



Work Package 3

*Individual Pathways to Flexibility and Sustainability in Europe*

## **The Inter-generational Costs of Flexicurity; Labour Market Transitions of Young Workers in Nordic and Southern European Countries**

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**Abstract**

*The economic crisis has revived the interest on the increasingly vulnerable position of youth in the labour market. In this paper we analyze flexicurity policies in the Nordic and in Southern European countries in the period previous to the crisis and explore whether they contribute to explain this trend and differences across countries. First of all, it is argued how the disadvantaged position of this group in the labour market has long-running causes and is not just the consequence of deterioration in labour market conditions as a result of the crisis. Labour market policies under the flexicurity umbrella haven't been able to mitigate the increasing dualization of many EU labour markets. This also applies to young workers that are more exposed to the flexibility envisaged under this paradigm and in many countries less protected by the compensating security measures. However, the analysis shows how the crisis is widening the gap between countries in the degree and form of uncertainty facing young workers. Those in countries with labour market policies closer to the flexicurity paradigm perform better before and after the crisis compared to countries with institutional configurations far from the flexicurity ideal-type. It is finally argued how record youth unemployment jeopardises the sustainability of welfare state arrangements across European Social models and poses serious challenges to social cohesion.*

## **Introduction**

Young workers are facing hard times in European labour markets. They not only are experiencing increasing difficulties in their school-to-work transitions, but their second transition in their working lives, i.e., from unstable and very often precarious jobs towards more stable indefinite positions is also becoming longer and more uncertain. High unemployment, low employment rates and insecure working conditions often characterise their early steps in the labour market. The present crisis has further worsened this situation, though there remain remarkable differences across EU member states (Bell and Blanchflower 2011). It has been widely recognised how the introduction of flexibility has had an asymmetric effect on certain groups such as young workers, women or immigrant workers who suffer from higher levels of uncertainty in their labour market trajectories. Strategies followed by some EU governments to introduce flexibility at the margins have delivered an increasing segmentation of labour markets where the abovementioned groups of workers tend to occupy the lower segments and are exposed to more risks than other protected groups.

Paradoxically, even though flexicurity policies were aimed precisely at limiting the negative impact of flexibility by introducing certain guarantees and forms of protection for those groups in a particularly disadvantaged position, young workers remain overexposed to the risks of unemployment, low pay, temporary jobs etc. This is due to the fact that in segmented labour markets, young workers are asymmetrically affected by flexicurity policies. On the one hand, they suffer from higher degrees of flexibility in the initial stages of their labour markets careers as the two components of flexicurity policies have different impacts upon different groups of population. Even though the essence of flexicurity policies lies precisely in the need to increase flexibility of protected groups in the labour market whilst enhancing security for the unprotected, the outcomes of flexicurity policies exhibit a high degree of disparity and deviations with respect to the expected pattern. Moreover, security measures aimed at compensating for the increasing risks and uncertainty triggered by labour market flexibility may also have a differential impact depending on the group of employees. More specifically, due to the employment conditions affecting young workers, we can expect lower levels of protection due to the difficulties to contribute sufficiently in order to have right to unemployment benefits. On the other hand, we can also expect that in the present conditions, the weaker groups in the labour market are those hit harder by the economic crisis.. As a matter of fact, many authors have argued about the little counter-cyclical character of flexicurity

policies, which haven't contributed much to improving the conditions of workers more exposed to the increasing uncertainty of the crisis.

The consequence of the youth-blindness of flexicurity policies is some kind of inter-temporal unbalanced distribution of flexibility and security rather than a balancing out of flexibility and security for all age cohorts. In the initial stages of their labour market careers, young workers are particularly exposed to risks associated with atypical jobs and difficulties to get an indefinite contract. The implications of atypicality for the uncertainty facing young workers varies depending on the set of policies designed in order to provide security. This uncertainty ceases once they obtain a stable job and enter the protected segment of the labour market. However, the form and timing of this second transition varies greatly among countries, as we will see below.

