to them, some jobseekers neither intentionally contacted an LMI to find a job in Austria nor did they notice that they were interacting with a recruitment agency and not with an employer. Because LMIs often place job offers in their own name and do the first screening of job candidates, it is not always clear to applicants that they would factually be working for another employer. Neither is it always clear to them that the job is located in a foreign country. For instance, one woman from Hungary working in the hospitality sector reported that she had searched for a job in her home country. It was only during the job interview that she learned that her future workplace would be in Austria. The agency doing the job interview also managed her travel to Austria and all registration formalities. Although this procedure enabled the woman to find employment, she expressed personal fears associated with this journey into the unknown.

15.6. WHAT KINDS OF SERVICES OFFERED BY LABOR MARKET INTERMEDIARIES DO EU8 MIGRANTS AND AUSTRIAN EMPLOYERS USE?

According to our interview data, of the variety of services made available, jobseekers and employers from all three sectors most often use the *information services* of LMIs. In contrast, matchmaking and administrative services are less salient. EU8 migrants search for information not only regarding job vacancies

but also regarding working conditions and general host-country characteristics. Employers are especially interested in information on the skills and work experience of job candidates. They use online job portals to obtain information on their counterparts and simultaneously to provide information about themselves. A special informational service offered by an agency in the 24-hour domestic care sector was the provision of data related to the criminal records of caregivers from Slovakia.

Compared with information services, *matchmaking services* are far less often used. Matchmaking services are especially relevant in the high-tech/IT and the 24-hour domestic care sectors. In the hospitality sector, employers only sporadically use matchmaking services by LMIs to fill high-skill positions. Recruitment agencies and matching algorithms implemented in online job portals usually pre-select job applications and provide a short list of the best qualified job candidates to employers. In some cases, recruitment agencies additionally monitor a probation period of job candidates. If it turns out that a proposed candidate is less qualified for the position than expected, the agency suggests another candidate.

In our sample, *administrative services* offered by LMIs were less prevalent than informational or matchmaking services. However, in the 24-hour domestic care sector, they are highly relevant. Although the agencies in the 24-hour care sector do not act as the employers of the caregivers, they offer further services before and after matchmaking. For example, they assist caregivers with paperwork, for instance, regarding the obligatory registration as self-employed at the Austrian Economic Chamber and in the social insurance system. Often, they organize the caregivers' travel between their home towns and their places of work in Austria. Some of them additionally offer training, for instance, in caring or in the German language. A particularly important service, as stated by caregivers, is the assignment to a new household at short notice if a client moves into a care home or dies. Private households also avail of the paperwork assistance provided by LMIs, for example, in relation to applications for state subsidies. In addition, they use a replacement service in the event that a caregiver becomes unavailable. These "full-service" arrangements are unique for the 24-hour domestic care sector. In the high-tech/IT sector, if employers use the administrative services of agencies, these typically include payroll, performance monitoring, and replacement of hired workers in the event of longer absences or other kinds of failure. In the hospitality sector, employers almost never use the administrative services offered by LMIs.

Beyond existing categorizations of LMI services into informational, matchmaking, and administrative services, in our interviews we identified a further kind of service, namely the provision of access to job candidates from abroad (without preselection of candidates, matchmaking, or provision of further information). Specifically, employers in the high-tech/IT and the hospitality sectors use special activities of universities and other educational institutions in EU8 countries to find qualified personnel. Examples include universities in EU8

countries hosting student job fairs at which Austrian employers can present themselves and universities or other educational institutions in EU8 countries organizing student competitions for internships in Austrian firms. Although such access services are typically related to high-skill positions, our interview data indicate that employers from all three sectors use access services when they face an extreme scarcity of qualified job candidates in Austria. In addition, LMIs enable access to job candidates from EU8 countries through close collaboration with LMIs in these countries. For instance, some agencies operating in the 24-hour domestic care sector draw on a “chain of LMIs” consisting of several agents in Slovakia, some of whom had previously worked as caregivers in Austria. These LMI chains help bridge language barriers and geographic distance.

15.7. WHAT FUNCTIONS DO LABOR MARKET INTERMEDIARIES FULFILL?

15.7.1. Transaction Cost Reduction

In our sample, the eminent importance of LMIs as reducers of transaction costs becomes clearly visible across all three sectors. The fact that employers and jobseekers act in a transnational context complicates the search for and the validation of information. Thus, the costs associated with establishing contracts are higher than those in local or national contexts. Different languages or state regulations related to required professional certificates, for instance, further increase transaction costs.

In all three sectors, LMIs in the form of online job portals effectively lower information costs for both employers and jobseekers. Depending on the sector, further types of LMIs are used to lower different kinds of transaction costs. In the high-tech/IT sector, even firms with a professional personnel management department face high transaction costs in certain situations, leading them to use various kinds of agencies. In the hospitality sector, personnel management is usually less professionalized because of the smaller firm sizes. However, given that these firms receive many unsolicited job applications and screening of job candidates is comparatively easy, transaction costs are lower. Thus, with the exception of a few high-level positions, there is little need for employers in the hospitality sector to use other LMIs than online job portals. In the 24-hour domestic care sector, private households usually lack the competence and time to search for an appropriate caregiver. Moreover, as lay employers, they can be challenged by comparatively complex legislation. Thus, transaction costs are relatively high. Specialized agencies reduce these transaction costs for the employers, and they also reduce the search costs of the caregivers. Given that Austrian agencies often collaborate with other institutions located in an EU8 country, EU8 citizens can easily obtain information closer to where they live and in their first language. Finally, for both private households and

caregivers, agencies reduce contracting costs by assisting with the required paperwork.

15.7.2. Risk Management

Partly interrelated with their function as reducers of transaction costs, LMIs also reduce the risks attached to recruitment and job search, particularly if they act as matchmakers or administrators. This function is especially relevant in the 24-hour domestic care sector, in which LMIs reliably replace caregivers or private households when a relationship terminates. For caregivers, agencies reduce the general risks associated with job search because the assignment of a new client usually takes less than 2 weeks. In addition, for both private households and caregivers, agencies reduce the risk of unintended illegal activities due to nonfamiliarity with social protection or trade legislation. Furthermore, some agencies in this sector reduce risks by securing acceptable working conditions (including fair pay) by acting as a contact point for caregivers who otherwise would be at the private households' mercy.

Unlike in the 24-hour domestic care sector, the risk management function plays a minor role only in the high-tech/IT and the hospitality sectors. Specifically, interviewees in the hospitality sector stressed that the risk of inappropriate matching of job candidates with positions is very low. Because newly hired employees only need little training and because fluctuation in this sector is generally high, employees and employers can be comparatively easily replaced. In the high-tech/IT sector, in cases in which recruitment agencies monitor a probation period of job candidates and replace failing candidates, they manage the risks associated with candidate misfit.

15.7.3. Network Building

The network-building function of LMIs is less pronounced in our sample than the functions as reducers of transaction costs and risks. Although LMIs replace informal networks of both jobseekers and employers with regard to their function as information providers, they contribute less to the development of new networks. Rare examples of the network-building function include online job portals and social media, creating communities that especially help the interviewed young EU8 migrants to obtain further information. Although such communities exist in all industries, agencies in the 24-hour domestic care sector additionally connect their clients with other businesspeople, such as drivers who manage caregivers' travel between their home towns and their places of work in Austria.

15.8. CONCLUSIONS

Our research provides in-depth insight regarding the entry ports of young EU8 migrants into the Austrian labor market and regarding the role of LMIs in

different sectors. The findings indicate that young EU8 migrants across sectors preferably use informal networks or cost-free informational services provided by online job portals. In addition, in the high-tech/IT sector, young EU8 migrants search for information on company websites; in the hospitality sector, they spontaneously call or visit potential employers of their own accord; and in the 24-hour domestic care sector, they pay agencies to establish relationships with private households. These search strategies are often complemented with recruitment activities by employers using LMIs to gain access to job candidates in EU8 countries.

LMIs facilitate entry into the Austrian labor market especially in the high-tech/IT and the 24-hour domestic care sectors, in which they are important substitutes for informal networks. In these two sectors, LMIs—also in the form of agencies—play an important role in that they reduce transaction costs and risks for both young EU8 migrants and Austrian employers. In contrast, in the hospitality sector, agencies are far less important, which can be explained by the lower transaction costs and risks attached to employment relations in this sector.

Although this chapter offers a more nuanced understanding of EU8 migrants' routes into employment in Austria, the quality of this employment remains an open question. Relatedly, the impact of the different entry ports on job quality cannot be fully assessed. In other words, although our findings indicate that LMIs are important facilitators of youth transitions from Eastern Europe to the West, the question of the consequences of these transitions for the labor market outcomes of young people from Eastern Europe remains open. LMIs may either secure good working conditions or hamper them by exploiting the weak power position of young EU8 migrants in the Austrian labor market.

Another limitation of our research is sample and response bias. Specifically, it was difficult to approach agencies operating in the 24-hour care sector, which reflects the complex circumstances in which these LMIs work. Those agencies that granted an interview were apparently not among the “black sheep” exploiting migrant caregivers that were mentioned by some interview partners. Moreover, the overall positive description of recruiting processes and working conditions, as perceived by interviewees across all sectors and interview types, should be carefully interpreted because social desirability may have contributed to these depictions.

In view of these limitations, further research on the role of LMIs in shaping East–West youth migration in Europe is needed, in particular regarding the impact of different entry ports on labor market outcomes. In addition, although we have argued that Austria is a particularly apt case for studying East–West migration, future research focusing on other receiving countries is required. Given that our research findings indicate that the importance of entry ports and the importance of LMIs vary across sectors, future research should take account of these differences.

NOTES

- 1 We thank Christer Hyggen and Hans-Christian Sandlie for productive and stimulating collaboration in our research on this topic. Jan Brzozowski provided helpful comments on a previous version of the chapter. We are also grateful to Sabrina Franczik and Isabella Bauer for their assistance in data collection, as well as to Janine Leschke, Jacqueline O'Reilly, and Martin Seeleib-Kaiser for their guidance in preparing the text.
- 2 We exclude membership-based LMIs—which are the third type identified by Autor (2009)—from our analysis because neither the activities of guilds nor the collective action of unions are relevant to our research question.
- 3 A theoretical rationale for selecting the three sectors is provided by labor market segmentation theory (Reich, Gordon, and Edwards 1973; Piore 1986). According to this theory, labor markets consist of a primary segment characterized by stable employment relations, higher wages, and better opportunities for training and career development; and a secondary segment characterized by higher turnover rates, low wages, and poor opportunities for training and career development. We maintain that these differences between labor market segments are associated with differences in the role of LMIs. Whereas the high-tech/IT sector is a prototypical example for the primary segment, the hospitality and the 24-hour domestic care sectors are examples for the secondary segment. Thereby, the 24-hour domestic care sector differs from the hospitality sector in that legislation is much more complex in the former sector. Given that previous research highlights the impact of legislation on migration (Garapich 2008; Lindquist et al. 2012; Cangiano and Walsh 2014), we posit that the role of LMIs also varies between the hospitality sector and the 24-hour domestic care sector.
- 4 Depending on the needs of the client, specific training of caregivers is required—for instance, in palliative care. However, the typical caregivers in our study are people who only look after the client and do some housework, without providing any medical treatment or special care.
- 5 Although temporary work agencies often are associated with low-skill work in the secondary labor market segment, they also operate in high-skill areas such as engineering and IT design.

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16

WHAT ARE THE EMPLOYMENT PROSPECTS FOR YOUNG ESTONIAN AND SLOVAK RETURN MIGRANTS?

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16.1. INTRODUCTION

Free mobility is an important aspect of European integration that was widely realized for those Central and Eastern European (CEE) countries that joined the European Union (EU) in 2004 and 2007. Many young and highly educated people from these countries have since sought employment in Western Europe (Kahanec and Zimmermann 2010). The key findings about East–West migration refer to the selection of emigrants on the basis of age and level of education, to emigrants' employment in low-skilled and low-paid jobs, and to their relatively weak upward occupational mobility (Drinkwater, Eade, and Garapich 2009; Kahanec and Zimmermann 2010; Voitchovsky 2014). The quality of the employment of CEE migrants in the West is significantly worse than that of young migrants originating from Western countries (Akgüç and Beblavý, this volume; Spreckelsen, Leschke, and Seeleib-Kaiser, this volume). At the same time, CEE migrants in the West have very high employment levels (Kahanec and Zimmermann 2010; Kahanec and Kureková 2013), which even during the economic crisis exceeded the employment levels of nationals in some host countries (Kahanec and Kureková 2016). To date, researchers have mainly focused on understanding the impact of East–West mobility on the receiving countries (Barrett and Duffy 2008; Clark and Drinkwater 2008; House of Lords 2008; Pollard,

Latorre, and Sriskandarajah 2008) and on evaluating the effects of the outflows for the sending countries (Rutkowski 2007; Galgóczi, Leschke, and Watt 2009; Prymachenko and Fregert 2011; Organization for Economic Co-operation and Development (OECD) 2012; Zaiceva 2014).

With the onset of the 2008–2009 economic crisis, many observers anticipated that the CEE migrants would return home. The economic literature mostly refers to return migration as a positive phenomenon for the home country, with returnees being viewed as agents of modernization and development, given that they bring home economic and social capital acquired abroad (King 1978). The existing evidence suggests that return patterns in the EU since the crisis have been diverse across both host and home countries (Galgóczi, Leschke, and Watt 2012). This chapter seeks to enhance our knowledge about return migration patterns in two small CEE economies—Estonia and Slovakia.¹ Although some comparative studies have recently analyzed return migration to CEE countries (Barcevičius et al. 2012; Lang et al. 2012; Coniglio and Brzozowski 2016), Estonia and Slovakia, in particular, are rarely selected as case studies, and knowledge about return migration in these countries is patchy. We chose these two countries because of their similar post-accession emigration rates, the variation in the severity of the 2008–2009 economic crisis and in respective labor market conditions, and the differences in their institutional models in terms of welfare-state spending changes (Bohle and Greskovits 2012).

We focus our analysis on young emigrants (15–34 years old) who have returned home to Estonia or Slovakia, calling them “returnees” here. Thus, we define a returnee as a person who emigrated from the home country, worked abroad for a period, and subsequently returned home. A “current emigrant,” by contrast, is a person who emigrated from the home country and has remained abroad. A “stayer” is a person who never left the home country (within our observation period) to work abroad. More exact definitions are provided in Section 16.3. We rely on the Estonian and Slovak Labor Force Surveys (LFS) as our source of data. Although the two data sets involve to some extent different types of variables, they enable us to compare the two countries in a structured way. The LFS is a natural choice of data for the comparative analysis of return migration in Europe (concerning earlier studies, see Zaiceva and Zimmermann 2016) because within both the Estonian and the Slovak data, the variable of workplace location—home country or abroad—can be used to identify returnees.

The chapter conducts the analysis in two areas. First, we investigate what might lie behind the decision of some emigrants to return home (selection of returnees), and we seek to identify specific characteristics of returnees relative to those who remained at home (stayers) and those who remained abroad (current emigrants). Second, the chapter provides an analysis of the labor market status of young returnees after they have re-entered the domestic labor market. In summary, our research is centered on two questions: (1) Who are returnees compared to both stayers and current emigrants—among both young people

and older adults? and (2) How successful are returnees in the home-country labor markets in terms of observed labor market status—that is, how often are they employed, unemployed, or inactive?

The value of our contribution lies in the comparative design of the study, which enables us to test the relative importance of some institutional and macroeconomic factors vis-à-vis micro-level characteristics such as education, gender, and labor market status. On the micro level, we pay particular attention to understanding the impact of being occupationally mismatched while abroad on the selection of returnees and on their short-term labor market outcomes. We also measure the effect of macroeconomic factors—gross domestic product (GDP) per capita and unemployment rate—on the returnees' labor market performance.

Our findings suggest that among young returnees, level of education has no effect on the decision to return in either of the country-specific samples. At the same time, level of occupation has a significant effect on the selection of young returnees, but only in the Estonian sample. In fact, an education–occupation mismatch significantly affects the decision to return among young and highly educated Estonian emigrants. By contrast, no mismatch effect is found for young Slovak returnees. The analysis of post-return labor market status reveals that both Estonian and Slovak returnees are more likely to face short-term unemployment (after re-entering the domestic labor market) compared to either current emigrants or stayers. This result could be attributed to a higher reservation wage and longer job search periods, both of which returnees can probably afford due to savings accumulated while abroad and possibly also the opportunity to transfer unemployment benefits from the host country to the home country (Hazans 2008; Zaičeva and Zimmermann 2016). These advantages appear to create conditions that enable returnees to find jobs that match their qualification levels and preferences (e.g., wage and type of work). We also find that Estonian returnees have a lower risk of unemployment compared to Slovak returnees. We attribute this difference to better labor market conditions and a broader response of the Estonian social security system to the crisis, both of which facilitate smoother reintegration of returnees in Estonia.

16.2. LITERATURE REVIEW: MACRO- AND MICRO-LEVEL DETERMINANTS OF RETURN MIGRATION

On a theoretical level, it has been established that economic actors self-select into migration (Borjas 1987) and that emigrants differ from stayers in terms of both observable (e.g., age, family status, and labor market status) and unobservable (e.g., attitudes and risk aversion) characteristics. The type of selection and how it compares to stayers or to citizens of the host country depends on the home- and host-country characteristics. Similar factors affect the selection

of returnees. This is most widely analyzed with respect to selection according to skill and ability, as anchored in the theoretical framework of the Roy model (Roy 1951). This model predicts that where migration flows are negatively selected on the basis of skills (i.e., those who emigrate have lower than average skills), return migrants are the best of this negative selection. On the other hand, where the original migrants were positively selected (i.e., those who emigrate have higher than average skills), the return migrants are “the worst of the best” (Borjas and Bratsberg 1996). The aspect of selectivity is important because it signals the characteristics of returnees relative to stayers and is likely to affect returnee behavior in the home labor market, not least via their competitiveness with stayers.

However, the Roy model of selection into return migration overlooks the issue of occupational mismatch, whereas CEE migrants are often mismatched in the host countries, working in jobs below their qualifications (Akgüç and Beblavý, this volume; Spreckelsen et al., this volume). For example, Voitchovsky (2014) argues that the severity of the occupational downgrading of CEE migrants and the related wage penalty stand out relative to those of other migrant groups in Ireland (and the United Kingdom), including third-country nationals. The mismatch is strongest for workers with higher secondary and tertiary education (Drinkwater et al. 2009; Turner 2010). There is some evidence supporting a link between mismatch and return decisions. For instance, overeducation of migrants has been identified as a key variable associated with the intention to return for Estonian migrants working in Finland (Pungas et al. 2012). Similarly, Currie (2007) found that Polish returnees commonly framed their decision to return to Poland within a context of frustration with limited labor market progress in the United Kingdom.

Scholars theorize different reasons for return migration. It may follow, for example, from an initial plan regarding the country of residence over the life cycle, where the return home is already envisaged at the moment of emigration. In an analysis of determinants of return among Moroccan emigrants, for instance, De Haas, Fokkema, and Fassi Fihri (2015) showed that the decision to return can be driven by economic success in the host country. However, the return may also result from mistakes in the initial migration decision; that is, it follows from an unsuccessful migration experience (failed migration) (Rooth and Saarela 2007). The individual and collective success of the return process may vary depending on the individual characteristics of the migrant and his or her household, networks, and community, as well as country-level features in the home and host states (Kveder 2013). Furthermore, precautionary savings may be related to the return decision (Dustmann 1997; McCormick and Wahba 2001). Along these lines, Dumont and Spielvogel (2008, 178) define the key reasons for return migration as a failure to integrate in the host country, changes in the economic situation in the home country (macroeconomic environment), personal preference for the home country, the achievement of a savings objective,

or improved employment opportunities at home following experience gained abroad.

The variety of factors that can contribute to the success of a return (individual-level characteristics, networks, country-level factors, motive for return, migration experience, and timing of return) is reflected in the mixed empirical findings on the characteristics of returnees and especially on their post-return labor market trajectories and performance across different CEE countries and over time (Iara 2006; Hazans 2008; Martin and Radu 2012; Pungas et al. 2012; Zaiceva and Zimmermann 2016). Coniglio and Brzozowski (2016) document that skill mismatch in the host country is significantly associated with post-return nonconformance of skills and employment, which ultimately reduces the likelihood of successful reintegration.

The majority of studies found that returnees to CEE countries are positively selected in terms of education (Hazans and Philips 2010; Martin and Radu 2012; Smoliner, Förchner, and Nova 2012; Masso, Eamets, and Mötsmees 2014; Zaiceva and Zimmermann 2016). This positive selection into return migration is reflected in the significant wage premiums of CEE returnees (Iara 2006; Ambrosini et al. 2011; Martin and Radu 2012). However, evidence found by De Coulon and Piracha (2005) indicates that Albanian emigrants are negatively selected on skills, relative to stayers, which to a large extent explains the relatively worse performance of Albanian returnees on the home labor market. Another strand of literature has documented that returnees have a higher probability of falling into unemployment or inactivity (Smoliner et al. 2012; Coniglio and Brzozowski 2016). However, Piracha and Vadean (2010) found that the association between return migration to Albania and unemployment vanishes after a 1-year period of reintegration.

In addition to individual-level factors, institutional and macroeconomic aspects also play a role. Friberg et al. (2014) found that the performance of immigrants to a great extent depends on their structural position in the host labor market, which is largely determined by the institutional configuration of the host-country labor market. Other evidence by Findlay and McCollum (2013) highlights the significance of recruitment and employment regimes in the context of rural agricultural migrant labor. Napierała and Fiałkowska (2013) emphasize the importance of host-country employment agencies in preventing skill–occupation mismatch and, hence, in reducing return migration driven by overqualification. The macroeconomic environment is framed by changing external conditions, such as the Great Recession of 2008–2009, which significantly affected several host and home countries. White (2014), analyzing the return migration of young Polish migrants from the United Kingdom and Ireland following the crisis, questions the strength of a causal effect of the crisis on their decision to return. She argues that migrants prefer to stay in the host country because of the persistence of significant wage differentials compared to Poland. The existing evidence suggests that patterns

of return in response to the economic crisis have been diverse across both host and home countries (Galgóczi et al. 2012).

To date, systematic work exploring the impact of welfare policies on patterns of return is absent. As stated previously, some studies view returning emigrants as being selected on the basis of a lack of economic success in the host country; return migration would thus correct for the failure of the initial migration. Being unemployed in the host country, therefore, significantly increases the probability of returning to the homeland (Pungas et al. 2012; Bijwaard, Schluter, and Wahba 2014). This might not be quite the case in the context of intra-EU mobility because migrants with a sufficient employment record become eligible for social insurance and other types of welfare benefits in the host country (Kureková 2013). Moreover, under EU legislation, unemployment benefits can be transferred to the country of origin.² However, if access to welfare is employment based, it continues to exclude the least successful migrants. The few existing studies have noted that choosing to stay or to return home can be influenced by where (at home or in the host country) the emigrant has access to social security benefits (for a discussion regarding Poland during the economic crisis, see Anacka and Fihel 2012) and that the decision of returnees to register as unemployed can depend on the country of previous employment (Kahanec and Kureková 2016). Other findings indicate that unemployment benefits enable emigrants to survive a period of unemployment abroad (White 2014) and that public programs might be important for the successful integration of poorly prepared return migrants (Cassarino 2004).

The contextual factors of the home and host countries go beyond economic and institutional variables. Some studies argue that return decisions are influenced mainly by the home countries rather than the host countries (Martin and Radu 2012) or that private and social motives play a key role (Barcevičius et al. 2012; Lang et al. 2012). Furthermore, cultural factors might be behind a return due to failed migration, such as an inability to integrate in the host country because of prejudices and stereotypes encountered abroad (Cerase 1974), whereas changed cultural and social patterns in the country of origin may also pose challenges to successful reintegration on return (Dumon 1986). Cross-border social network theory emphasizes that cross-border networks of social and economic relationships secure and sustain return migration (Cassarino 2004). For instance, having lost networks of social relationships may be the factor that causes returnees to fail to pursue their interests in the home country. Networks provide access to resources influencing performance on return, whereas return migration may help establish and maintain networks spanning several societies (Cassarino 2004). As an example of the importance of social factors for successful reintegration, Barrett and Mosca (2013) highlight the high degrees of loneliness and social isolation among elderly Irish returnees who had spent long periods abroad compared to those who had stayed at home. However, Kureková and Žilinčíková (2018), using web-survey data for Slovak returnees, find that returning for family

reasons adds to the success of reintegration. Given this existing body of evidence, understanding the consequences for returning youth emigrants to Estonia and Slovakia can provide a novel and pertinent lens for examining some of the effects of youth migration during the recent crisis period.

16.3. DATA

The EU Labor Force Survey (EU-LFS) is a random representative household survey collected on a quarterly basis. The data set is restricted to individuals who are at least 15 years old, and we added an upper limit of 64 years for our study. The EU-LFS employs a rotational panel design, whereby every individual is interviewed for five consecutive quarters of the survey and subsequently leaves the sample. We use this panel structure of the data set to identify those who have work experience abroad. Within both the Estonian and the Slovak data, the variable of workplace location—home country or abroad—is used to identify returnees. The variable of country of residence a year previously, used by other return migration studies (Zaiceva and Zimmerman 2016), does not provide a sufficient sample size in the case of Estonian and Slovak data. A disadvantage of our approach is that we cannot use the data set to observe longer integration patterns and can only comparatively assess labor market outcomes for one quarter (the last quarter of the survey). However, we are able to go beyond the descriptive approach prevalent in most other studies that use EU-LFS data (Martin and Radu 2012; Smoliner et al. 2012).

For the analysis of the Slovak data, we keep only individuals who were interviewed in at least two out of the five available quarters in the sample. We define returnee as a person who worked at least one quarter abroad but returned to Slovakia in the last observed quarter. A current emigrant is an individual who is working abroad in the last observed quarter. In the Estonian LFS data, the labor market history of individuals is available for the past 2 years. Therefore, we define Estonian returnees as those who have worked abroad for at least one quarter during the past 2 years and are back in Estonia in the last quarter. This longer time span for observing emigrants and returnees yields a much larger sample of returnees in Estonia than in Slovakia.

A general disadvantage of the EU-LFS is the fact that it only captures emigration and return migration of short-term emigrants and returnees. A condition of participation in the survey is that an individual is considered a member of a surveyed household; therefore, the survey does not cover emigration of economically independent units (e.g., young people who emigrated and live abroad and are considered economically independent by the household members). However, individuals engaging in temporary or seasonal work abroad (or commuters) are considered household members, even if they work abroad for more than a year, and are therefore included in the survey (Bahna 2013). An important implication

of this survey design is that the EU-LFS more precisely captures emigrants who live with a broader family and engage in circular or temporary mobility and at the same time is likely to underestimate the mobility of young people who have not established a family and are more footloose. We interpret our results in the light of these limitations.

16.4. KEY FACTS ABOUT ESTONIA AND SLOVAKIA

Estonia and Slovakia are understudied countries in the return migration literature. We selected these cases because they experienced similar post-accession emigration rates (Kureková 2011) but showed differences in the severity of the 2008–2009 economic crisis, as well as varying today in their labor market conditions and in their institutional models in terms of changes in welfare spending. The key comparative data for the two countries are presented in Table 16.1.

Slovakia and Estonia have had very different experiences of the economic crisis. They entered the crisis with different levels of youth unemployment, converging by 2010 on very high rates—from which Estonia recovered more quickly than Slovakia, however. Estonian youth unemployment rates skyrocketed from approximately 10% in 2007 to 34% in 2010 and then declined to approximately 19% in 2013. In contrast, the youth unemployment rate in Slovakia was nearly double that of Estonia at the onset of the crisis: It was 19% in 2008 and increased to 34% by 2012, remaining at this level in 2013.

Estonia experienced significant declines in GDP in 2008 and 2009 of 5.4% and 14.7%, respectively. Subsequently, economic growth returned, contributing to a decline in the general unemployment rate from 16.7% in 2010 to 8.6% in 2013. Although Slovakia experienced only a mild GDP decline in 2009 (–4.9%), its success in fighting unemployment has been limited. From this perspective, we might expect that the integration of return migrants to the Estonian labor market would be smoother than that of Slovak returnees.

Moreover, social protection spending has increased considerably in Estonia. Whereas in the mid-2000s, Estonia had a lower level of social protection spending than that of Slovakia (12.4% vs. 15.9%, respectively, in 2005), the levels converged at the peak of the crisis in 2009, with social protection spending amounting to 18.8% versus 18.2% of GDP in Estonia and Slovakia, respectively. This change indicates that Estonia invested significantly in assisting its citizens with weathering the misfortunes of the economic crisis. This increased investment in welfare may have assisted return migrants, but it also discouraged further outmigration from Estonia (Kureková 2013). Which country was more successful in integrating returnees is an important question. Based on these aggregate indicators, we might expect that returnees to Estonia on average perform better at reintegrating into the labor market because of higher levels of labor market flexibility (Eamets et al. 2015), contributing to higher outflows from

Table 16.1 Key economic indicators: Estonia and Slovakia

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Unemployment rate														
EU25	8.8	8.5	8.8	9.1	9.2	9.1	8.2	7.2	7.1	9.1	9.7	9.7	10.5	10.9
EE	14.6	13.0	11.2	10.3	10.1	8.0	5.9	4.6	5.5	13.5	16.7	12.3	10.0	8.6
SK	18.9	19.5	18.8	17.7	18.4	16.4	13.5	11.2	9.6	12.1	14.5	13.7	14.0	14.2
Youth unemployment rate (age 15–24 years)														
EU25	17.3	16.9	17.4	18.4	18.8	18.7	17.3	15.5	15.7	20.1	21.0	21.2	22.8	23.2
EE	23.9	22.2	17.9	20.9	23.9	15.1	12.1	10.1	12.0	27.4	32.9	22.4	20.9	18.7
SK	37.3	39.6	38.1	33.8	33.4	30.4	27.0	20.6	19.3	27.6	33.9	33.7	34.0	33.7
GDP growth														
EU27	3.9	2.0	1.3	1.5	2.6	2.2	3.4	3.2	0.4	-4.5	2.0	1.7	-0.4	0.1
EE	9.7	6.3	6.6	7.8	6.3	8.9	10.1	7.5	-4.2	-14.1	2.6	9.6	3.9	0.8
SK	1.4	3.5	4.6	4.8	5.1	6.7	8.3	10.5	5.8	-4.9	4.4	3.0	1.8	0.9
Social protection expenditures (% GDP)														
EU25	25.6	25.7	26.0	26.5	26.3	26.4	26.0	25.5	26.2	28.9	28.7	28.4	28.8	—
EE	13.8	13.0	12.7	12.6	13.0	12.5	12.0	12.0	14.7	18.8	17.6	15.6	15.0	14.8
SK	19.1	18.7	18.8	18.0	16.9	16.2	16.0	15.7	15.7	18.5	18.3	17.9	18.1	18.4
Strictness of employment protection—individual and collective dismissals: regular contracts														
EE	—	—	—	—	—	—	—	—	2.33	2.33	2.07	2.07	2.07	2.07
SK	—	—	—	—	—	—	—	—	2.63	2.63	2.63	2.63	2.16	2.26
Strictness of employment protection—temporary contracts														
EE	—	—	—	—	—	—	—	—	2.29	2.29	2.29	2.29	2.29	3.04
SK	—	—	—	—	—	—	—	—	2.17	2.17	2.17	2.42	2.29	2.42

EE, Estonia; SK, Slovakia.

Sources: OECD (employment protection) and Eurostat (all other data series).

Table 16.2 Estonia: Numbers of emigrants, returnees, and stayers (full sample)

	2008	2009	2010	2011	2012	2013	Total
Stayers	17,763	15,526	15,634	16,660	18,556	18,346	152,456
Returnees	275	413	491	608	778	785	3,570
Emigrants	332	307	365	390	507	492	3,002
Total	18,370	16,246	16,490	17,658	19,841	19,623	159,028
Share of returnees	1.50	2.54	2.98	3.44	3.92	4.00	2.24
Share of emigrants	1.81	1.89	2.21	2.21	2.56	2.51	1.89
Returnees per emigrants	82.8	134.5	134.5	155.9	153.5	159.6	118.9

Source: EE-LFS; authors' calculations.

unemployment and better labor market conditions. In fact, Estonian returnees show lower unemployment rates than has been the case for returnees to Slovakia.

For the analysis of return migration, we work with a pooled sample of EU-LFS data from 2008 to 2013. The overall Slovak sample consists of 96,821 individuals, of whom 3,211 are current emigrants and 329 are returnees. The total Estonian sample includes 159,028 respondents, of whom 3,002 are current emigrants and 3,570 are returnees. Of the returnees, 62% of the Slovaks and 65% of the Estonians are young (aged 15–34 years).

The rate of return migration increased over time in both countries, but the growth has been especially significant in Estonia (Tables 16.2 and 16.3). By 2013, the rate of return had exceeded the rate of outmigration, resulting in positive net intra-EU mobility in Estonia. The rate of return to Slovakia has been more modest. Between 2008 and 2013, on average every tenth person who worked abroad returned, but the rate of return varies significantly over the years analyzed, reaching close to 20% in 2009 and 2012 but only approximately 7% in all other years.³ The share of current emigrants out of Slovakia relative to

Table 16.3 Slovakia: Numbers of migrants, returnees, and stayers (full sample)

	2008	2009	2010	2011	2012	2013	Total
Stayers	14,618	14,402	13,563	14,172	13,550	22,976	93,281
Returnees	69	83	30	30	68	49	329
Emigrants	695	484	437	440	357	798	3,211
Total	15,382	14,969	14,030	14,642	13,975	23,823	96,821
Share of returnees	0.5	0.6	0.2	0.2	0.5	0.2	0.3
Share of emigrants	4.5	3.2	3.1	3.0	2.6	3.4	3.3
Returnees per emigrants	9.9	17.1	6.9	6.8	19.0	6.1	10.2

Source: SK-LFS; authors' calculations.

returnees to Slovakia exceeds the share of current emigrants out of Estonia relative to returnees to Estonia, especially in the crisis years 2008 and 2009.

The EU-LFS does not include information about the main migrant destination countries for Estonia. Other studies document that Finland was, and remains, the most important destination country for temporary labor mobility among young Estonians (aged 15–35 years); the United Kingdom, Austria, Norway, Sweden, and Russia are also popular destinations. The key migration destinations for Slovaks are the United Kingdom, Czech Republic, Hungary, Italy, Austria, and Germany (Masso et al. 2016).

Tables 16.4 and 16.5 present descriptive statistical evidence for key demographic features of returnees, current emigrants, and stayers and for different age brackets. Estonian return migrants are substantially different from both current emigrants and stayers (see Table 16.4). Return migrants are on average younger than those who stay in Estonia; returnees are also more often male, compared to the relevant age group of stayers. Among young returnees, the share of married individuals is 39%, which is higher relative to that of stayers (31%) but lower relative to that of their peers who are still working abroad (49%). In terms of education, young returnees are more educated (e.g., the share of those with a lower level education is 32%, compared to 41% among stayers of the corresponding age group) and predominantly hold a secondary-level education (54%). The examination of labor market status revealed that approximately 72% of young returnees were employed while abroad; however, after returning, the share of those employed dropped to 52%, along with an increase in the share of unemployed from 12% a year previously to 26% in the current year.⁴ However, despite the better educational attainments of returnees, they are still more likely to be unemployed than are stayers. Among returnees who found work, their occupational profile was lower compared to that recorded in their last quarter abroad. Consequently, young returnees with high education levels more frequently reported themselves to be overeducated in the last quarter working abroad compared to those who had stayed in Estonia (16% relative to 10% among stayers).

For Slovakia (see Table 16.5), we find that returnees significantly differ both from stayers (nonmigrants) and from Slovak emigrants currently working abroad with regard to the main demographic and labor market characteristics. Similar to current emigrants, returnees are more likely to be males. Returnees are younger, more frequently overeducated for the jobs they performed abroad, and more skilled than both current emigrants and stayers. Most young returnees have a secondary education (90%); however, approximately two-thirds of returnees were unemployed in the last quarter of the survey, which exceeds the share of unemployed among stayers and especially among Slovak emigrants abroad.

However, returnees are also much less likely to be inactive compared to stayers in the relevant age categories. Returnees are less likely than stayers to be self-employed, which might be related to their better performance in the labor market (e.g., no need to enter bogus self-entrepreneurship; see Ortlieb, Sheehan, and

Table 16.4 Estonia: Descriptive statistics based on EE-LFS

	Returnees				Stayers				Current emigrants			
	15–35 years	Youth 15–24 years	Youth 25–35 years	>35 years	15–35 years	Youth 15–24 years	Youth 25–35 years	>35 years	15–35 years	Youth 15–24 years	Youth 25–35 years	>35 years
Sociodemographic characteristics												
Average age, years	41				45				39			
Gender (male = 1)	71.8	68.8	78.2	61.2	50.5	52.5	53.5	44.5	87.2	79.9	89.9	85.7
Nationality (Estonian = 1)	80	82.3	78.4	66.4	78.2	81.4	73.7	73	79.1	85.8	76.1	77.8
Citizenship (Estonian = 1)	92.3	95.4	90.3	79.7	91.5	94	87.9	84.3	94	97.2	92.6	88.2
Marital status (married = 1)	39	16.7	56.7	77.5	30.8	10.3	63.7	75.4	48.9	20.1	59.8	81.1
Education												
Higher	13.9	5.2	21.5	18.9	14.2	5.2	28.5	21.9	11.1	4.7	13.5	8.2
Secondary	53.9	60.5	50.4	59.1	44.7	44.6	49.5	50.5	57.8	66.8	54.4	68.3
Lower	32.2	34.3	28.2	22	41.1	50.3	22	27.6	31.1	28.4	32.2	23.5
Employment												
Employed	51.9	38.2	60.4	59.5	49.1	23.1	76.2	58.1	100	100	100	100
Unemployed	25.8	26.9	25.2	15.6	8.8	8.6	9	5	—	—	—	—
Inactive	22.3	35	14.4	24.9	42.1	68.3	14.9	36.9	—	—	—	—

Employment 1 year previously

Employed	72	58.2	79.3	77	61.8	35.7	78.5	60.1	79.9	62.2	85.3	78.5
Unemployed	12	11.6	11.2	6.8	3.3	3.4	3.3	3.3	6.9	13.5	4.9	7.2
Inactive	16	30.2	8.5	16.2	34.9	60.9	18.3	36.6	13.2	24.3	9.8	14.3

ISCO (last quarter abroad for returnees)

High	7.7	6.2	8.8	11.3	37.9	22.5	42.8	39.2	8.7	5	10.1	13.1
Medium	7.2	9.9	5.1	8.1	23.1	32.4	20.1	20.2	9.8	16	7.5	7.3
Low	85.1	83.9	86.1	80.5	38	44.8	35.8	40.2	81.2	79	82.4	79.5

Overeducation (last quarter abroad for returnees)

Among medium educated	11.1	12.9	9.6	7.8	8.2	11.2	7	11	11.2	13.5	10.1	8.9
Among highly educated	16.1	36.4	13.2	3.7	10.2	13.8	9.8	10.6	32.6	60	29	18.9
Self-employed (last quarter abroad for returnees)	2.8	4.5	1.5	2.9	6.2	2.6	7.4	9	1.5	0.9	1.7	3.7
No. of observations	1,042	280	701	1,563	29,770	15,189	14,581	106,009	794	219	575	1,424

Notes: The level of occupation corresponds to the International Standard Classification of Occupations (ISCO) code: low (9), medium (4–8), and high (0–3). Overeducation was measured as a combination of education and occupational level. Overeducation among the medium educated was defined as the combination of medium education (ISCED 3 or 4) and low occupational level (ISCO 9); overeducation among the highly educated was defined by high education (ISCED 5 or 6) and a low or middle level of occupation (ISCO > 3).

Table 16.5 Slovakia: Descriptive statistics based on SK-LFS

	Returnees				Stayers				Current emigrants			
	15–34 years	Youth 15–24 years	Youth 25–34 years	>35 years	15–34 years	Youth 15–24 years	Youth 25–34 years	>35 years	15–34 years	Youth 15–24 years	Youth 25–34 years	>35 years
Sociodemographic characteristics												
Average age, years	n.a.				n.a.				n.a.			
Gender (male = 1)	63.7	50.6	72.4	73.6	51.1	50.9	51.2	46.9	67.6	62.7	69.7	70.5
Nationality (Slovak = 1)	85.3	85.2	85.4	83.2	90.2	90.4	89.9	89.1	88.2	90.7	87.1	87.9
Citizenship (Slovak = 1)	99.5	100	99.2	99.2	99.9	100	99.7	99.8	99.7	100	99.6	99.7
Marital status (married = 1)	13.7	0	22.8	70.4	22.1	2.9	42	75.7	21	3.6	28.4	74.3
Education												
Higher	7.4	3.7	9.8	2.4	15	5.8	24.6	13.7	10.9	4.3	13.8	5
Secondary	89.7	91.4	88.6	91.2	57.9	46.9	69.4	75.3	86.1	90	84.4	91.1
Lower	2.9	4.9	1.6	6.4	27	47.4	6	11.1	3	5.7	1.8	3.9
Employment												
Employed	33.3	28.4	36.6	32.8	42.8	17.5	68.9	62.3	98	99.1	97.5	98.7
Unemployed	59.3	60.5	58.5	53.6	12	10.6	13.4	9.8	0.1	0	0.2	0
Inactive	7.4	11.1	4.9	13.6	45.3	71.9	17.7	27.9	1.9	0.9	2.3	1.3

Employment 1 year previously

Employed	70.6	61.7	76.4	85.6	39.2	13.6	65.8	63.3	84.9	73.2	89.8	94.2
Student	10.8	23.5	2.4	0.0	40.1	74.2	4.8	0.0	4.8	12.7	1.5	0.0
Unemployed	17.2	14.8	18.7	10.4	11.4	9.1	13.8	10.5	8.8	13.9	6.6	4.7
Inactive	1.5	0	2.4	4.0	9.2	3.1	15.6	26.2	1.6	0.2	2.1	1.2
No. of observations	204	81	123	125	34,582	17,595	16,987	58,698	1,473	440	1,033	1,738

Labor market characteristics**Occupation/ISCO (last quarter abroad for returnees), N = 56,789**

High	11	6.2	14.2	8.8	36.6	22.6	40.4	36.2	15	9.1	17.6	7.9
Medium	62.2	66.7	59.2	72	56.1	66.2	53.4	54.3	66	67.1	65.6	79.5
Low	26.9	27.2	26.7	19.2	7.3	11.1	6.2	9.5	19	23.7	16.9	12.7

Overeducation (last quarter abroad for returnees)

Among medium educated	25.9	24.7	26.7	14.4	5.7	8.1	5	7	16.8	20.3	15.2	11.1
Among highly educated	3	1.2	4.2	0.8	3.3	1.8	3.8	1.8	4.2	2.1	5.1	1.7
Self-employed	6.0	2.5	8.3	13.6	12.7	8.6	13.8	15.3	19.2	14.8	21.0	35.7
No. of observations	201	81	120	125	15,248	3,261	11,987	38,031	1,451	438	1,013	1,733

Notes: Overeducation was measured as a combination of education and occupational level. Overeducation among the medium educated was defined as the combination of medium education (ISCED 3 or 4) and low occupational level (ISCO 9); overeducation among the highly educated was defined by high education (ISCED 5 or 6) and a low or middle level of occupation (ISCO > 3).

Masso, this volume). But this may also be associated with the lower frequency of opportunity entrepreneurship (Bosma et al. 2012) among return migrants. These findings contrast with some other previous findings (McCormick and Wahba 2001; Piracha and Vadean 2010); however, the EU-LFS might not be the appropriate data source for studying the degree of self-employment among returnees because they may require more time after their return home to become engaged in entrepreneurship.⁵ In the empirical analysis that follows, we examine whether these differences are statistically salient and to what degree these compositional effects impact on the labor market performance of returnees relative to stayers and current emigrants.

16.5. ECONOMETRIC ANALYSIS OF SELECTIVITY AND LABOR MARKET STATUS

16.5.1. Models

The econometric analysis has two foci. First, a set of logistic regressions is used to investigate how the characteristics of returnees differ from those of both stayers and current emigrants. Second, the labor market status of returnees is investigated in comparison to the rest of the respondents—stayers and current emigrants. A multinomial logistic regression is fitted for the variable indicating labor market status in the last observed quarter: employed, unemployed, or inactive. All models are estimated for the full sample (M1–M3), as well as for the youth sample only (M4–M6). Results are shown in Tables 16.6 and 16.7 for Estonia and in Tables 16.8 and 16.9 for Slovakia.

The models include two broad types of variables: individual-level variables and macroeconomic variables. In particular, the models include sociodemographic variables: gender; marital status (single or married); age; nationality (Estonian/Slovak or non-Estonian/non-Slovak); and education—low (International Standard Classification of Education (ISCED) 1–2), medium (ISCED 3–4), and high (ISCED 5–6). The models addressing the selectivity of returnees further employ variables related to the economic activity of respondents: self-employment (a dummy variable), labor market status a year previously (employed [ref.], student, unemployed, or inactive), skill level of job after return, and overqualification while abroad. We distinguish between two types of overqualification: overqualified among medium-educated and overqualified among highly educated workers.

Macro-level characteristics include measures of GDP per capita and unemployment rate in the home country. Based on the findings of secondary literature, host-country conditions appear more important than home-country conditions for the return and reintegration of emigrants. We are not able to use these macro-level variables in the host countries (or their differences in the host and home countries) because of the lack of information on the migrants' destination

Table 16.6 Estonia: Selectivity analysis

	Returnee–stay ^{er}						Returnee–emigrant					
	All sample			Youth sample (15–34 years)			All sample			Youth sample (15–34 years)		
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Male	0.003*	0.003**	0.004**	0.008**	0.008**	0.01***	–0.294***	–0.293***	–0.299***	–0.314***	–0.314***	–0.308***
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.004)	(0.020)	(0.020)	(0.020)	(0.041)	(0.041)	(0.042)
Married	–0.001	–0.001	–0.001	–0.003	–0.003	–0.003	–0.025	–0.028	–0.026	–0.009	–0.011	–0.011
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.003)	(0.023)	(0.023)	(0.023)	(0.029)	(0.029)	(0.029)
Age 15–24 years	0.017***	0.02***	0.022***				–0.022	–0.027	–0.029			
	(0.003)	(0.003)	(0.003)				(0.042)	(0.042)	(0.042)			
Age 25–34 years	0.012***	0.013***	0.015***				–0.115***	–0.119***	–0.12***			
	(0.002)	(0.002)	(0.002)				(0.036)	(0.035)	(0.036)			
Age 35–44 years	0.011***	0.012***	0.014***				–0.075**	–0.079**	–0.081**			
	(0.002)	(0.002)	(0.002)				(0.034)	(0.034)	(0.034)			
Age 45–54 years	0.006***	0.007***	0.008***				–0.104***	–0.108***	–0.109***			
	(0.002)	(0.002)	(0.002)				(0.035)	(0.035)	(0.036)			
Other non-Estonian nationality	–0.001	–0.001	–0.001	–0.008***	–0.008**	–0.009**	0.013	0.011	0.015	–0.038	–0.036	–0.029
	(0.001)	(0.001)	(0.002)	(0.003)	(0.003)	(0.004)	(0.022)	(0.022)	(0.022)	(0.037)	(0.037)	(0.037)
Secondary education	0.011***	0.008***	0.009***	0.008**	0.005	0.007*	0.03	0.028	0.035	0.036	0.046	0.059*
	(0.002)	(0.002)	(0.002)	(0.003)	(0.003)	(0.004)	(0.023)	(0.023)	(0.023)	(0.031)	(0.031)	(0.031)
Higher education	0.017***	0.014***	0.016***	0.008	0.004	0.005	0.145***	0.145***	0.156***	0.012	0.022	0.04
	(0.003)	(0.003)	(0.004)	(0.007)	(0.007)	(0.008)	(0.035)	(0.035)	(0.036)	(0.06)	(0.06)	(0.061)

(continued)

Table 16.6 Continued

	Returnee–stayee						Returnee–emigrant					
	All sample			Youth sample (15–34 years)			All sample			Youth sample (15–34 years)		
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Overeducated among medium educated	–0.018*** (0.004)	–0.019*** (0.004)	–0.022*** (0.004)	–0.059*** (0.022)	–0.06*** (0.022)	–0.07*** (0.025)	–0.196*** (0.053)	–0.199*** (0.054)	–0.193*** (0.054)	–0.564*** (0.192)	–0.556*** (0.193)	–0.554*** (0.190)
Overeducated among highly educated	–0.004 (0.004)	–0.004 (0.004)	–0.005 (0.005)	0.021*** (0.007)	0.019*** (0.007)	0.022*** (0.008)	–0.051 (0.055)	–0.052 (0.055)	–0.057 (0.056)	0.15** (0.076)	0.155** (0.075)	0.145* (0.077)
Medium-level occupation	–0.01*** (0.003)	–0.01*** (0.003)	–0.013*** (0.004)	–0.019*** (0.006)	–0.02*** (0.006)	–0.024*** (0.007)	–0.347*** (0.046)	–0.343*** (0.046)	–0.339*** (0.047)	–0.511*** (0.067)	–0.503*** (0.067)	–0.5*** (0.068)
High-level occupation	0.02*** (0.003)	0.02*** (0.003)	0.023*** (0.003)	0.015*** (0.005)	0.014*** (0.005)	0.016*** (0.006)	–0.181*** (0.024)	–0.177*** (0.024)	–0.182*** (0.024)	–0.321*** (0.033)	–0.316*** (0.034)	–0.317*** (0.034)
Self-employed	–0.015*** (0.003)	–0.015*** (0.003)	–0.017*** (0.004)	–0.013* (0.007)	–0.012* (0.007)	–0.014 (0.009)	–0.02 (0.056)	–0.016 (0.056)	–0.012 (0.057)	0.046 (0.098)	0.056 (0.095)	0.049 (0.096)
Labor market status 1 year ago—student	–0.002 (0.003)	–0.002 (0.003)	–0.002 (0.003)	–0.006 (0.004)	–0.006 (0.004)	–0.007 (0.005)	0.022 (0.042)	0.024 (0.043)	0.026 (0.043)	0.023 (0.052)	0.024 (0.05)	0.037 (0.049)
Unemployed	0.009*** (0.002)	0.007*** (0.002)	0.008*** (0.003)	0.008 (0.005)	0.005 (0.005)	0.006 (0.005)	–0.05* (0.029)	–0.045 (0.03)	–0.051* (0.030)	–0.074* (0.042)	–0.066 (0.042)	–0.063 (0.043)
Inactive	–0.008*** (0.002)	–0.008*** (0.002)	–0.01*** (0.003)	–0.007* (0.004)	–0.007* (0.004)	–0.01** (0.005)	–0.131*** (0.037)	–0.129*** (0.037)	–0.146*** (0.037)	–0.051 (0.051)	–0.048 (0.05)	–0.077 (0.05)

GDP last quarter			0.018***			0.031***			0.011			0.053
			(0.003)			(0.007)			(0.04)			(0.061)
Unemployment rate last quarter			0.001***			0.001***			-0.004			-0.008*
			(0.000)			(0.000)			(0.003)			(0.004)
Year dummies	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No
No. of observations	48,664	48,664	41,373	13,305	13,305	11,223	2,389	2,389	2,336	938	938	915
Pseudo R ²	0.064	0.085	0.071	0.0526	0.0703	0.0638	0.1335	0.1368	0.1393	0.155	0.162	0.1694

Notes: The level of occupation corresponds to the standard categorization of the ISCO code: low (9), medium (4–8), and high (0–3). Overeducation was measured as a combination of education and occupational level. Overeducation among the medium educated was defined as the combination of medium education (ISCED 3 or 4) and low occupational level (ISCO 9); overeducation among the highly educated was defined by high education (ISCED 5 or 6) and a low or middle level of occupation (ISCO > 3). The figures reported in the table are the marginal effects with standard errors in parentheses. The reference categories in the regressions are male, single, age 55–65 years, Estonian nationality, primary education, overeducated among primary education, low-level education, and salaried employee.

* $p < .10$.

** $p < .05$.

*** $p < .01$.

Table 16.7 Estonia: Labor market status analysis

	All sample						Young sample (15–34 years)					
	M1		M2		M3		M4		M5		M6	
	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive
Returnee	0.062*** (-0.004)	-0.06*** (-0.011)	0.051*** (-0.004)	-0.066*** (0.011)	0.057*** (0.004)	-0.064*** (0.011)	0.093*** (0.007)	-0.21*** (0.021)	0.082*** (0.007)	-0.219*** (0.021)	0.091*** (0.007)	-0.215*** (0.021)
Male	0.019*** (0.001)	-0.086*** (0.002)	0.018*** (0.001)	-0.086*** (0.002)	0.021*** (0.002)	-0.084*** (0.002)	0.021*** (0.002)	-0.182*** (0.004)	0.02*** (0.002)	-0.183*** (0.004)	0.024*** (0.003)	-0.174*** (0.004)
Married	-0.019*** (0.002)	-0.065*** (0.003)	-0.019*** (0.002)	-0.065*** (0.003)	-0.018*** (0.002)	-0.061*** (0.003)	-0.011*** (0.003)	-0.286*** (0.004)	-0.011*** (0.003)	-0.286*** (0.004)	-0.011*** (0.003)	-0.274*** (0.004)
Age 15–24 years	0.041*** (0.002)	0.005*** (0.003)	0.043*** (0.002)	0.006* (0.003)	0.048*** (0.003)	0.007* (0.004)						
Age 25–34 years	0.063*** (0.002)	-0.283*** (0.003)	0.065*** (0.002)	-0.282*** (0.003)	0.072*** (0.003)	-0.274*** (0.004)						
Age 35–44 years	0.058*** (0.002)	-0.371*** (0.003)	0.059*** (0.002)	-0.369*** (0.003)	0.061*** (0.003)	-0.366*** (0.004)						
Age 45–54 years	0.057*** (0.002)	-0.357*** (0.003)	0.059*** (0.002)	-0.355*** (0.003)	0.064*** (0.003)	-0.354*** (0.004)						
Other non-Estonian nationality	0.041*** (0.001)	-0.013*** (0.002)	0.042*** (0.001)	-0.012*** (0.002)	0.045*** (0.002)	-0.019*** (0.003)	0.051*** (0.002)	-0.081*** (0.005)	0.052*** (0.002)	-0.079*** (0.005)	0.056*** (0.003)	-0.09*** (0.005)
Secondary education	0.005*** (0.002)	-0.141*** (0.002)	-0.002 (0.002)	-0.145*** (0.002)	-0.001 (0.002)	-0.156*** (0.003)	0.013*** (0.003)	-0.207*** (0.004)	0.008*** (0.003)	-0.21*** (0.004)	0.011*** (0.003)	-0.224*** (0.004)

Higher education	-0.027*** (0.002)	-0.226*** (0.003)	-0.033*** (0.002)	-0.23*** (0.003)	-0.035*** (0.003)	-0.237*** (0.004)	-0.019*** (0.004)	-0.361*** (0.006)	-0.025*** (0.004)	-0.367*** (0.006)	-0.029*** (0.005)	-0.359*** (0.007)
GDP per capita					-0.019* (0.011)	0.016 (0.016)					-0.029 (0.021)	0.003 (0.029)
Unemployment rate					0.002*** (0.001)	0.002* (0.001)					0.002 (0.002)	0.001 (0.002)
Year dummies	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes
No. of observations	143,017	143,017	143,017	143,017	111,069	111,069	51,559	51,559	51,559	51,559	39,609	39,609
Pseudo R ²	0.0494	0.2562	0.0726	0.2568	0.0732	0.2543	0.0291	0.1766	0.0541	0.178	0.0529	0.1767

Note: See notes to Table 16.6.

Table 16.8 Slovakia: Selectivity analysis

	Returnee–stayer						Returnee–emigrant					
	All sample			Youth sample (15–34 years)			All sample			Youth sample (15–34 years)		
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Male	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	-0.001 (0.002)	-0.001 (0.002)	0 (0.002)	-0.001 (0.011)	-0.002 (0.011)	-0.002 (0.011)	-0.012 (0.018)	-0.014 (0.017)	-0.012 (0.017)
Married	-0.003*** (0.001)	-0.004*** (0.001)	-0.004*** (0.001)	-0.009*** (0.002)	-0.010*** (0.002)	-0.010*** (0.002)	-0.018 (0.012)	-0.018 (0.012)	-0.02 (0.012)	-0.03 (0.021)	-0.027 (0.021)	-0.029 (0.021)
Age 15–24 years	0.009*** (0.002)	0.008*** (0.002)	0.008*** (0.002)				0.008 (0.025)	0.008 (0.025)	-0.008 (0.026)			
Age 25–34 years	0.006*** (0.001)	0.005*** (0.001)	0.005*** (0.001)				-0.001 (0.022)	-0.004 (0.022)	-0.011 (0.023)			
Age 35–44 years	0.001 (0.001)	0.001 (0.001)	0.001 (0.001)				-0.024 (0.022)	-0.025 (0.021)	-0.029 (0.023)			
Age 45–54 years	0 (0.001)	0 (0.001)	0 (0.001)				-0.03 (0.022)	-0.032 (0.022)	-0.035 (0.023)			
Other non-Slovak nationality	-0.003** (0.001)	-0.003** (0.001)	-0.003** (0.001)	-0.005 (0.003)	-0.005 (0.003)	-0.005 (0.003)	-0.022 (0.014)	-0.021 (0.014)	-0.022 (0.014)	-0.03 (0.023)	-0.034 (0.023)	-0.032 (0.023)
Secondary education	0.002 (0.002)	0.002 (0.002)	0.002 (0.002)	-0.001 (0.008)	0 (0.008)	0 (0.008)	0.011 (0.03)	0.005 (0.031)	0.014 (0.028)	-0.008 (0.061)	-0.015 (0.062)	-0.006 (0.059)

Higher education	−0.002 (0.002)	−0.001 (0.002)	−0.001 (0.002)	−0.007 (0.009)	−0.006 (0.008)	−0.005 (0.009)	−0.033 (0.036)	−0.039 (0.036)	−0.022 (0.036)	−0.049 (0.071)	−0.06 (0.071)	−0.033 (0.071)
Overeducated among medium educated	0.009 (0.007)	0.007 (0.007)	0.007 (0.007)	0.08 (0.069)	0.065 (0.057)	0.069 (0.06)	0.007 (0.044)	0.017 (0.046)	0.004 (0.043)	0.176 (0.147)	0.18 (0.141)	0.174 (0.145)
Overeducated among highly educated	0.002 (0.004)	0.002 (0.004)	0.002 (0.004)	0.003 (0.008)	0.004 (0.008)	0.003 (0.008)	0.007 (0.048)	0.013 (0.05)	0 (0.046)	0.003 (0.057)	0.016 (0.062)	−0.007 (0.053)
Medium-level occupation	0.001 (0.004)	0.000 (0.004)	0.001 (0.004)	0.014 (0.011)	0.012 (0.010)	0.013 (0.010)	−0.022 (0.046)	−0.011 (0.043)	−0.023 (0.046)	0.075 (0.066)	0.079 (0.063)	0.075 (0.066)
High-level occupation	−0.004 (0.003)	−0.005 (0.003)	−0.005 (0.003)	0.001 (0.007)	−0.001 (0.007)	−0.001 (0.007)	−0.025 (0.05)	−0.012 (0.046)	−0.03 (0.049)	0.048 (0.07)	0.054 (0.067)	0.04 (0.068)
Self-employed	−0.002 (0.001)	−0.002 (0.001)	−0.002 (0.001)	−0.008* (0.004)	−0.008* (0.004)	−0.008* (0.004)	−0.100*** (0.017)	−0.099*** (0.017)	−0.091*** (0.017)	−0.125*** (0.032)	−0.128*** (0.032)	−0.118*** (0.032)
LM status one year ago—student	0.006* (0.003)	0.006* (0.003)	0.006* (0.003)	0.013* (0.005)	0.013* (0.005)	0.012* (−0.005)	0.097* (0.039)	0.101** (0.039)	0.103** (0.04)	0.124** (0.044)	0.130** (0.044)	0.125** (0.044)
Unemployed	0.004** (0.002)	0.005** (0.002)	0.005** (0.002)	0.008* (0.004)	0.010* (0.004)	0.010** (0.004)	0.063** (0.021)	0.068** (0.021)	0.072*** (0.022)	0.073* (0.03)	0.078** (0.03)	0.084** (0.031)
Inactive	0 (0.002)	0 (0.002)	0 (0.002)	−0.008* (0.003)	−0.008** (0.003)	−0.008** (0.003)	0.165 (0.085)	0.180* (0.086)	0.183* (0.089)	0.101 (0.18)	0.139 (0.191)	0.144 (0.2)
GDP last quarter			−0.002 (0.002)			−0.007 (0.005)			−0.056* (0.025)			−0.091* (0.041)

(continued)

Table 16.8 Continued

	Returnee–stayer						Returnee–emigrant					
	All sample			Youth sample (15–34 years)			All sample			Youth sample (15–34 years)		
	M1	M2	M3	M4	M5	M6	M7	M8	M9	M10	M11	M12
Unemployment rate last quarter			–0.001*** (0.000)			–0.002*** (0.000)			–0.008*** (0.002)			–0.006 (0.004)
Year dummies	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No
No. of observations	53,604	53,604	53,602	15,449	15,449	15,447	3,510	3,510	3,508	1,652	1,652	1,650
Pseudo R ²	0.102	0.116	0.116	0.089	0.111	0.106	0.064	0.092	0.073	0.053	0.089	0.06

Note: See notes to Table 16.6.

Table 16.9 Slovakia: Labor market status analysis

	All sample						Young sample (15–34 years)					
	M1		M2		M3		M4		M5		M6	
	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive
Returnee	0.415*** (0.027)	-0.188*** (0.02)	0.427*** (0.027)	-0.191*** (0.02)	0.432*** (0.027)	-0.191*** (0.02)	0.462*** (0.036)	-0.293*** (0.029)	0.476*** (0.035)	-0.296*** (0.028)	0.479*** (0.035)	-0.296*** (0.028)
Male	0.008*** (0.002)	-0.138*** (0.002)	0.008*** (0.002)	-0.138*** (0.002)	0.008*** (0.002)	-0.138*** (0.002)	0.022*** (0.003)	-0.198*** (0.004)	0.021*** (0.003)	-0.198*** (0.004)	0.021*** (0.003)	-0.198*** (0.004)
Married	-0.040*** (0.002)	0.005 (0.003)	-0.038*** (0.002)	0.006 (0.003)	-0.038*** (0.002)	0.006 (0.003)	-0.015*** (0.004)	-0.095*** (0.005)	-0.012** (0.004)	-0.094*** (0.005)	-0.012** (0.004)	-0.093*** (0.005)
Age 15–24	0.020*** (0.003)	0.054*** (0.006)	0.022*** (0.003)	0.055*** (0.006)	0.022*** (0.003)	0.055*** (0.006)						
Age 25–34	0.081*** (0.003)	-0.363*** (0.005)	0.083*** (0.003)	-0.362*** (0.005)	0.083*** (0.003)	-0.362*** (0.005)						
Age 35–44	0.085*** (0.003)	-0.462*** (0.004)	0.085*** (0.003)	-0.461*** (0.004)	0.085*** (0.003)	-0.461*** (0.004)						
Age 45–54	0.083*** (0.003)	-0.449*** (0.004)	0.083*** (0.003)	-0.449*** (0.004)	0.083*** (0.003)	-0.449*** (0.004)						
Other non-Slovak nationality	-0.080*** (0.004)	0.039*** (0.004)	-0.079*** (0.004)	0.039*** (0.004)	-0.079*** (0.004)	0.039*** (0.004)	-0.121*** (0.007)	0.126*** (0.007)	-0.120*** (0.007)	0.126*** (0.007)	-0.120*** (0.007)	0.126*** (0.007)

(continued)

Table 16.9 Continued

	All sample						Young sample (15–34 years)					
	M1		M2		M3		M4		M5		M6	
	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive	Unemployed	Inactive
Secondary education	–0.108*** (0.004)	–0.278*** (0.004)	–0.110*** (0.004)	–0.277*** (0.004)	–0.110*** (0.004)	–0.277*** (0.004)	0.034*** (0.004)	–0.565*** (0.005)	0.034*** (0.004)	–0.565*** (0.005)	0.034*** (0.004)	–0.565*** (0.005)
Higher education	–0.162*** (0.004)	–0.312*** (0.005)	–0.165*** (0.004)	–0.312*** (0.005)	–0.165*** (0.004)	–0.312*** (0.005)	–0.017*** (0.005)	–0.619*** (0.007)	–0.021*** (0.005)	–0.622*** (0.007)	–0.022*** (0.005)	–0.622*** (0.007)
GDP per capita					0.028*** (0.007)	–0.012 (0.009)					0.003 (0.003)	–0.002 (0.004)
Unemployment rate					0.004** (0.002)	–0.003 (0.002)					0.040** (0.012)	–0.040* (0.016)
Year dummies	No	Yes	No	No	Yes	No	No	Yes	No	No	Yes	No
No. of observations	96,820		96,820		96,818		36,259		36,259		36,257	
Pseudo R ²	0.254		0.2558		0.2559		0.2212		0.2252		0.2254	

Note: See notes to Table 16.6.

countries in the Estonian data. The variables GDP per capita and unemployment rate are measured at the national level in the home countries, and we use quarterly data for these. We also include year dummies to capture other aggregate-level dynamics. The models are organized in three modifications: baseline models (individual-level variables only), models with year dummies, and models with macroeconomic variables. The models are identical for the two countries.

16.5.2. Results: Estonia

16.5.2.1. Selectivity Analysis

The results of the selectivity analysis for the Estonian sample are presented in Table 16.6. Returnee–stayer and returnee–migrant selections are studied in both the young group (aged 15–34 years) and the total sample. We first focus on the returnee–stayer selection framework. The estimates based on the total sample showed that the likelihood of being a returnee decreases with age; for example, the odds of being a returnee are highest for those aged 15–24 years.⁶ Because young returnees are of prime interest, we explicitly analyze their selection patterns. We found that young returnees are more likely to be male, relative to stayers (the same holds in the total sample). Returnees aged 15–34 years are more likely to hold a secondary education qualification (models M4 and M6). However, higher education does not significantly affect the decision to return in the sample of young people, whereas in the total sample both secondary and higher education play a role in the selection of returnees. In terms of job-related characteristics, young returnees are less likely to occupy medium-level positions relative to low-level occupations, and they are more likely to have high-level occupations.⁷ This suggests a bimodal selection of returnees with respect to the skill level of occupation in returnee–stayer selection (i.e., we can observe positive selection from both low- and high-level occupations). Compared to stayers aged 15–34 years, returnees have less likelihood of being self-employed, more likelihood of being unemployed, and are less likely to be inactive 1 year before the interview. It is interesting to note that being overeducated shortly before return significantly disincentivized return among medium-educated youth. At the same time, among highly educated youth (but not in the total sample), a mismatch significantly increased the likelihood of return relative to current emigrants. In terms of macro-level variables, as expected, a higher home-country unemployment rate and GDP level are positively linked to the probability of being a returnee in both the young and the total samples.

Second, we analyzed selection of returnees compared to current Estonian emigrants (see Table 16.6). Age affects selection for returning differently for emigrants than for stayers: The likelihood of returning increases with age. Therefore, younger aged people are more likely to experience temporary labor migration, but once abroad they are more likely to return as they grow older. Analysis of the young sample revealed that returnees are likely to be female (the

same holds in the total sample). This result, coupled with the evidence on selection by gender in the returnee–stayer framework, implies that men are generally more likely to choose temporary employment abroad, but once in the foreign country, women are more likely to return. Regarding job-related characteristics, young returnees are less likely to occupy medium- and high-level positions in the last quarter abroad. Overeducation in the last quarter abroad significantly affects the decision to return in the young subsample of both medium- and highly educated returnees. At the same time, overeducation only appeared to significantly affect the decision to return among the medium educated in the total sample. Among other employment-related variables, unemployed status a year previously decreases the likelihood of being a returnee in the young sample solely in model M10. Self-employed, student, and inactive labor market status a year previously plays no significant role in the selection of returning youth. Naturally, a higher unemployment rate in the home country is negatively associated with the likelihood of returning; however, a statistically significant effect was found only in the young subsample.

16.5.2.2. The Effect of Migration Status on Labor Market Status (Multinomial Logistic Regression)

Table 16.7 reports the results of the multinomial logistic regression of labor market status (employed, unemployed, or inactive) in the last quarter of the interview across the total sample and the youth subsample. In the baseline model of the young age group (M4), returnees were found to be 9.3 percentage points (pp) more likely to be unemployed and 21 pp less likely to be inactive. A similar pattern holds in the total sample, albeit of a smaller magnitude (6.2 pp and 6 pp, respectively). Regarding the effect of other controls within the youth sample, women are less likely than men to be unemployed, whereas they are more likely to be inactive. Married respondents are less likely to be either unemployed or inactive. Non-Estonians have a 5.1 pp greater likelihood of facing unemployment and are 8.1 pp less likely to be inactive. A higher education degree decreases the likelihood of unemployment by 1.9 pp, whereas the probability of being inactive is negatively and substantially affected by both secondary and higher education. Macroeconomic indicators appeared to have no statistically significant association with the odds of being unemployed or inactive in the young group (M6). However, model M3, based on the total sample, revealed a significant positive effect of the unemployment rate on the probability of unemployment and inactivity, whereas the GDP level negatively affects the likelihood of unemployment in the total sample.

16.5.3. Results: Slovakia

16.5.3.1. Selectivity Analysis

The results for the Slovak sample are presented in Table 16.8 for the general sample and for the youth subsample. Comparing returnee–stayer selection in

the general sample, we find that being male, young (aged 15–34 years), single (as opposed to married), and of Slovak nationality all increase the likelihood of being a returnee. Among young returnees, only being single increases the likelihood of return. Young returnees are also more likely to have been either a student or unemployed a year before the interview in the host country, relative to being employed, but are less likely to be economically inactive. Young returnees are also more likely to work in medium-skilled positions and are less likely to be self-employed compared to stayers. We observe similar results for the general sample. Concerning the macroeconomic variables, essentially the same results were observed for both the general sample and the youth sample (M5 and M6). A higher unemployment rate in the home country is associated with a lower probability of returning. Overall, although we find significant differences between returnees and stayers in both samples, they are substantively rather small. Importantly, we do not find any effect from overeducation, skill level of occupation, or the level of education on the selection of returnees relative to stayers.

Comparing returnees to current emigrants, we find no significant differences between these groups in terms of demographic characteristics. We focus on interpreting the results for the youth subsample. The only significant results relate to the nature of employment and previous labor market status. Being self-employed is associated with approximately 13 pp lower probability of being a returnee. Being a student or unemployed a year previously are all associated with a higher probability of returning (approximately 13 pp and 8 pp, respectively). Furthermore, higher GDP is negatively associated with the probability of being a returnee rather than a current emigrant, but we do not find a significant effect of unemployment rate in the youth subsample. Higher unemployment in the home country does, however, deter returns for the general sample.

16.5.3.2. The Effect of Migration Status on Labor Market Status (Multinomial Logistic Regression)

Table 16.9 shows the results of the multinomial logistic regression of labor market status (employed, unemployed, or inactive) in the last quarter of the interview across the total sample (M1–M3) and the youth subsample (M4–M6). We again focus on the interpretation of the youth subsample. Results from the baseline model of the multinomial logistic regression of labor market status in the last quarter of the interview (M4 in Table 16.7) show the probability of being employed, unemployed, or inactive for the whole sample. Compared to stayers and migrants, young returnees are 46 pp more likely to be unemployed—a strikingly stronger relationship compared to Estonia—and 30 pp less likely to be inactive, controlling for gender, age, marital status, education, and nationality. Women have a lower probability of being unemployed but a greater probability of being inactive compared to men. Being married decreases the chances of being

unemployed or inactive. Having a higher education decreases the likelihood of unemployment or inactivity, whereas having a secondary education increases the probability of unemployment. Non-Slovaks have a 12 pp lower probability of unemployment, but a 13 pp stronger likelihood of being inactive. These results also hold in the extended specifications of the model. The results for the total subsample are substantively the same on most accounts. Adding macroeconomic variables to the model (M3), we do not observe any effect from the level of GDP on unemployment or inactivity, but we still find a positive effect of rising unemployment rates on unemployment. For the total sample, a higher GDP level and unemployment rate are associated with a higher probability of being unemployed, but there is no such linkage with the probability of being inactive.

16.6. COMPARATIVE SYNTHESIS

The conclusions from the Estonian and Slovakian case studies contribute to previous empirical findings regarding the post-return labor market performance of return migrants, and they also reveal the main characteristics of the labor market integration of young returnees in two small economies in Central and Eastern Europe.

We find a multitude of differences in the return migration patterns, determinants of selection, and labor market integration of returnees. First, return migration is a more widespread phenomenon in Estonia than in Slovakia. In Estonia, net intra-EU migration is positive because more people have started to return than to leave. The Slovak balance continues to be negative. Poor labor market conditions could be the reason for continued outflows of migrants from Slovakia. Second, young returnees do not differ from young stayers or young emigrants in terms of their level of education in either of the two countries. However, Estonian returnees in the total sample are positively selected on the basis of education relative to stayers and migrants. The no-effect findings for youth seem to contradict other studies finding selectivity on the basis of education (Hazans and Philips 2010; Martin and Radu 2012; see also the literature review in Section 16.2), but these studies did not specifically focus on youth.

Third, overeducation plays no role in the selectivity of returnees relative to migrants or stayers in Slovakia. This is in line with other research using web-survey data about returnees (Kureková and Žilinčíková 2018). Kureková and Žilinčíková show that returnees find positions equivalent to their qualifications after returning and that mismatch does not cause a failed return; in other words, there is no negative effect of a mismatch on Slovak returnees. The results are significant in Estonia, where overeducation among highly educated young return migrants has contributed to their return. This finding is in line with several other studies, which argue that a mismatch abroad is a significant factor of return (Currie 2007; Pungas et al. 2012; Coniglio and Brzozowski 2016). This

suggests that young highly educated Estonians face difficulties when trying to find a job that corresponds to their qualifications abroad and that the decision to return is partly driven by a mismatch in their occupation and qualifications in the foreign labor market. It may also indicate that highly educated Estonian youth are relatively optimistic about their opportunities in their home country. In the total sample of highly educated Estonians, no statistically significant effect of overqualification on return probability was found.

The patterns observed regarding overeducation in Estonia could be explained in terms of young people gaining more from their good education in the home country compared to older people. Although generally the returns on higher education are high in the Estonian labor market, some labor market groups, such as ethnic minorities, benefit much less from higher education (Hazans 2003). The main destination countries have to be acknowledged in this context, too. Masso et al. (2016) showed that Finland was and remains the key destination country among Estonian emigrants.⁸ A highly suppressed income distribution in Finland coupled with the previous evidence on occupational downgrading of Estonian migrants (Masso et al. 2014) may result in lower earnings for highly educated Estonian migrants who fail to find a job that corresponds to their qualifications. At the same time, a lower occupation–qualification match for medium-educated young Estonians in Finland results in higher earnings compared to a better match if they were to remain in Estonia. In other words, they obtain higher earnings in Finland compared to Estonia despite their lower occupation–qualification match. The latter finding is supported by the negative effect of overeducation among the medium educated on selection of returnees.

Fourth, for the young Estonian returnees, labor market status a year previously does not affect their selectivity relative to migrants or stayers, whereas it is an important factor for the Slovak returnees. The crucial role of labor market conditions in Slovakia is also confirmed in the analysis of post-return short-term labor market outcomes. Although we find a higher risk of short-term unemployment for young returnees in both countries, there are some important cross-country differences. The magnitude of the negative effect of returnee status on labor market performance is much stronger in Slovakia than in Estonia. Furthermore, the impact of macroeconomic variables in Estonia is less important in predicting labor market outcomes for young and older returnees. The latter finding might be related to the rather different destination countries of the Estonian and Slovak migrants and possibly to the fact that the business cycles in the home and host countries for migrants are more closely correlated in the case of Estonia. The finding that being a returnee has a negative impact on short-term labor market outcomes is generally in line with the findings of other studies (Smoliner et al. 2012; Coniglio and Brzozowski 2016). We can, however, also anticipate that most returnees integrate relatively smoothly within 6 months of return, as has been shown in other research, not least due to their high levels of education and foreign experience. For example, Tverdstup and Masso (2016)

identified a positive, statistically significant effect of temporary mobility on earnings in the young cohort 3 years after returning (based on Estonian Population and Housing Census data linked to Tax Registry data on individual payroll taxes). This result is in line with our finding of a negative short-term impact on labor market performance and suggests that positive returns on foreign labor market experience for youth develop over time after returning home. Masso et al. (2016) found that employers and young returnees generally value foreign work experience positively, although, on the negative side, employers mention higher wage expectations among returnees and the risk of them going abroad again in the future. These authors also document that unemployment benefits appear to facilitate job matching after return, but likewise temporarily increase short-term unemployment as returnees use the time to find adequate jobs. Finally, Masso et al. found that foreign work experience significantly increases the attractiveness of job candidates.

The initial differences in the likelihood of unemployment between the Slovak and Estonian returnees are probably a function of the general performance of the labor market, which has been relatively poor in Slovakia. The labor market situation in the host countries has important implications for the ease of reintegration of returnees. It might also explain the differences in the magnitude of returns, which have been more prominent in Estonia and comparatively weaker in Slovakia. Overall, the labor market situation in the home country affects return decisions and labor market performance. It appears that better labor market conditions and increased welfare support in response to the crisis have contributed to better immediate labor market outcomes for Estonian returnees. Other studies suggest that medium-term integration prospects for returnees are likely to be better relative to the situation immediately after return; that is, over time the prospects of reintegration into the home country labor market are likely to improve (Piracha and Vadean 2010; Masso et al. 2016).

16.7. CONCLUSIONS

This chapter furthers our understanding of the selectivity and labor market integration of return migrants in Estonia and Slovakia. The comparative approach is useful because it helps highlight that selectivity and integration prospects might vary significantly across EU countries. Our findings highlight the complex ways in which various factors intervene and interrelate in affecting different subgroups of returnees (e.g., young returnees) in different ways, including a mediating role of personal, gender, and family-related factors that we are unable to uncover in our analysis. The complexity is further revealed in the two-country comparison showing that across countries, different factors might play a role, depending on, for example, home country labor market conditions. In summary, our research seems to point to different underlying reasons for mobility and return in Estonia

and Slovakia, mediated by the role of labor market performance and welfare spending changes. This implies that no uniform conclusions or policy advice that is applicable across the EU are possible in the area of return migration and that specific country contexts should be carefully investigated and evaluated.

We have focused, in particular, on isolating the role of macroeconomic factors in affecting who returns and how they integrate. Although we have been unable to investigate the full range of possible factors, our findings suggest that the quality of the macroeconomic environment affects both the selectivity and the performance of returnees. Better labor market conditions in Estonia and significantly enhanced social support in response to the crisis appear to have encouraged the return of older migrants and facilitated the reintegration of young migrants.

Although our study shows that in both countries, returnees initially enter unemployment registers, evidence suggests that this is a temporary phenomenon facilitated by the possibility of transferring unemployment benefits from the country where they were earning to another EU country (typically the home country) for a period of 3 months. Other research rather consistently shows that the integration prospects of returnees improve soon thereafter and that they find work within 6 months. Employers value foreign work experience because it demonstrates a set of skills valued in the CEE labor markets. A further important finding relates to the role of overeducation and mismatch in shaping return patterns. Especially in the case of Estonia, a mismatch abroad led to a greater propensity to return among highly educated young returnees, but it disincentivized the return of medium-educated migrants. This suggests that receiving countries are losing the most able CEE migrants because of a failure to offer quality employment and career prospects. Although this appears to be an advantage for the sending countries, it is unlikely that these highly educated returnees had enough opportunities to develop their human capital and that, therefore, their contribution to the home country is more limited.

The limitations of our chapter are threefold. First, we only examine how different labor market groups—returnees, stayers, and current emigrants—perform in terms of labor market status. Such an approach naturally has its limitations because return migration might also have an effect on wages (Hazans 2008), the tendency to be self-employed, or occupational mobility (Masso et al. 2014). Second, given the data structure, we are only able to analyze short-term labor market outcomes in the 3 months following the return. Although the results indicate a worse labor market situation for returnees than for emigrants and stayers, other research consistently finds that in the longer term, returnees integrate well and their foreign work experience is valued in the domestic labor market after returning (Masso et al. 2016). Third, because of data limitations, we concentrate on economic factors only and are unable to consider several other factors, such as social networks and some of the specific characteristics of migration that arguably play a role in successful reintegration (Barrett and Mosca 2013; Coniglio and Brzozowski 2016). Although most of the returnees had experienced short-term

migration, we were unable to reconstruct the exact length of the migration spell that was previously found to increase difficulties with integration upon return (Coniglio and Brzozowski 2016). We could also not employ a measure of the number of children in our analysis, which had been found to have a positive impact on integration into the home labor market (Coniglio and Brzozowski 2016). Last, we were unable to control for the destination country of emigrants, which might have impacted on the selectivity of return and on integration into the home labor market, given the different employment opportunities in each host country.

One possible solution to some of these issues would be to have panel data following the whole migration process and return—capturing information for before migration (in the home country), while abroad (in the host country), and after return (once back in the home country). Such data, whether collected on a continuous basis or through a series of retrospective interview surveys, would capture the complete migration path and examine the selections more profoundly. It would allow us to analyze “true” returns on migration and returning home in a consistent manner, controlling for migrants’ labor market performance in the home country before leaving. This kind of data could also be obtained by linking the national registers of home and host countries (e.g., Estonia and Finland). However, the downside of such an approach is that we are likely to learn only about a limited number of countries, which may induce some selectivity issues. Online data, such as reconstructing life histories from online curriculum vitae (CVs), provide another possible source for studying migration and returning home from the perspective of labor market integration (Kureková and Žilinčíková 2018).

Several policy lessons can be drawn from our analysis. First, given that young return migrants constitute a specific subgroup of the returnee population, they should be attracted to the host-country economy because they have significant potential based on high educational attainment accompanied by foreign market experience. Facilitating the acceleration of the labor market integration of young returnees will enable them to fully realize their potential and thus provide benefits for the home-country economy. There is scope for public institutions to provide better assistance upon return and to facilitate integration, especially in underperforming labor markets such as that of Slovakia. Precisely such practices of labor market intermediaries were also identified for EU8 migrants in Austria (Ortlieb and Weiss, this volume). For example, return migrants can become a target category for post-return assistance in labor offices, especially if they return to worse performing regions, as seems to be the case (Barcevičius et al. 2012).

Second, inequalities exist among returnees, and not all returnees are on an equal footing in terms of their abilities. In particular, returnees disadvantaged in terms of gender, age, ethnicity, or geographic location might be in more need of assistance from public authorities in their reintegration process. On the other hand, programs targeted at highly educated youth underperforming in the host

countries may help overcome the effects of a brain drain or brain waste. Yet, as demonstrated in the Slovak case, given that overeducation need not be associated with the return decision among the highly skilled, the challenge could also be how many opportunities the home-country labor market offers these individuals. The need for policy intervention seems to be somewhat less pressing in the Estonian case, in which overeducation was shown to be associated positively with returning home among the highly educated.

NOTES

- 1 Jaan Masso acknowledges financial support from the Estonian Research Agency, project No. IUT20-49, “Structural Change as the Factor of Productivity Growth in the Case of Catching Up Economies.” The authors are grateful for comments made on earlier versions by Maura Sheehan, Jan Brzozowski, and the editors of this volume, while assuming full responsibility for the final content.
- 2 The mechanism of transfer of unemployment benefits allows an individual to carry over unemployment benefits from the EU country in which he or she was last working to another EU country, usually for a period of 3 months. There are two basic conditions under which a worker is entitled to transfer the benefits. First, the worker must be entitled to unemployment benefits in the country of last employment and, second, he or she must register as unemployed with the labor office in another EU member state. The eligibility, duration, and maximum amount of benefits vary widely across EU countries. For example, the level of jobseeker’s allowance in the United Kingdom is relatively low—approximately £313 per month for a person aged older than 25 years, which is extremely difficult to live on. The relative value of such benefits may be higher in the home country, where living costs may be lower; hence, an unemployed person might choose to return home to receive this value of benefits in his or her country of origin.
- 3 Kureková and Žilinčíková (2018), analyzing online CV data, find that return migration to Slovakia is much more sizable. In their sample of young jobseekers, every fifth person had experience of migration. Their sample also significantly differs from the EU-LFS sample of returnees regarding key demographic characteristics, especially the education variable.
- 4 One may think of the higher unemployment rate among returnees as being related to the scarring effect if the best people do not emigrate. However, the qualitative evidence shows that returnees are rather attractive for employers but that they may have higher wage expectations, resulting in a longer job search period (Masso et al. 2014, 2016). The higher unemployment rate may also be due to savings accumulated abroad that enable returnees to afford a longer period for job search.

- 5 We are grateful to Jan Brzozowski for drawing our attention to this possibility.
- 6 The higher share of return migrants among youth may be thought to be associated with student mobility; however, in the current analysis, the definition of returnee is based exclusively on being abroad for work.
- 7 The results are probably due to the selection rather than, for example, to individuals previously employed in medium-level positions moving to high-level positions because of return migration, given that previous studies did not find any effect of return migration on occupational upgrading (Masso et al. 2014).
- 8 The evidence from the Estonian job search portal data set (CV Keskus) revealed that among Estonian migrants aged 15–35 years, the share of those moving to Finland increased from 17% in 2004 to 38% in 2012 (Masso et al. 2016).

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PART IV

CHALLENGING FUTURES FOR YOUTH

17

ORIGINS AND FUTURE OF THE CONCEPT OF NEETS IN THE EUROPEAN POLICY AGENDA

Massimiliano Mascherini

17.1. INTRODUCTION

Deeply concerned about the risk of a “lost generation” and seeking to better understand the complex nature of youth disadvantage, researchers and government officials began to adopt new ways of estimating the prevalence of labor market vulnerability among young people by using the concept of NEETs: young people not in employment, education, or training. Originating in studies carried out in the United Kingdom in the 1980s, the concept was adopted by the European Commission Employment Committee (EMCO), which agreed in 2010 on a definition and the methodology for an indicator to measure and monitor trends in the NEET population of the European Union (EU) as part of the Horizon 2020 strategy.

Once it had entered the European policy debate, the term NEET quickly became a powerful tool for attracting public attention to the multifaceted vulnerabilities of young people and for mobilizing researchers’ and policymakers’ efforts in addressing the problem of labor market participation by young people. The concept of NEETs has since been widely used in the European policy debate: Reducing the number of NEETs is one of the objectives of the European Youth Guarantee and, more recently, prevalence of NEETs has been included as one of the indicators for strengthening the social dimension of the Economic and Monetary Union.

Despite the rapid success of the NEET concept, it is often criticized for its grouping of a highly heterogeneous set of young people under one single term.

Although the term NEET captures all young people who are in a status of not accumulating human capital through formal channels—namely the labor market or education—this is actually a very diverse population with very different characteristics and needs. The heterogeneity of the NEET population has important consequences for policy responses. Although governments and social partners are rightly setting targets to reduce the overall NEET rate, it is argued here that greater attention should be given to disaggregating the heterogeneous NEET category. Policy interventions sensitive to the needs and barriers faced by particular groups of young people will be more effective than a blanket policy imposed on a heterogeneous group.

This chapter discusses the origin and the future of the NEETs indicator in the European policy framework and proposes a distinction between seven different types within the NEET categorization with a view to better informed targeted policies. First, we examine the origins of the concept of NEETs and how it entered into the European policy debate. This is followed by a critical evaluation of the value added by the concept and of its limitations for policymaking. We then examine the main characteristics of the NEET population in Europe and the risk factors associated with becoming NEET. Finally, a disaggregation of the NEET indicator is proposed and applied to data from the European Union Labour Force Survey (EU-LFS), followed by a discussion of policy implications.

17.2. ORIGINS AND EVOLUTION OF THE NEET INDICATOR

The need for an additional indicator able to capture young people who are not in employment, education, or training first emerged in the United Kingdom in the late 1980s as an alternative way of categorizing young people aged 16–17 years. This came about as a result of changes in the UK benefit regime: Specifically, the 1986 Social Security Act and its 1988 implementation withdrew entitlement to Income Support/Supplementary Benefit from young people aged 16–17 years in return for a “youth training guarantee” (Williamson 2010).

As a result of this change and the consequent emergence of this new group, researchers and government officials started to adopt new ways of estimating the prevalence of labor market vulnerability among young people. Williamson (1985) was the first to highlight the emerging crisis of young adulthood. Subsequently, a study of young people in South Glamorgan in Wales (funded by the South Glamorgan Training and Enterprise Council) was the first to produce quantitative estimates of the number of young people aged 16–17 years who were not in education, training, or employment (Istance, Rees, and Williamson 1994). Using more qualitative material, this study also illustrated how some of these young people had arrived at this status, how they were getting by, and what they expected for their futures. Here, Istance and colleagues (1994) used the term Status 0/Status Zer0 (later changed to “Status A”) to refer to a group of

people aged 16–17 years who were not covered by any of the main categories of labor market status (employment, education, or training). The term Status 0/Status Zer0 was merely a technical term derived from careers service records, where Status 1 referred to young people in post-16 education, Status 2 to those in training, and Status 3 to those in employment. The study concluded with the shocking finding that 16%–23% of the age group in question was in Status Zer0 in the United Kingdom during the 1980s. Without making any claim as to representativeness, Istance and colleagues acknowledged the heterogeneity of the group, depicting different routes into Status Zer0 and different experiences within it. The term Status Zer0 was by no means intended as a negative label; it was more about reflecting societal abandonment of this group. However, the term soon came to represent “a powerful metaphor” for the fact that Status Zer0 young people appeared to “count for nothing and were going nowhere” (Williamson 1997:82). The study captured the media’s imagination (Bunting 1994; McRae 1994), and the term entered into the policy debate in the summer of 1994 as Status A (where A stood for abandoned, as in “the abandoned generation”). In this context, Liberal–Democrat MPs raised questions about the Status A phenomenon in Parliament and convened a debate in the House of Lords (Williamson 2010).

Against this background, the term NEET was coined in March 1996 by a senior Home Office civil servant who had detected resistance on the part of policymakers working with the original and often controversial terms of Status Zer0 and Status A. Embracing the concept previously introduced by Istance et al. (1994), the term NEET replaced the other labels and was then formally introduced at the political level in the United Kingdom in 1999 with the publication of the government’s *Bridging the Gap* report from the Social Exclusion Unit of the New Labour government (SEU 1999).

The term NEET rapidly gained importance outside the United Kingdom, too. By the beginning of the new millennium, similar definitions had been adopted in almost all EU member states; similar concepts referring to disengaged youth were also emerging in popular discourse in Japan, New Zealand, Taiwan, Hong Kong, and—most recently—China (Mizanur Rahman 2006; Liang 2009; Eurofound 2012; Pacheco and Dye 2013). Some of these new concepts went beyond the original meaning of NEET, also attaching a negative stigma to these newly identifiable categories of youth. For example, *hikikomori* in Japan means “withdrawal” and is used to refer to young Japanese NEETs, usually young men, who live with their parents, spend their time alone in their rooms, are without friends, and engage only in activities on the Internet or in watching movies (Jones 2006; Wang 2015). In Spain, the term *generación ni-ni* became popular before the crisis as a means to identify young people who did not want to grow up by studying or going to work (Navarrete Moreno 2011); similar terms with negative connotations were also used in Italy (*bamboccioni*) and Germany (*Nesthocker*)—usually for young men who appeared unwilling to leave home and “grow up.” Thus, although it had

originated in the United Kingdom, the concept of NEETs was gradually being recognized in a number of other economically advanced countries.

17.2.1. NEETs at the European level

As the term became more popular across Europe, “NEETs” came to refer to young people aged 15–24 or 15–29 years who were not in employment, education, or training, and it was measured and mapped using national labor force surveys. Nevertheless, this seemingly simple definition masks considerable diversity between countries with regard to the characteristics of the young people classified as NEET. In the UK context, NEETs were frequently associated with problematic labor market transitions. In other countries—with well-functioning transmission paths into education and employment—NEETs were not present and youth transitions were not problematized in the same manner (Wallace and Bendit 2009; Filandri, Nazio, and O’Reilly, this volume).

The totality of those classified as NEETs can also include a diversity of experiences ranging from unemployed graduates taking their time to find work to unqualified early school-leavers and those taking on family caring responsibilities. Some of this diversity has been captured in a number of studies from the Organization for Economic Co-operation and Development and the European Commission (Walther and Pohl 2005; Carcillo et al. 2015). A study by Eurofound (2012) provided the first comparative analysis of the extent of the NEET phenomenon in Europe, examining the economic and societal costs of not integrating youth into the labor market.

At the European policymaking level, EMCO and its Indicators Group (European Commission, DG EMPL) agreed on a definition and a methodology for a standardized indicator to measure and compare the NEET population in Europe as part of its monitoring of the Europe 2020 strategy in April 2010 (European Commission 2011a, 2011b). The definition of NEETs implemented by Eurostat refers to young people aged 15–24 years who are unemployed or inactive according to the International Labour Organization (ILO) definition¹ and who are not in any form of education or training.

The Eurostat definition of NEET is constructed as follows: The numerator of the indicator refers to persons who are not employed (i.e., unemployed or inactive) and/or have not received any education or training during the 4 weeks preceding the survey; the denominator consists of the total population of the same age and gender. The NEET indicator is calculated using cross-sectional data from the EU-LFS, observing established rules for statistical quality and reliability (European Commission 2010b, 2011a).

The main NEET indicator produced by Eurostat covers various age groups. For analytical purposes, and given a conceptualization of youth as an age group that varies substantially across different countries (Wallace and Bendit 2009), the indicator is then disaggregated by gender and is available for different age groups (15–17/15–19/15–24/15–29/15–34/18–24/20–24/20–34/25–29 years).

Breakdowns by labor market status (unemployed and inactive) and education level (at most lower secondary attainment/at least upper secondary attainment) are also available on the Eurostat website (European Commission 2011a).

The NEET indicator is constructed each year using the EU-LFS according to the following equation:

$$NEET_{Rate} = \frac{\text{Number of young people not in employment, education, or training}}{\text{Total population of young people}}$$

The NEET indicator thus measures the share of young people who are not in employment, education, or training among the *total* youth population. This is not the same as the youth unemployment rate, which measures the share of young people who are unemployed among the population of young people who are *economically active* (i.e., employed or searching for work, and excluding students). For this reason, although the youth unemployment rate is generally higher than the NEET rate, in absolute terms, the overall number of NEETs is generally higher than the overall number of young unemployed people (Figure 17.1). For example, although in 2015 the youth unemployment and NEET rates in Europe were 20.3% and 12%, respectively, the population of unemployed youth accounted for 4,640,000 individuals, whereas the population of NEETs was 6,604,000 individuals.

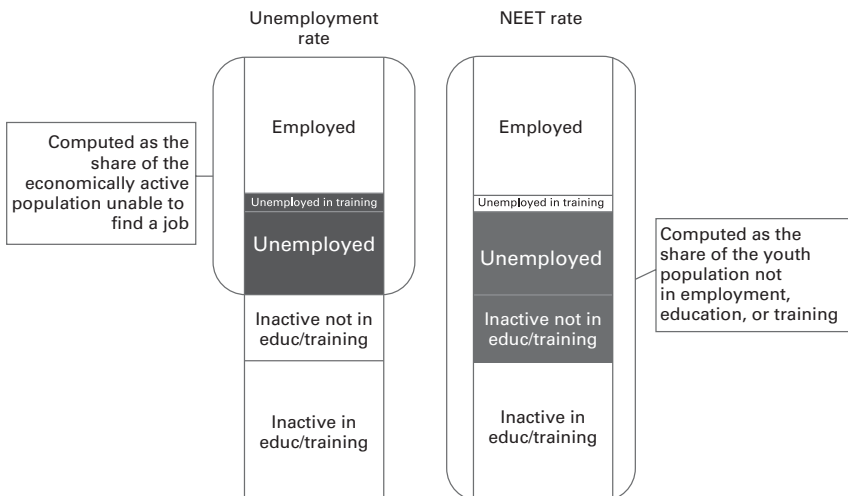


Figure 17.1 Unemployment compared to NEET.

Source: Eurofound (2012).

17.2.2. NEETs in the European policy agenda

Once a standardized definition had been agreed and operationalized at the EU level, the term NEET became increasingly central to the European policy agenda: NEETs were explicitly targeted for the first time in the Europe 2020 flagship initiative Youth on the Move (European Commission 2010a). The initiative states its mission as “unleashing all young people’s potential,” and emphasizes the importance of reducing the “astonishingly” high number of NEETs in Europe by providing pathways back into education or training and by enabling contact with the labor market. Most important, and going beyond youth unemployment, the initiative places special emphasis on ensuring the labor market integration of young people with disabilities or health problems.

Building on Youth on the Move, NEETs consequently became central to the new set of integrated guidelines for economic and employment policies. In 2011, the Youth Opportunities Initiative drew attention to the increasing share of young people not in employment, education, or training (European Commission 2011a), proposing a combination of concrete actions by member states and the EU to tackle the issue (Hadjivassiliou et al., this volume; Petmesidou and González Menéndez, this volume).

By 2012, several documents drawn up as part of the employment package Towards a Job-rich Recovery (European Commission 2012) emphasized the importance of tackling the NEET crisis and suggested making greater use of the European Social Fund for the next program period (2014–2020). One proposal was to make the sustainable integration of NEETs into the labor market (through youth guarantees and other measures) one of the investment priorities for the new program period. NEETs were identified as the most problematic group in terms of labor market trends and challenges (European Commission 2012).

Against this background, NEETs are at the heart of the Youth Guarantee, which aims to reduce NEET rates by ensuring that all young people aged 15–24 years not in employment, education, or training receive a good-quality offer of employment, continued education, or an apprenticeship or traineeship within 4 months of becoming unemployed or leaving formal education. Following a long debate starting in 2005, the Youth Guarantee was proposed by the European Commission in December 2012 and endorsed by the Council of the European Union on April 23, 2013 (Council of the European Union 2013). To make the practical implementation of the Youth Guarantee a reality, the European Commission published the Youth Employment Initiative (YEI), supported by €6 billion of funding, which targeted young NEETs (European Commission 2013a, 2013b).

Furthermore, NEETs are now regularly referred to in the documents of the European Employment, Social Policy, Health and Consumer Affairs Council, and the topic of NEETs has been a priority for recent European Council presidencies.

In the first half of 2013, the Irish Council presidency focused extensively on youth unemployment; in fact, it was during this period that the establishment of the Youth Guarantee was recommended. Subsequent presidencies frequently referred to the situation of NEETs (Council of the European Union 2013, 2014, 2015). Similarly, the European Parliament also took on board the NEET concept, as in a recent briefing on the youth employment situation in Greece (European Parliament 2015), but also in more generic publications examining the social situation in the EU (European Parliament 2014). When the pre-financing of the YEI was discussed in 2015, the NEET indicator played an important role in policy formulations.

17.3. VALUE ADDED AND LIMITATIONS OF NEET AS A CONCEPT FOR POLICYMAKING

As with every new concept entering the policy debate, the NEET concept has often struggled to be understood in terms of what exactly it is and what it was designed to do. NEET and youth unemployment are related concepts, but there are important differences between the two. NEET goes beyond unemployment in that it captures all young people who, for various reasons, are unemployed or inactive and are not accumulating human capital through formal channels (Eurofound 2012, 2016).

Although the NEET indicator is easily defined and captures a very general and heterogeneous population of all young people who—regardless of their education level and sociodemographic characteristics—are not in employment, education, or training, the term is sometimes used as a shortcut to identify solely the most vulnerable and the population most at risk of being socially excluded. The misuse of the NEET acronym can probably be traced back to the origins of the concept in the United Kingdom: Being NEET was more closely associated with early school-leaving and other severe patterns of vulnerability that lead to a higher risk of social exclusion and a lack of employment.

However, today this correspondence between risk of social exclusion and NEET status is far from being univocal. By enlarging the age category to the 15- to 24-year-old age group (or even to 15- to 29-year-olds), NEET captures all young people who are not currently participating in the labor market or in education. This includes vulnerable groups and those with accumulated disadvantages (including lower education levels, immigration background, health issues, young mothers, or young people with a difficult family background). But it also includes more privileged youth who voluntarily become NEET—while waiting for a particular opportunity or while attempting to pursue alternative careers (see Filandri et al., this volume; Zuccotti and O'Reilly, this volume). The heterogeneity of this

group means that the concept of NEET, when applied to the older youth cohort, no longer provides the same shortcut to identify the most vulnerable youth. In addition, there is a negative association in the media and public discourse in which NEET implies that young people do not *want* to work or study (Serracant 2013); this has been particularly true in some of the public discourse preceding the financial crisis.

The concept of NEET has been adopted in very different ways by governments and international organizations (Elder 2015). NEET is often associated with issues of joblessness, discouragement, or marginalization of youth, but it cannot be equated only with one of these areas; rather, it lies at the intersection of the three issues. The Eurofound (2012) study strongly related NEET to a lack of human capital accumulation through formal channels, whereas Elder (2015) concludes that the best interpretation of the term goes beyond a “productivist” approach and that the best fit is offered by marginalization/exclusion/disaffection. Williamson, who coined the concept under the name Status Zer0 (subsequently changed to NEET), rejects the use of the term “disaffection” to characterize NEETs, arguing for language that is less judgmental; hence his advocacy of “disengagement” or “exclusion,” which in turn allow for re-engagement and inclusion (Williamson 2010).

Despite the relative novelty of the NEET concept, it has had a strong catalyzing effect in attracting and mobilizing policymakers and public opinion. As well as having entered the youth policies lexicon, the concept of NEET is now highly popular among European media. Given the country’s high share of NEETs, Italian media, for example, have defined Italy as the nation of NEETs (Corriere della Sera 2015; *L’Espresso* 2015). Similarly, in the United Kingdom, the BBC has repeatedly called for greater attention to be paid to the situation of NEETs (BBC 2012, 2014), while the Spanish newspaper *El País* has described the apathy and passiveness of NEETs and their general situation (*El País* 2014, 2015). The NEET concept has the capability to increase the understanding of the various vulnerabilities of young people by placing particular groups such as the low educated, early school dropouts, young mothers, or young people with disabilities at the center of policy debates. These groups would otherwise simply be classified as inactive, usually with very limited attention being dedicated to them from a policy perspective (see Berloff, Matteazzi, and Villa, this volume). Making the reduction of the NEET rate a policy target, as the Youth Guarantee does, means preparing policies to reintegrate young people into education and the labor market that go beyond the issue of unemployment and the needs of the conventionally unemployed. Although there is no doubt that policy focused on reducing NEET rates is important, recognition of the heterogeneity of this group requires tailored policy interventions (Furlong 2007; Eurofound 2012).

17.4. THE CHARACTERISTICS OF NEETS IN EUROPE

Despite its limitations, the standardized indicator proposed by EMCO and operationalized by Eurostat in 2010 makes it possible to estimate the number of young people who are disengaged from the labor market and from education in Europe and to perform cross-country comparisons on the basis of the usual socioeconomic variables (Eurofound 2012, 2016).

According to the latest Eurostat data, the share of young people aged 15–29 years in Europe who were not in employment, education, or training was 14.8% in 2015. In absolute numbers, this corresponds to approximately 13 million young people belonging to the NEET group. As shown in Figure 17.2, the prevalence of NEETs varies substantially across member states. The Netherlands, Sweden, Luxembourg, and Denmark record the lowest NEET rates (approximately 7%). Croatia, Romania, Bulgaria, Greece, and Italy record the highest rates (greater than 20%), which implies that at least one out of five young people in these countries is not in employment, education, or training. In absolute terms, the NEET population is highest in Italy, with more than 2 million young people belonging to this group.

Before the economic crisis of 2008–2009, NEET rates were decreasing across Europe: The lowest level of NEETs was recorded for all age categories in 2008. However, with the beginning of the economic crisis, this improvement ended abruptly, and NEET rates increased markedly. European NEET rates were at

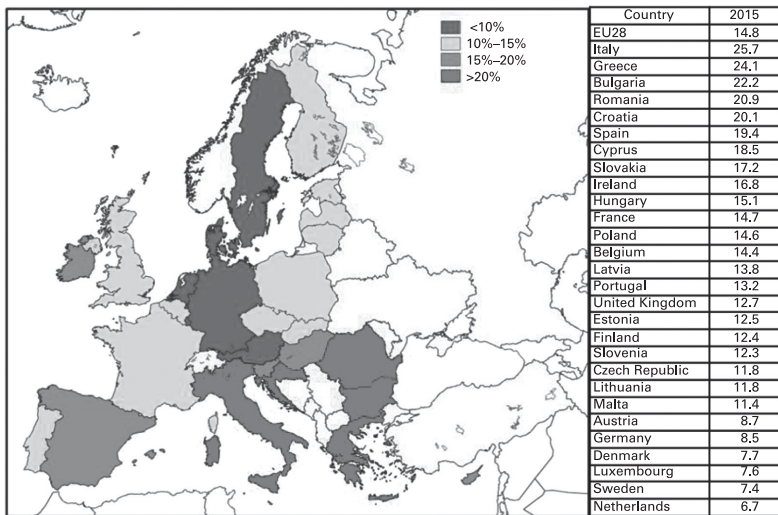


Figure 17.2 NEET rates across Europe (young people aged 15–29 years).

Source: Eurostat (EU-LFS).

their highest in 2013, when 15.9% of young people aged 15–29 years were NEET, compared to 13% in 2008. NEET rates have now started to decrease slowly, falling to below 15% in 2015 for those aged 15–29 years.

In terms of socioeconomic characteristics, analysis of the EU-LFS reveals considerable heterogeneity across member states. At the European level, there are more female than male NEETs. In the age category 15–29 years, the female NEET rate was 16.7% at the European level in 2015, compared to 13% for males. This gap of 3.7% constitutes a considerable reduction compared to the 6% recorded in the precrisis period. Although considerable gender variability is found at the member-state level, only in Luxembourg, Cyprus, Croatia, and Finland is the share of young males higher than that of young women among NEETs. Conversely, the gender NEET gap is larger in the United Kingdom, Germany, Malta, Hungary, and the Czech Republic, where the great majority of NEETs in this age category are young women.

In terms of education, at the European level, 39% of young NEETs (aged 15–29 years) have a lower education level, 47% have an upper secondary level of education, and 14% have tertiary education. Substantial heterogeneity is observed across member states with regard to educational attainment. In countries such as Spain, Malta, and Germany, more than 50% of NEETs have a low education level. Conversely, in Poland, Greece, and Croatia, more than 60% of NEETs hold an upper secondary diploma. Finally, in Cyprus, more than 30% of NEETs have completed tertiary education. Furthermore, the disaggregation of upper education levels between general courses and vocational education and training (VET) reveals that the group of NEETs with a VET-oriented upper education level is larger than those with more general qualifications.

17.5. RISK FACTORS FOR BECOMING NEET: DISADVANTAGE AND DISAFFECTION

As reviewed in the Eurofound (2012) study, there is reasonable agreement in the literature about the range of social, economic, and personal factors that increase the chances that an individual might become NEET, and it is generally perceived that the NEET status arises from a complex interplay of institutional, structural, and individual factors (Hodkinson 1996; Hodkinson and Sparkes 1997; Bynner 2005; Eurofound 2012).

Focusing on the vulnerable groups (i.e., involuntary NEETs), the literature suggests that there are two principal risk factors relating to NEET: disadvantage and disaffection. Whereas educational disadvantage is associated with social factors such as the family, school, and personal characteristics, disaffection concerns the attitudes young people have toward education and schooling specifically, as expressed by truancy or behavior that leads to expulsion from school.

There also seems to be a clear correlation between both educational disadvantage and disaffection prior to age 16 years and later disengagement (SEU 1999). Both educational disadvantage and disaffection are linked to a number of background factors, such as family disadvantage and poverty; having an unemployed parent(s); living in an area with high unemployment; membership in an ethnic minority group; or having a chronic illness, disability, and/or special education needs (Coles et al. 2002; see also Berloff, Matteazzi, and Villa, this volume; Zuccotti and O'Reilly, this volume).

Although it should be emphasized that it is often not easy to differentiate between those factors that cause or lead to NEET status and those factors that are simply correlated with being NEET (Farrington and Welsh 2003, 2007), existing research places great emphasis on family background and individual characteristics as determinants of the NEET status (Stoneman and Thiel 2010). At the individual level, characteristics that are over-represented among the NEET population are low academic attainment (Dolton et al. 1999; Meadows 2001; Coles et al. 2002); teenage pregnancy and lone parenthood (Morash and Rucker 1989; Cusworth et al. 2009); special education needs and learning difficulties (Cassen and Kingdon 2007; Social Exclusion Task Force 2008); health problems and mental illness (Meadows 2001); involvement in criminal activities; and low motivation and aspiration, including lack of confidence, sense of fatalism, and low self-esteem (Strelitz and Darton 2003). Moreover, motivation is often identified as one of the key factors among the nonvulnerable who may be in a “voluntary NEET status”—that is, those who are more likely to come from a privileged background and remain briefly outside the labor market and education in order to sample jobs and educational courses (Furlong et al. 2003; Pemberton 2008).

In order to perform a pan-European investigation of the NEET phenomenon in this chapter, the Eurostat definition of NEET is implemented in the European Values Study survey (EVS), focusing on young people aged 15–29 years. The EVS is a large-scale, cross-national, and longitudinal survey research program on basic human values, which provides insights into the ideas, beliefs, preferences, attitudes, values, and opinions of citizens for 47 European countries and regions. It is an important source of data for investigating how Europeans think about life, family, work, religion, politics, and society, and specific attention is dedicated to individual socioeconomic and family-related variables. On this basis, we explore the characteristics of NEETs in Europe by making use of the set of key characteristics identified in the literature, which includes, especially, the investigation of individual and family background characteristics. In particular, in our analysis, we use the 2008 wave (the most recent) of the EVS by considering data from all 27 EU member states, with an overall sample of more than 40,000 observations that are representative for the EU population. NEETs are identified in the EVS as those young people aged 15–29 years who declared not being in paid employment because of being unemployed, disabled, young carers, housewives, or not otherwise employed for undeclared reasons. This operationalization of the

definition of NEET is equivalent to that implemented by Eurostat using the EU-LFS, and the computed rates are comparable. Data refer to 2008, so they capture the scenario only at the beginning of the crisis.

The characteristics of the NEETs in Europe have been investigated using a logit model that accounts for a broad set of individuals' sociodemographic and family-related variables while also controlling for countries' heterogeneity. We investigated a large set of individual characteristics: gender, age, immigration background, perceived health status, education level, religiosity, and living with parents. Furthermore, at the family level, we considered household income, education level of parents, unemployment history of parents, and the area where the household is located. The analysis is performed at the European and also at the cluster level, which are identified on the basis of the extent of the NEET phenomenon observed at country level and the mediating role of different welfare-state models (Marshall 1950; Hadjivassiliou et al., this volume). In this respect, the established categorization of member states in five clusters is adopted here: employment-centered (AT, BE, DE, FR, LU, and NL), universalistic (DK, FI, and SE), liberal (IE and UK), subprotective (CY, ES, GR, IT, MT, and PT), and post-socialist (BG, CZ, EE, HU, LT, LV, PL, RO, SI, and SK). The results of our analysis show a high level of consistency with the general literature and reveal some heterogeneity among the risk factors observed in the different geographical clusters. In particular, the findings indicate that the probability of ending up NEET is influenced by the following factors and characteristics (Table 17.1):

- Regarding gender, young women are more likely than men to be NEET. The interpretation of the odds ratio shows that because of family responsibilities, young European women are 62% more likely than men to be NEET. Interestingly, this effect is stronger in the subprotective and post-socialist clusters than in the universalistic, liberal, or employment-centered clusters.
- As indicated in the literature, those perceiving their health status as bad or very bad and who are suffering from some kind of disability are 38% more likely to be NEET compared to those with a good health status. This effect is stronger in the liberal and universalistic clusters than in the rest of Europe.
- Young people with an immigration background are 68% more likely to become NEET compared to nationals. This effect is strongest in the liberal cluster, whereas it is not significant in the universalistic or in the subprotective cluster.
- Young people living in a partnership are 67% more likely to be NEET compared to those living alone or with parents. This effect is mainly driven by young women with family responsibilities. It is strongest in the liberal, subprotective, and post-socialist clusters, whereas it is not significant elsewhere.

Table 17.1 Logistic regression results

Variable	European Union		Cluster 1: AT, BE, DE, FR, LU, NL		Cluster 2: DK, FI, SE		Cluster 3: IE, UK		Cluster 4: CY, ES, EL, IT, MT, PT		Cluster 5: BG, CZ, EE, HU, LT, LV, PL, RO, SI, SK	
	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE
Gender (male)	0.381***	0.034	0.615***	0.116	0.399***	0.137	0.111***	0.069	0.393***	0.080	0.289***	0.040
Age (years)	1.066***	0.015	1.118***	0.037	0.993	0.062	0.997	0.099	1.053*	0.033	1.073***	0.024
Health (not good)	1.388***	0.159	1.938***	0.475	2.580**	0.995	3.175*	2.105	2.149***	0.624	0.930	0.160
Immigration background	1.689***	0.261	1.969**	0.529	1.621	0.993	8.965***	6.431	1.287	0.390	2.803***	0.970
Living with parents (ref.)	(dropped)		(dropped)		(dropped)		(dropped)		(dropped)		(dropped)	
Living alone	0.804	0.114	0.703	0.204	0.754	0.436	2.185	1.882	0.755	0.220	0.723	0.187
Living with partner	1.673***	0.183	1.057	0.268	1.402	0.711	4.248*	3.634	1.621*	0.405	2.051***	0.317
Experienced divorce	1.265**	0.142	1.338	0.283	1.677	0.572	1.353	0.877	1.499	0.479	1.044	0.188
Education level: primary (ref.)	(dropped)		(dropped)		(dropped)		(dropped)		(dropped)		(dropped)	
Education level: secondary	0.448***	0.048	0.452***	0.105	0.514	0.247	0.151***	0.098	0.754	0.186	0.375***	0.061
Education level: tertiary	0.320***	0.048	0.148***	0.055	0.490	0.307	0.183**	0.135	0.568*	0.191	0.321***	0.072
Income	0.443***	0.042	0.356***	0.084	3.395	2.751	0.112***	0.079	0.683	0.165	0.391***	0.063
Income squared	1.051***	0.013	1.094**	0.043	0.603**	0.153	1.332***	0.123	0.997	0.042	1.056***	0.018

(continued)

Table 17.1 Continued

Variable	European Union		Cluster 1: AT, BE, DE, FR, LU, NL		Cluster 2: DK, FI, SE		Cluster 3: IE, UK		Cluster 4: CY, ES, EL, IT, MT, PT		Cluster 5: BG, CZ, EE, HU, LT, LV, PL, RO, SI, SK	
	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE	Odds ratio	SE
Highest education parents: primary (ref.)	(dropped)		(dropped)		(dropped)		(dropped)		(dropped)		(dropped)	
Highest education parents: secondary	0.656***	0.071	0.626**	0.146	1.007	0.445	0.104**	0.099	0.618**	0.151	0.646***	0.107
Highest education parents: tertiary	0.524***	0.079	0.531**	0.158	1.338	0.640	0.323	0.257	0.353**	0.156	0.527**	0.131
Unemployment history (father)	1.199	0.223	0.832	0.357	0.428	0.462	1.912	1.582	2.504*	1.238	1.113	0.301
Country dummies	Omitted		Omitted		Omitted		Omitted		Omitted		Omitted	
No. of observations	4,470		1,259		344		156		779		1,933	
Pseudo R^2	0.168		0.194		0.169		0.42		0.135		0.198	

- Education is the main driver affecting the probability of being NEET: Young people with lower level education are two times more likely to be NEET compared to those with secondary education, and they are more than three times more likely to be NEET compared to those with tertiary education. The effect of education is strongest in the liberal cluster, whereas it is very limited in the subprotective cluster.
- Capturing both the heterogeneity of the NEET population and its composition (both vulnerable and nonvulnerable youth), the marginal effect of income emerges as a U-shaped curve. The probability of being NEET is higher for those with a lower income, then decreases for the middle-level income, and increases again for higher incomes. Again, the effect of income is strongest in the liberal cluster, whereas it is more limited in the subprotective and universalistic clusters.

In addition to these individual characteristics, the following intergenerational influences and family backgrounds play a significant role in increasing the probability of being NEET:

- Having parents who experienced unemployment is not significant at the EU level, whereas it is only marginally significant in the subprotective cluster.
- Those with parents with a low level of education are up to 50% more likely to be NEET compared to young people with parents with a secondary level of education, and they are up to twice as likely to be NEET compared to those with parents with a tertiary level of education. This effect is strongest in the liberal cluster, whereas it is not significant in the universalistic cluster.
- Young people who experienced the divorce of their parents are almost 30% more likely to be NEET compared to those who did not.

Despite some heterogeneity at the cluster level, the results of the investigation indicate that NEET status can be described as both an outcome and a defining characteristic of disadvantaged youth, who are at much greater risk of social exclusion. Education is the most important variable, and it has the strongest effect in influencing the probability of being NEET: This is true at both the individual level and the family level and in all clusters considered. Moreover, suffering some kind of disadvantage, such as a disability or having an immigration background, strongly increases the probability of being NEET, and this effect is strongest in the liberal cluster (Zuccotti and O'Reilly in this volume suggest that these effects also vary by ethnic group and appear to diminish somewhat for second-generation migrants). The importance of family background is confirmed as increasing the risk of becoming NEET. In particular, young people with a difficult family background, such as those with divorced parents or with

parents who have experienced unemployment, are more likely to be NEET (as in the subprotective cluster) (see Berloff, Matteazzi, and Villa, this volume). The heterogeneity of the NEET population, as a mix of vulnerable and nonvulnerable situations, is, however, confirmed by the effect of income, which is common to all clusters but the universalistic.

17.6. POLICIES TO TACKLE THE HETEROGENEITY OF NEETS

Understanding the composition of the NEET population is essential for policy design and for implementing reintegration measures. Armed with information about the size and the characteristics of each subgroup of the NEET population, member states can also better understand how to prioritize their actions and know which tools are most needed in order to reintegrate young people into the labor market or education.

Several alternative theoretical categorizations of NEETs have already been proposed in the literature. Williamson (1997) suggested disaggregating NEETs into three groups: “essentially confused,” “temporarily side-tracked,” and “deeply alienated.” According to Williamson, whereas members of the first group are willing and ready to re-engage as long as the right support and encouragement are provided, those in the second group need some understanding and patience while they deal with what they consider to be more important matters in their lives right now. Williamson considers the third group to be at the highest risk of disengagement and disaffection. This group may include those who have discovered “alternative ways of living” within the informal and illegal economies and those whose lives revolve around the consumption of alcohol and illegal drugs. Although it would be possible to re-engage the “temporarily side-tracked” and the “essentially confused” into the labor market or education, it could be very difficult to persuade the “deeply alienated” to return.

An alternative categorization has been developed by Eurofound (2012, 2016) and Mascherini (2017), who identified five categories within the NEET population with varying degrees of vulnerability and needs: the conventionally unemployed, the unavailable, the disengaged, opportunity seekers, and voluntary NEETs. The “conventionally unemployed” were expected to be the largest group within the NEET population, which could be further divided into short- and long-term unemployed. The “unavailable” include young people who are unavailable because of family responsibilities or because of illness or disability. The “disengaged” include all young people who are not seeking a job or following any education or training and who do not have other obligations that stop them from doing so. This category includes discouraged workers and young people who are pursuing dangerous and asocial lifestyles. The “opportunity seekers” include young people who are seeking work or training but are holding out for the right

opportunity. The “voluntary NEETs” are constructively engaged in other activities, such as art, music, or self-directed learning.

Although the previous categorizations are quite rich, their implementation is rather difficult because of data constraints that do not allow their operationalization through the EU-LFS, the survey officially used to compute the NEET rate. The EU-LFS has the undoubted advantage of having the largest sample base of any European survey, but it offers a restricted number of variables. This makes it difficult to capture the sociodemographic qualities and behaviors that are essential to a better understanding of the characteristics of NEETs, the reasons for their status, and their vulnerabilities. The limited range of variables also makes it impossible to use the previously described categorizations of vulnerable and nonvulnerable NEETs because the variables that would capture these characteristics are missing.

Building on findings from previous research and using the EU-LFS, a new categorization is proposed here. This categorization revolves around seven descriptions created using the available five variables that make it possible to understand why those in each particular group responded during the survey that they were not searching for employment and were not able to start work within the next 2 weeks.² Similarly, duration of unemployment has been used to disaggregate the short- and long-term unemployed.

The seven subcategories that emerged from this exercise are as follows:

Re-entrants: This category captures those young people who will soon re-enter employment, education, or training and will soon begin or resume accumulation of human capital through formal channels. They are people who have already been hired or have enrolled in education or training and will soon start this activity.³

Short-term unemployed: This category is composed of all young people who are unemployed, seeking work, and available to start within 2 weeks and who have been unemployed for less than 1 year.⁴

Long-term unemployed: This category is composed of all young people who are unemployed, seeking work, and available to start within 2 weeks and who have been unemployed for more than 1 year. People in this category are at high risk of disengagement and social exclusion.⁵

Unavailable because of illness or disability: This category includes all young people who are not seeking employment or are not available to start a job within 2 weeks because of illness or disability. This group includes those who need more social support because the nature of their illness or disability means they cannot carry out paid work.⁶

Unavailable because of family responsibilities: This group includes those who are not seeking work or who are not available to start a new job because they are caring for children or incapacitated adults or have other less specific family responsibilities. Young people in this group

are a mix of the vulnerable and nonvulnerable; some are not able to participate in the labor market because they cannot afford to pay for care for their child or adult family member, whereas others voluntarily withdraw from the labor market or education to take up family responsibilities.⁷

Discouraged workers: This group encompasses all young people who have stopped searching for work because they believe that there are no job opportunities for them. They are mostly vulnerable young people at high risk of social exclusion who are very likely to experience poor employment outcomes over the course of their working lives and are at high risk of lifelong disengagement.⁸

Other inactive: This group contains all NEETs whose reasons for being NEET do not fall into any of the previous six categories. This group is a statistical residual category made up of those who did not specify any reason for their NEET status. It is likely to be an extremely heterogeneous mix that includes people at all extremes of the spectrum of vulnerability: the most vulnerable, the difficult to reach, those at risk of being deeply alienated, the most privileged, and those who are holding out for a specific opportunity or who are following alternative paths.⁹

The proposed categorization allows investigation of the composition of the NEET population by identifying seven major groups, four of which are labor-market driven (re-entrants, short-term unemployed, long-term unemployed, and discouraged workers), whereas three are inactivity driven (unavailable because of illness or disability, unavailable because of family responsibilities, and other inactive). Although the categorization is not exhaustive, it can be implemented every year through the EU-LFS, providing a useful tool for measuring the extent of NEET populations and the broad types of policy initiative among the various EU member states, showing not only the heterogeneity of the NEET population but also the heterogeneity of the member states, where NEET status differs in terms of not only rate but also composition.

17.6.1. Differentiating the composition of the NEET population and appropriate policy responses

Focusing on young people aged 15–29 years, we implemented the categorization outlined previously on data from the 2013 EU-LFS.¹⁰ Figure 17.3 thus shows that in 2013, the largest category of NEETs was the short-term unemployed (25.5%), followed by the long-term unemployed (23.1%). The group of those unavailable because of family responsibilities is also large (20.3%). Discouraged workers account for 5.8% of the total, whereas 7% are young people with an illness or

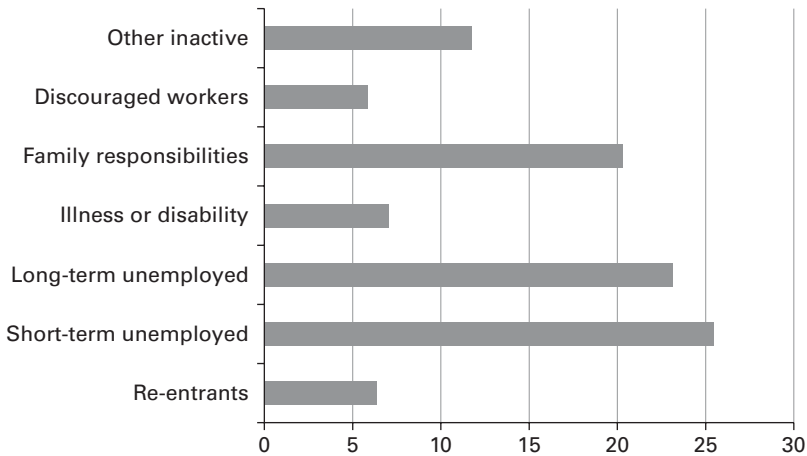


Figure 17.3 Composition of the NEET population aged 15–29 years at the EU level, percentage shares, 2013.

Source: Eurostat (EU-LFS 2013).

disability. Finally, 11.7% are young people who are inactive without having indicated the reason, and 6.4% are re-entrants. Looking at the total population of young people in Europe in 2013, 4% of those aged 15–29 years were short-term unemployed, whereas 3.6% were long-term unemployed and approximately 3.1% were outside the labor market and education because of family responsibilities.

According to the proposed decomposition, we can say in broad terms that at the European level, the share of young people who are NEET for labor-market driven reasons amounts to 60.8% of the total, which corresponds to the sum of re-entrants, short- and long-term unemployed, and discouraged workers. Of these, half are at risk of long-term disengagement (being both long-term unemployed and discouraged workers) and will require more ad hoc reactivation measures in order to be reintegrated into the labor market.

The need for targeted measures becomes even more evident when the distribution of the composition of the NEET population is examined by gender. The gender composition of the various categories reveals that whereas young men dominated the categories of labor market-driven NEETs, more than 92% of NEETs attributing this status to family responsibilities are women (Figure 17.4). Although it is unfortunately not possible to determine how many in this category are voluntarily in this situation, the clear gender imbalance in the category suggests room for maneuver for policy interventions, including the promotion of support to young women through childcare and other social care for family members so as to foster their reintegration into the labor market or education.

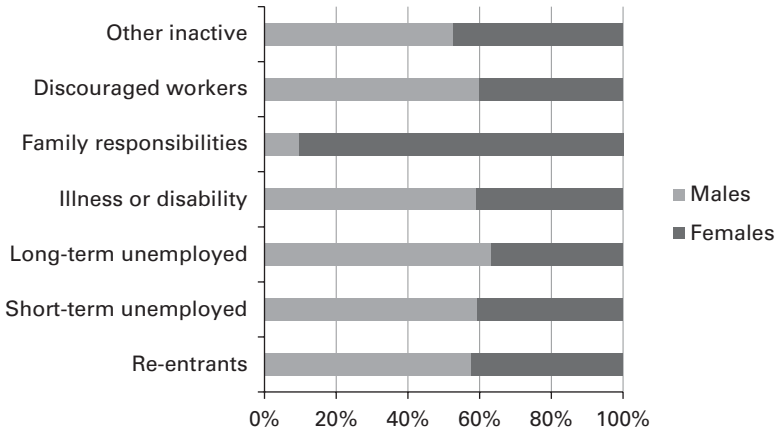


Figure 17.4 Gender composition of the NEET population aged 15–29 years, 2013. *Source: Eurostat (EU-LFS 2013)*

17.6.2. Heterogeneity of NEETs in a heterogeneous Europe

The unemployed are the largest group of NEETs in most countries, although there are some significant differences with regard to the proportions in long- or short-term unemployment (Figure 17.5).

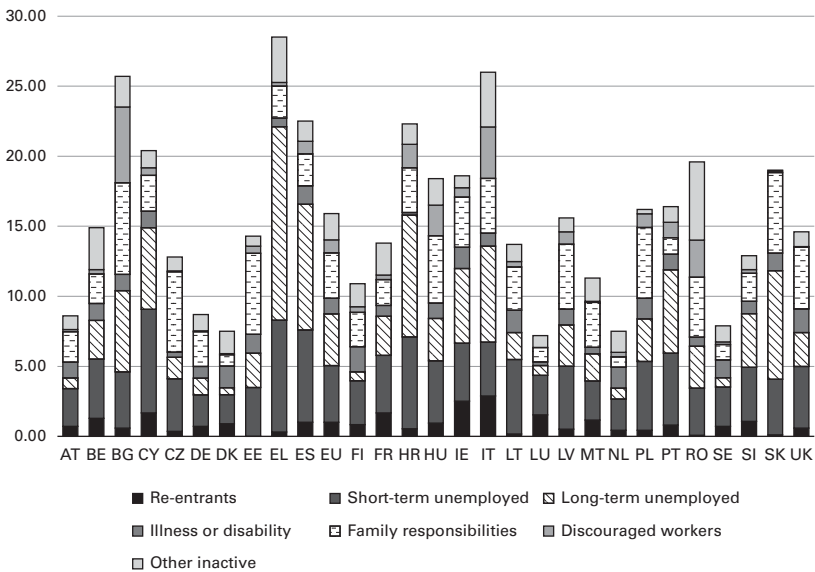


Figure 17.5 Composition of the NEET population at member-state level in 2013. *Source: Eurostat (EU-LFS 2013).*

The short-term unemployed are the largest category among NEETs in Austria, Belgium, Denmark, Finland, France, Germany, Luxembourg, the Netherlands, Sweden, and the United Kingdom. This group ranges from 39% in Luxembourg to 28% in Belgium and Finland. All of these countries are also characterized by a NEET rate below the EU average, indicating that young people manage to enter the labor market more rapidly (see Berloffia et al., this volume; Flek, Hála, and Mysíková, this volume). It is interesting to highlight that in almost all these countries, the share of those who are NEET because of illness or disability is higher than the EU average and that the proportion of discouraged workers is also (marginally) higher than average.

Conversely, in Ireland and in some Mediterranean and Central European countries, such as Croatia, Greece, Italy, Portugal, Slovenia, and Spain, the largest group of NEETs is composed of the long-term unemployed. Some of this is a result of the economic crisis, but it also indicates deeper structural problems in youth transitions from school to work. The size of this cohort ranges from 48% in Greece to 26% in Italy, and in all these member states it is well above the EU average. In both Italy and Croatia, the percentage of young people who are discouraged workers is also well above the EU average.

The gender composition of the NEET group is strongly polarized, and in the United Kingdom, Ireland, and Italy, the percentage of NEETs with family responsibilities is well above the EU average. This suggests that in most of these countries, being NEET not only appears to be driven by structural barriers in accessing the labor market but also may be largely attributable to additional disadvantages and family responsibilities (Gökşen et al. 2016).

The NEET rate in Eastern European countries varies across countries—from 12% in the Czech Republic to 25% in Bulgaria. The largest proportion of the NEET population in Eastern member states is attributable to those with family responsibilities—a category composed almost entirely of women. Although the gender dimension and family responsibilities are common drivers, member states differ as to how labor market factors affect the composition of the NEET population. In the Czech Republic, Latvia, Lithuania, and Poland, the share of those closer to the labor market—re-entrants and the short-term unemployed—is higher than the EU average. Conversely, the share of long-term unemployed and discouraged workers is well above the EU average in Bulgaria, Hungary, Romania, and Slovakia.

Considerable efforts have been made by EU member states to reintegrate some groups of NEETs through the use of the Youth Guarantee, especially the short-term unemployed and re-entrants. In many cases, member states have included provisions that address young people who are NEET because of illness or disability. Despite these efforts, few measures currently focus on long-term youth unemployment and especially on young mothers and those young people who cannot participate in the labor market because of family responsibilities

(Eurofound 2015). A more general observation is that some member states have tended to target job-ready young people with Youth Guarantee interventions rather than those who are furthest from the labor market (Eurofound 2016).

17.7. CONCLUSIONS

The concept of NEET and the NEET indicator have attempted to go beyond traditional indicators for youth labor market participation so as to provide a better understanding of youth vulnerability on the labor market. Although from a statistical standpoint it is very easy to capture the NEET population, NEETs are by definition a heterogeneous category combining groups with very different experiences, characteristics, and needs, which include both vulnerable and nonvulnerable young people. Addressing the heterogeneity of the NEET population is of key importance in order to make successful and optimal use of the NEET indicator for policymaking.

Although the overall NEET indicator does not allow us to understand the characteristics of this diverse population, this chapter disentangles the heterogeneity of the NEET population by proposing a disaggregation of the main indicator in seven types, each of which identifies a particular subgroup of young people with its own needs. If applied to the EU-LFS, the categorization could be used every year to monitor trends in the composition of the NEET population and the effectiveness of specific targeted policy interventions.

On the one hand, policy is rightly aimed at reducing overall NEET rates because these are clear indicators of the difficulties young people find in making the transition to work. On the other hand, addressing the heterogeneity of the NEET population has important consequences for appropriate policy responses for different groups of young people.

In particular, when used carefully and disaggregated in the manner outlined in this chapter, the NEET indicator can illustrate the particular needs of specific young people, such as young mothers and those with disabilities. This is preferred to a more traditional categorization implied by the label “inactive.” In order to effectively reintegrate NEETs, the different needs and characteristics of the various subgroups have to be taken into account because there will be no one-size-fits-all policy solution. Only a tailored approach for different subgroups has the potential to effectively and successfully reintegrate NEETs into the labor market and education.

The key groups who are still overlooked are those in the gray areas of education, training, and employment. Those who are in temporary or insecure forms of work and those who are underemployed, for example, are frequently in vulnerable and marginalized positions. Similarly, there are young people in education and training who can be regarded as reluctant conscripts: They have been “forced” to engage under threat of benefit

withdrawal or have been discouraged from entering the labor market by a perceived lack of opportunities. In this context, although new concepts will be difficult to operationalize, future analysis to map the landscape of youth opportunities needs to pick up both objective and subjective dimensions of vulnerability that characterize modern youth transitions so as to understand how effective policy implementation can address these different dimensions of disadvantage.

NOTES

- 1 The ILO definition of unemployment covers all people who are without work or were not in paid employment during the previous 4 weeks, who have actively sought work during the previous 4 weeks, and who are available to start work within the next fortnight (International Labour Organization 1982).
- 2 (1) Seeking employment during the previous 4 weeks (SEEKWORK); (2) reasons for not looking for a job (SEEKREAS); (3) availability to start job within 2 weeks (AVAIBLE); (4) reasons for not being available to start a job (AVAIRESAS); and (5) duration of unemployment (SEEKDUR).
- 3 (SEEKWORK = 1-2) or (SEEKWORK = 3 and SEEKREAS = 1,5); or (SEEKWORK = 4 and AVAIBLE = 2 and AVAIRESAS = 1).
- 4 (SEEKWORK = 4 and AVAIBLE = 1 and SEEKDUR = 0-4).
- 5 (SEEKWORK = 4 and AVAIBLE = 1 and SEEKDUR = 6-8).
- 6 (SEEKWORK = 3 and SEEKREAS = 2) and (SEEKWORK = 4 and AVAIBLE = 2 and AVAIRESAS = 5).
- 7 (SEEKWORK = 3 and SEEKREAS = 3,4) and (SEEKWORK = 4 and AVAIBLE = 2 and AVAIRESAS = 4).
- 8 (SEEKWORK = 4 and SEEKREAS = 7).
- 9 (SEEKWORK = 3 and SEEKREAS = 6,8,-1) and (SEEKWORK = 4 and AVAIBLE = 2 and AVAIRESAS = -1,6,2).
- 10 The most recent available data at the time of writing.

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18

YOUTH OVEREDUCATION IN EUROPE

IS THERE SCOPE FOR A COMMON POLICY APPROACH?

Seamus McGuinness, Adele Bergin, and Adele Whelan

18.1. INTRODUCTION

Overeducation describes the situation in which individuals are employed in jobs for which the level of education required to either get or do the jobs in question is below the level of schooling held by the workers. Overeducation has become an increasingly important issue for discussion both within national governments and at the European and Organization for Economic Cooperation and Development (OECD) levels, and policymakers have become ever more concerned about the apparent inability of large shares of new labor market entrants to acquire jobs that are commensurate with their levels of education. Overeducation is costly at an individual level, with mismatched workers typically earning 15% less than their well-matched counterparts with similar levels of education. Furthermore, overeducation tends to reduce levels of job satisfaction and increase rates of job mobility (for a review of the evidence, see Quintini 2011). At the firm level, although there is some evidence that overeducated workers raise productivity levels somewhat,¹ higher rates of job mobility imply that overeducation can impose additional hiring costs on firms. At the macroeconomic level, total output will be lower as a consequence of a significant proportion of the workforce operating below their full potential productivity, while public finances are adversely affected as a consequence of lower income tax receipts and suboptimal investments in educational provision. Given the various

impacts of overeducation, it is extremely important to assess the evolution of its rates over time (both within and between countries) so as to develop our understanding of the phenomenon and ascertain the extent to which policies combating overeducation can be coordinated at a European level or whether country-specific responses are likely to be more appropriate.

Currently, almost all of the research on labor market mismatch, measured in terms of either overeducation or overskilling, has relied on country-specific, cross-sectional, or panel data sets. To date, the research has focused on identifying the individual- or firm-level determinants of mismatch and/or the impact of mismatch on individual outcomes such as income or job satisfaction. Although such insights are crucial to understanding mismatch, it is only by studying the phenomenon at a more aggregate level that we can come to an understanding of the macroeconomic, demographic, and institutional forces that drive it. In this study, we use the European Union Labour Force Survey (EU-LFS) to construct quarterly time series of both youth and adult overeducation rates between 1997 and 2012 for 29 European countries. This chapter has a number of objectives, including (1) providing a descriptive assessment of trends in overeducation in European countries over time, (2) assessing the extent to which the rate of overeducation among youth and adult cohorts moves together within countries, (3) measuring the degree of interdependence and convergence in the evolution of overeducation between countries over time, and (4) identifying some of the underlying drivers of youth overeducation.

From a policy perspective, the extent to which overeducation could be suitable for a common policy approach, at either a European or a national level, will largely depend on the similarities in the evolution of overeducation over time both between and within countries. In this chapter, we adopt advanced econometric techniques that can confirm if two time series are driven by a common underlying economic relationship, as opposed to merely trending together in a spurious, noncausal manner. If overeducation has evolved in different directions at different rates across countries, this will provide a strong indication that it is driven by a range of factors that will vary in terms of both their magnitude and their significance across countries. Conversely, if movements in overeducation are confirmed through econometric testing to be driven by the same underlying causal factors over time, this would be supportive of a centralized policy approach aimed at targeting the common underlying causal influences driving both series. We consider a range of potential drivers relating to labor market demand, labor market supply, the structure of education systems, and macroeconomic factors. The potential for a future common policy approach to overeducation, at either a national or a pan-European level, is consequently assessed on the basis of this analysis.

18.1.1. Existing evidence on international variations in overeducation

Although the general literature on overeducation has expanded rapidly, particularly during the past two decades (for reviews, see McGuinness 2006; Quintini 2011; McGuinness et al., 2018), there has been little assessment of overeducation from an aggregate country-level perspective; nevertheless, some exceptions do exist. Pouliakas (2013), also using data from the EU-LFS and analyzing the average rate of overeducation between 2001 and 2011, demonstrates the existence of considerable variation in overeducation rates across European countries. Pouliakas further concludes that although the average level of overeducation among EU25 member states exhibited a relatively stable time series between 2001 and 2009, there was substantial credentialism present in the labor market, with the growth in overeducation being largely subdued by higher occupational entry requirements.² Despite the relatively constant trend, the Pouliakas study does indicate that during the financial crisis, the average rate of overeducation in Europe increased during the years 2008 and 2009, implying that levels of overeducation may vary with the business cycle. In support of this view, Mavromaras and McGuinness (2012) argue that there are grounds to expect the rate of mismatch to vary with macroeconomic conditions, on the basis that fluctuations in the economy will change the composition in the demand for labor and, consequently, how workers are utilized within firms. *Ex ante*, we might reasonably expect rates of overeducation to rise during times of recession and to fall during periods of economic growth. However, it is also reasonable to suppose that business-cycle impacts will be more heavily felt among newly qualified younger workers and that variations in the overall rate of overeducation are likely to be less affected by variations in aggregate output. These hypotheses will be further explored in Sections 18.3 and 18.5.

With respect to the potential drivers of overeducation at the macroeconomic level, there is limited research primarily because of the paucity of cross-country data sets. A number of possible effects could potentially explain the existence and persistence of overeducation at a national level. Overeducation could arise when the supply of educated labor outstrips demand, primarily as a result of the tendency of governments in developed economies to continually seek to raise the proportion of individuals with third-level qualifications. Alternatively, it may be that the quantity of educated labor does not exceed supply but that there are imbalances in composition; in other words, individuals are being educated in areas in which there is little demand, leading to people from certain fields of study being particularly prone to overeducation.³ Furthermore, labor demand and supply might be perfectly synchronized yet overeducation might still arise because of frictions deriving from asymmetric information, institutional factors that prevent labor market clearance, or variations in individual preferences related to either job mobility or work–life balance.

Applying a multilevel model to a cross-country graduate cohort database, Verhaest and van der Velden (2012) derive a number of variables from the individual-level data to explain cross-country differences in the incidence of overeducation. Explanatory variables in the Verhaest and van der Velden study include measures for the composition of higher education supply in terms of vocational versus academic orientation and field of study, proxies for educational quality,⁴ measures of the output and unemployment gaps,⁵ indicators of employment protection legislation within each country, and the level of education oversupply. In their study, Verhaest and van der Velden calculate the share of graduates in the population older than age 25 years and gross expenditure on research and development (R&D). Graduate oversupply is then taken as the difference in the standardized values of these two variables. Verhaest and van der Velden find that cross-country differences in overeducation are related to their measures, which, they argue, capture variations in quality and orientation (general vs. specific) of the education system, business-cycle effects, and the relative oversupply of highly skilled labor.

Davia, McGuinness, and O'Connell (2017) attempt a similar exercise using EU-SILC data. Similar to Verhaest and van der Velden (2012), Davia et al. find evidence to support the notion that overeducation is more prevalent in regions where the level of educated labor supply exceeds demand and where university enrolment levels are highest.⁶ These authors also report that the overeducation rate is positively related to the share of migrants in the labor market and is lower for females in regions with strong employment protection. Thus, although some concerns may be raised regarding the quality of some of the indicator variables derived in studies relying on cross-sectional international data, the studies by Verhaest and van der Velden and Davia et al. demonstrate the potential importance of aggregate-level variables in explaining overeducation, with both studies pointing toward education oversupply as an important driving force. Recently, McGuinness and Pouliakas (2017), using cross-country European data, have attempted to assess the relative importance of the various explanations for overeducation in terms of the proportion of the overeducation pay penalty that can be attributed to them. McGuinness and Pouliakas argue that there is merit to the view that overeducation is related to differences in the human capital of overeducated and matched workers; however, differences in job conditions and skill requirements were also important. Furthermore, McGuinness and Pouliakas suggest that the quality of information that workers acquire before accepting a job is also an important component in explaining the impact of overeducation among European graduates.

18.2. DATA AND METHODS

To our knowledge, there are no reliable time-series data on overeducation that would allow a systematic cross-country comparison across time, and the

data-development aspect is a key contribution of the current study. The data used in this study are the quarterly anonymized country-level files of the EU-LFS for the period up to the fourth quarter of 2012. Because there is no subjective question within the EU-LFS related to the level of schooling necessary to get, or undertake, a person's current job, overeducation is measured objectively. There are essentially three standard methods of measuring overeducation. The subjective measure is based on individual responses comparing attained education levels with perceived job-entry requirements; the occupational-dictionary approach compares individual-level education with the required level of schooling detailed for specific occupations in the documentation accompanying occupational classification systems; finally, the objective approach compares individual levels of schooling with either the mean or the mode level of schooling of the respective occupation. The goal of this chapter is to examine overeducation over time across a large number of EU countries. In this regard, the EU-LFS is one of the only data sets that enables this type of analysis; however, using this data set means that the only measure of overeducation we can exploit is the objective approach. Existing studies indicate that although the correlation between the various definitional approaches tends not to be particularly high, they generate very similar results with respect to both the incidence and the impacts of overeducation (for review, see McGuinness 2006).

For each country, in each quarter, overeducation is defined as the proportion of employees in employment whose International Standard Classification of Education (ISCED) level of schooling lies one level or more above the occupational mode. The occupational modal level of education is the most common qualification possessed by workers in each two-digit International Standard Classification of Occupations (ISCO) occupation group. Overeducation is calculated within two-digit occupational codes and using five ISCED categories of <2, 3, 4, 5B, and 5A + 6. Thus, if the modal level of schooling in a particular two-digit occupation were measured at ISCED-3, then all individuals educated to ISCED levels 4 and above would be deemed to be overeducated in our approach. We calculate the overall rate of overeducation in each country for each quarter, and we also calculate the rates for individuals aged 15–24 and 25–64 years. Given that we are dealing with a large number of countries, for the purposes of our analysis we group these into three categories on the basis of an initial inspection of patterns in the data. Moreover, the selected groupings are likely to have common linkages in terms of geographical proximity, levels of economic development, and access to the single market. The first category is composed of the countries that acceded to the EU from 2004—which include Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia—and are referred to as the “Eastern” states. The second category refers to Portugal, Ireland, Italy, Greece, and Spain—the traditional “Periphery” of the EU. The third group (“Central”) is made up of the remaining countries located in Central and Northern Europe and includes Austria, Belgium, Denmark,

Finland, France, Iceland, Luxembourg, the Netherlands, Norway, Sweden, and the United Kingdom.⁷ Generally, we found that the average rate of overeducation is lowest in the Eastern European countries, highest in the Periphery, and somewhere in between in the Central European countries (see descriptive evidence in Section 18.3).

In terms of the empirical approach, we are interested in determining the extent to which youth and adult overeducation move together within countries and also the degree to which long-term relationships in the rates of overeducation exist between countries. We classify these long-term equilibrium relationships as “completed convergence” on the grounds that, if detected, they indicate that certain series are sufficiently correlated that overeducation is likely to be driven by a common set of macroeconomic and/or institutional factors. We might expect a link between youth and general overeducation within countries on the grounds that they are likely to be driven by a common set of macroeconomic variables related to, for instance, the nature of labor market demand, labor supply, or wage-setting institutions. The overall overeducation rate is closely related to a stock measure that will react more slowly to major changes in determining factors. However, the youth overeducation rate is more of a flow measure that may react with more volatility to changes in labor market conditions. This raises uncertainties related to the extent to which the two series will be highly synced even if they do share common determinants. Regarding intercountry completed convergence, there are grounds to believe that convergence could prevail within an EU context. This could happen, for example, when cross-country differences in key labor market variables such as unemployment and, possibly, overeducation are reduced by the free movement of workers. Conversely, completed convergence (a tendency for the overeducation rates across countries to equalize over time) may be limited for Eastern European countries or between countries where language or other noneconomic barriers prevent equalizing labor flows.

In this chapter, we are dealing with time-series data, which should not be approached using a traditional regression methodology. Historically, econometricians have tended to assume that most time-series data are “nonstationary” and, crucially, this had no impact on their empirical analysis. Time-series data tend to increase or decrease over time and, therefore, do not have a constant “stationary” mean and variance. Running regressions on data of this nature (nonstationary) can give rise to misleading results and essentially lead to erroneous conclusions about the existence of a relationship between variables where one may not in fact exist; this is commonly known as the spurious regression problem. Spurious regressions occur when two variables are statistically related to each other but no causal relationship exists, meaning they are related purely by coincidence or they are both influenced by another external variable. For example, in examining ice cream sales, we may find that sales are highest when the rate of drowning is highest. To imply that ice cream sales cause drowning or vice versa is an example of a spurious relationship. In

fact, a contemporaneous increase in these two variables could be caused by a heat wave. Consequently, when we test for common underlying trends between the overeducation series, we take account of the spurious regression problem. In order to overcome such issues, we adopt a cointegration estimation approach. Two nonstationary variables are said to be cointegrated when they move together in a similar manner over time—for example, variables such as household income and expenditure—and, in this case, the regression results are meaningful.

We begin by establishing whether each respective series is stationary or nonstationary by applying standard Phillips–Perron unit root tests (Phillips 1987; Phillips and Perron 1988).⁸ The Phillips–Perron test is written formally for a time series y_t in Eq. (18.1), where t is a time trend. The null hypothesis of the Phillips–Perron test is that there is a unit root or that the series is nonstationary; that is, $\beta_1 = 0$:

$$y_t = \beta_0 + \gamma t + \beta_1 y_{t-1} + \varepsilon_t \quad (18.1)$$

If we establish that two overeducation time series are nonstationary, then we adopt the Phillips–Ouliaris test for a cointegrating relationship. If both series are stationary, we perform ordinary least squares (OLS) on the basis that spurious regressions are no longer an issue. Finally, if one series is stationary and the other nonstationary, we do not undertake any further tests for an underlying relationship.

The Phillips–Ouliaris test is a residual-based test for cointegration involving a two-step estimation approach. In the first stage, Eq. (18.2) is estimated:

$$X_{it} = \alpha + \beta_1 y_{it} + u_t \quad (18.2)$$

$\hat{\beta}$ is a cointegrating vector if $u_t = X_{it} - \alpha - \beta_1 Y_{it}$, and the second stage of the procedure tests whether the regression residuals from Eq. (18.2) are stationary using the Phillips–Perron test.

In addition to testing for long-term relationships in overeducation rates both within and between countries, we also examine the extent to which overeducation rates in Europe have been converging or diverging over time by estimating a Barro regression (Eq. 18.3; Barro 1997). This investigates the relationship between a country's initial level of overeducation and how the rate has evolved over time. In instances in which completed convergence has not been achieved (where overeducation rates across countries have not equalized over time), overeducation rates may converge as workers from saturated graduate labor markets relocate to areas with greater levels of job opportunity and lower levels of overeducation (see Akgüç and Beblavý, this volume). For example, the lack of convergence could arise from some countries remaining outside of the monetary union. Under these circumstances, the consequence of labor market inflows would be to raise overeducation levels in areas of oversupply. At the same

time, labor market outflows, in the form of outmigration, would tend to reduce overeducation rates in highly saturated labor markets.

The application of the Barro model involves examining the relationship between the growth rate of overeducation and the initial level of overeducation using a regression model. If a country with a lower initial level of overeducation tended to have a higher growth in overeducation over time, then the estimate of the coefficient of interest— β_1 in Eq. (18.3)—would be negative and significant. This implies that this country's overeducation rate would converge to the average prevailing in other countries. Therefore, disparities in rates across countries over time would tend to dissipate. In contrast, a positive coefficient would point toward divergence in overeducation rates across countries. In addition to the Barro regression, we also check for convergence by plotting the cross-country variance in overeducation rates for specific groups of countries:

$$\frac{\ln Ov(t) - \ln Ov(0)}{t} = \beta_0 + \beta_1 Ov(0) + \varepsilon \quad (18.3)$$

Finally, we examine the determinants of youth overeducation for countries with a stationary series. Twenty-one of the 28 youth overeducation series were found to be stationary in nature, suggesting that the application of standard OLS is appropriate.⁹ For the stationary series, we estimate the following model for all countries initially and then for our three country groupings:

$$y_{it} = \beta_0 + \beta_1 y_{it-1} + \beta_j X_{ijt} + \alpha_i + \varepsilon_{it} \quad (18.4)$$

where y_{it} is the dependent variable observed for country i in time t , y_{it-1} is the lagged dependent variable, X_{ijt} represents a number of j independent variables with β_j the associated coefficients, α_i is the unobserved time-invariant country effect that allows us to control for institutional factors (fixed effect), and ε_{it} is the error term. Using this fixed-effect approach allows us to model the determinants of youth overeducation, but we cannot exclude the possibility that some variables may be endogenous and, in further analysis, we plan to build on this approach using panel data in a dynamic framework.¹⁰

18.3. DESCRIPTIVE EVIDENCE

The average levels of overeducation, based on quarterly data for the period 2001–2011, are reported in the first column of Table 18.1. Our sample is restricted to employees in full-time employment and so will largely exclude the student population but include paid apprenticeships and traineeships. The estimated rate of overeducation varies from 8% in the Czech and Slovak Republics to 30% or greater in Ireland, Cyprus, and Spain. In general, we observe the estimated

Table 18.1 Overeducation rates: Comparison of estimates from EU-LFS data averaged over 2001–2011 and estimates based on PIAAC data for 2014

Country	(1)	(2)
	Estimates based on EU-LFS (2001–2011 average)	Estimates based on PIAAC (2014)
Austria	0.19	0.23
Belgium	0.26	0.24
Bulgaria	0.11	
Cyprus	0.31	0.31
Czech Republic	0.08	0.12
Germany	0.18	0.22
Denmark	0.18	0.31
Estonia	0.24	0.26
Spain	0.30	0.34
Finland	0.14	0.17
France	0.17	0.17
Greece	0.28	
Hungary	0.13	
Ireland	0.33	0.33
Italy	0.24	0.24
Lithuania	0.25	
Luxembourg	0.17	
Latvia	0.19	
Netherlands	0.22	0.22
Poland	0.11	0.11
Portugal	0.18	
Romania	0.10	
Sweden	0.14	0.19
Slovenia	0.09	
Slovak Republic	0.08	0.10
United Kingdom	0.21	0.20

Sources: Column (1), authors' calculations based on EU-LFS data; column (2), Flisi et al. (2014).

incidence of overeducation to be lowest in the Eastern countries (e.g., the Czech Republic, Slovenia, and the Slovak Republic) and highest in the Peripheral countries (e.g., Spain and Ireland), with the Central countries lying somewhere in the middle. There are, however, some exceptions to this general pattern; for instance, overeducation rates were relatively high in Lithuania and Estonia, whereas overeducation in Portugal was well below the level observed in other

Peripheral countries. The second column of Table 18.1 provides a comparison with a number of estimates for 2014 generated by Flisi et al. (2014), who applied a comparable approach to the OECD Programme for the International Assessment of Adult Competencies (PIAAC) data. In general, our overeducation estimates match closely with those from the PIAAC-based study, with the exception of the estimate for Denmark, where a relatively large discrepancy exists.

We plot the country rates for total overeducation and for the 15- to 24-year-old and 25- to 64-year-old age groups for each country in Figure 18.1.¹¹ The length of the time series varies depending on data availability. There is a high

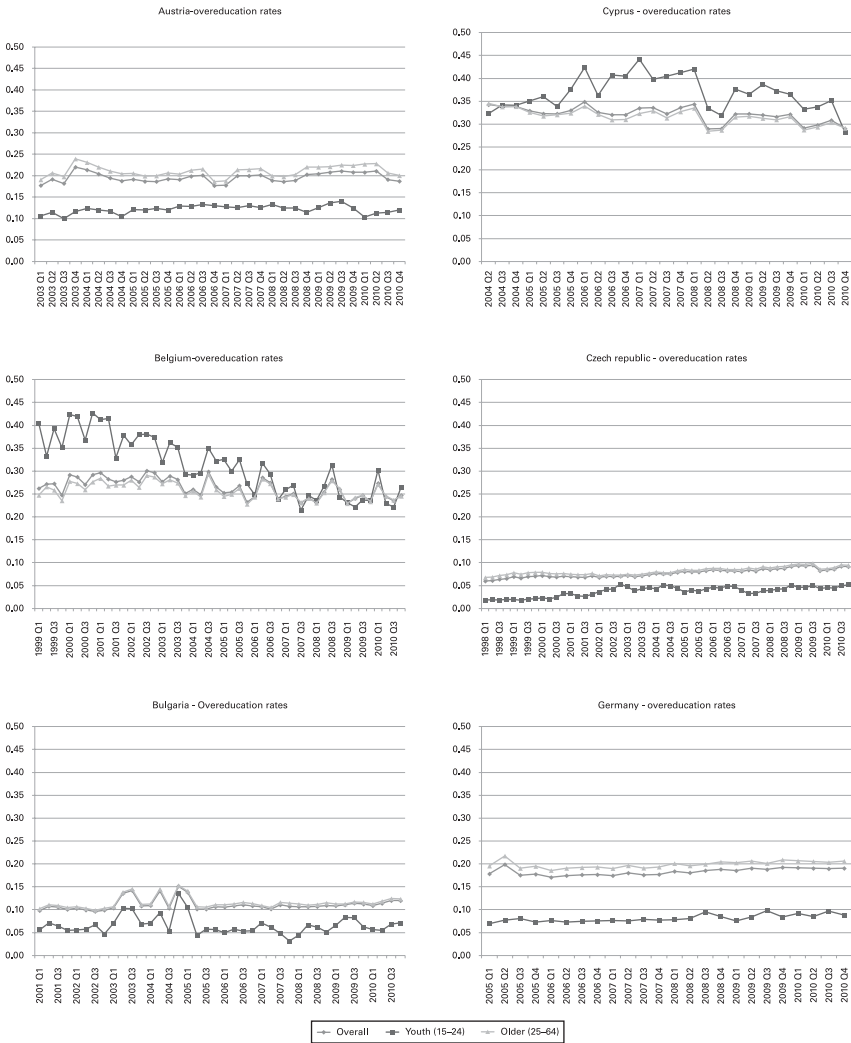


Figure 18.1 Quarterly overeducation rates (restricted to full-time employees) for each country plotted for the time periods available from Q1/1998 to Q4/2010.

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Figure 18.1 Continued

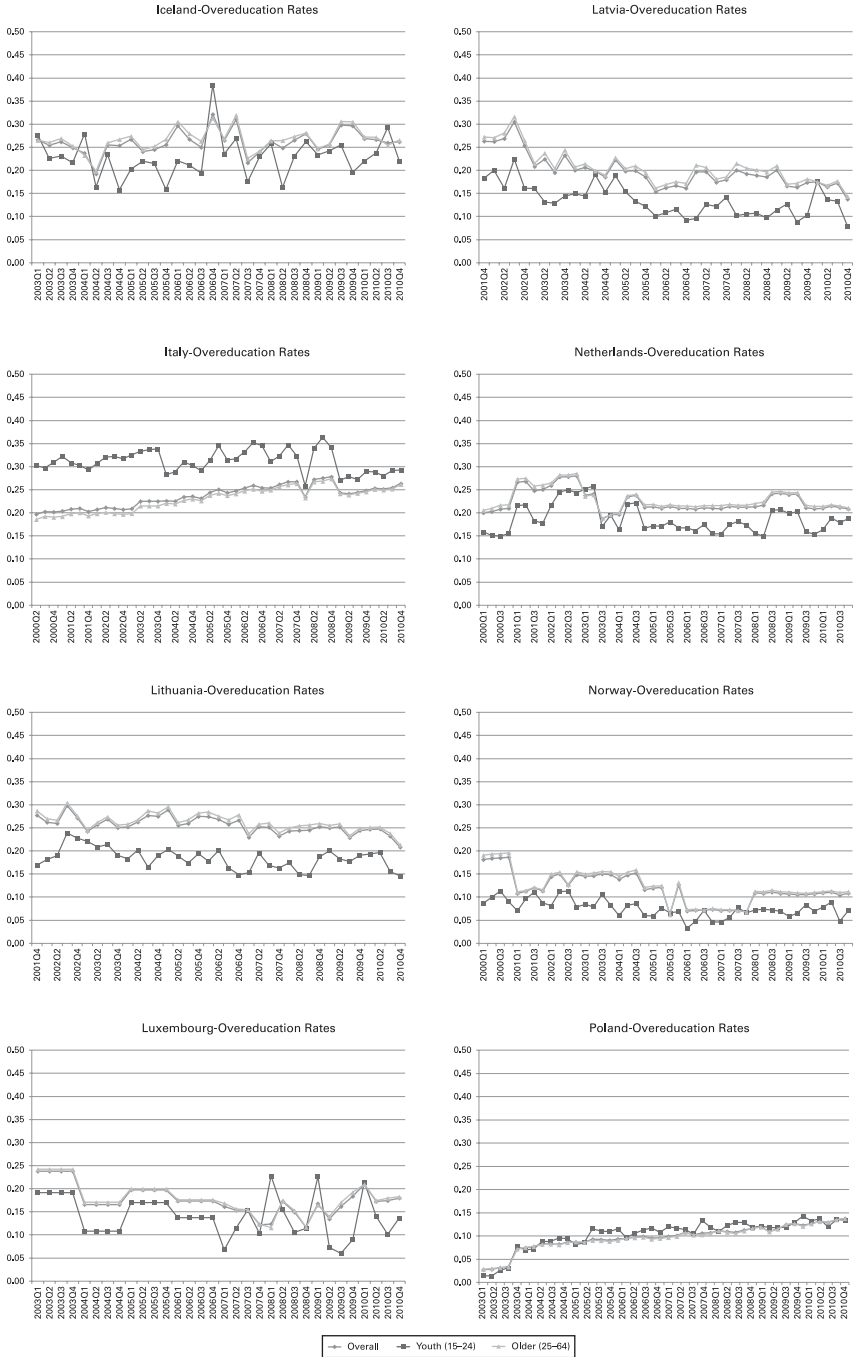


Figure 18.1 Continued

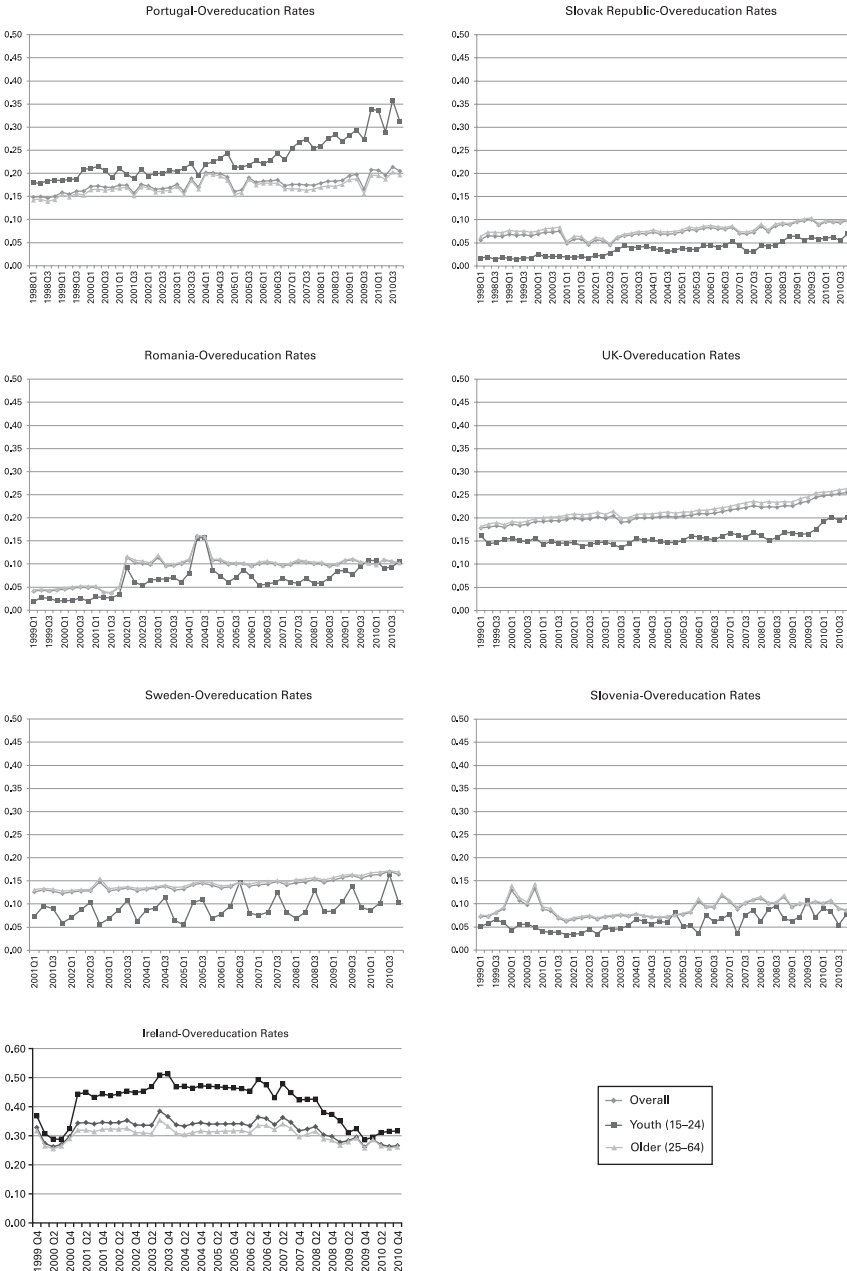


Figure 18.1 Continued

degree of cross-country variation in terms of the level of overeducation, the general direction of the trend over time, and the relationship between youth and adult overeducation within countries.

For slightly less than half of the countries, overeducation appears to be trending upward over time. However, although the rate of increase seems quite

slight, a much steeper slope is observed for most countries in the Peripheral group (Spain, Greece, Portugal, and Italy) and also in Poland. Furthermore, overeducation appears *not* to have risen in any observable way in 12 countries, including Austria, Belgium, Denmark, Germany, Iceland, Ireland, and Luxembourg, whereas it has fallen over time in Cyprus, Croatia, Lithuania, and Latvia.

With respect to youth overeducation, the pattern appears much more volatile relative to adult overeducation. Youth overeducation lies below the average in the vast majority of countries; however, it has been consistently above the average in the Peripheral group and in Belgium, Cyprus, France, and Poland. It may be the case that the consistently high levels of youth overeducation in countries in the Peripheral group are also contributing to the observed trend increase in total overeducation over time. For example, this may happen as a consequence of higher proportions of consecutive generations of young people failing to achieve an appropriate labor market match. The main characteristics of the country-level overeducation series are summarized in Table 18.2.

18.4. HAVE OVEREDUCATION RATES CONVERGED OR ARE THEY CONTINUING TO CONVERGE?

To investigate the existence of a long-term relationship between overeducation rates across countries, we adopt the Phillips–Ouliaris approach (described in Section 18.2) and perform pairwise analysis of overeducation rates. Cointegration tests should reveal whether overeducation rates move together over a longer time period. A finding of a common trend in the rates across countries may signify that an international policy approach to overeducation is appropriate. Even if there is no finding of cointegration across countries, overeducation may still respond to the same underlying processes, which we explore in Section 18.5.

For each country, the tests for stationarity are performed either with or without a time trend. The decision to include a time trend or not depends on the evolution of the overall overeducation rate over time in each country. The null hypothesis (that the series is nonstationary) is the presence of a unit root. We conclude that we cannot reject the null hypothesis of a unit root for any series where the test statistic is below the critical value at the 10% level of significance. These countries are then included in the cointegration analysis to ascertain if the overeducation rates move together over time in an equilibrium manner. We perform pairwise OLS on the other countries where we conclude that the overeducation rate is stationary and include a time trend depending on the nature of the stationarity. For example, a series is trend stationary if the underlying series is stationary after removing the time trend.

The finding of nonstationarity means that the overeducation rate has a nonconstant mean and/or variance, suggesting that the phenomenon is somewhat unstable over time. Conversely, a finding of stationarity implies relative