This paper analyzes the position of young workers in labour markets in relation to the uncertainty they face and how institutional arrangements related to flexicurity contribute to alleviate or increase this uncertainty. Three main questions are addressed. First, which is the situation and how are labour market transitions of young workers in Nordic and Mediterranean countries? Secondly, how can different situations of young workers be attributed to different flexicurity arrangements in the two country clusters? In other words, do different forms of implementing flexicurity policies have a different impact upon the situation of young workers? Finally, has the crisis significantly deteriorated the position of young workers? The term "different situations" refers both to patterns with respect to the entry of young persons into employment (e.g. the role of temporary employment) as well as to different forms of segmentation (e.g. between insiders and outsiders) that young persons face in the labour market.

A broad analytical approach is necessary since youth unemployment is a complex socio-economic phenomenon whose determinants go far beyond labour market policies. However, given the characteristics of this paper, the focus will be on the effect of flexicurity. In order to do so, we explore mobility patterns for this group and in particular, and how exposed they are to non-employment and precarious employment. The final aim of the paper is to shed some light into the concept of sustainable security, as we think it is particularly important for young workers to find ways of guaranteeing certain levels of protection in the labour market without this translating into more insecure arrangements in the early stages of young labour market trajectories. Focus is not on the EU as a whole, but on two clusters of countries that are often considered to be most different cases, namely the Nordic countries and the Mediterranean countries, which albeit their internal differences are still seen to constitute very different labour market models embedded in different

welfare state models. The selection of cases will allow us not only to understand differences and similarities between countries belonging to different clusters, but also to understand within cluster differences and their institutional determinants. At the same, the use of data covering both the pre-crisis and crisis period will allow us to test the capacity of flexicurity institutions under very different economic contexts.

The paper is organized in three sections. Section I reviews the existing debates about flexicurity at the light of the concepts of uncertainty and sustainable security. Section II then moves into the analysis of youth performance in the labour market under the crisis. It provides descriptive evidence about the labour market situation of young workers during the crisis as well as the incidence of atypical forms of employment. Section III then moves into the analysis of labour market transitions and in particular, what role does age play. Section IV concludes.

## **Section I**

### **Flexicurity and the (unequal) distribution of labour market uncertainty**

Flexicurity has become an increasingly contested concept and policy paradigm. Several authors have recently pointed out to the elusive character of a term that is used by policy makers in order to justify very different and often contradictory policies (Burrioni and Keune 2011; Keune and Pochet 2009). The strength of a paradigm claiming the possibility to consolidate positive sum employment policies has revealed some major weaknesses and is being attacked by both trade unions and employers. Whilst the former claim that under the catchword of flexicurity, governments have implemented an agenda focused almost exclusively on the flexi part of it, employers argue that very rarely has flexicurity worked as expected because the virtuous balance envisaged on paper is very difficult to achieve under the institutional and regulatory framework that exists in many EU countries.

Three of the critiques recently made to the concept are particularly relevant for the sake of this paper. The first has to do with the structural effectiveness of flexicurity to reduce dualization (segmentation). The second has to do with the way in which flexicurity policies have been able to cope with the effects of the economic crisis. Finally, the third is related to the need to go beyond a narrow flexicurity-approach and consider a wider array of policies.

In its original formulation, flexicurity policies were aimed at limiting the negative consequences caused especially by external flexibility in terms of precariousness for some workers.

One of the few agreements regarding the effects of introducing greater flexibility in the labour market is that it has had an asymmetric on different groups. Regardless of the type of flexibility we look at, it is generally accepted that some groups have been increasingly exposed to more risks as a consequence of changes in labour market regulation. This would be particularly the case of women, youth and immigrants. This outcome is at odds with the original formulation that established the need to enhance security of workers more exposed to forms of flexibility. However, the reality is that in many countries some groups have been disproportionately affected by flexibility whilst other workers have enhanced their already secure position, hence reinforcing the ongoing dualizing trends.

The impact of the economic crisis has led some scholars to study the effectiveness of flexicurity arrangements in the new context. Hence, whilst some authors have argued how flexicurity hasn't worked in a context of economic crisis and recession (Tangian 2011) others think that it is necessary to pay more attention to internal flexibility complemented with public assistance (Council of the European Union 2009). However, paying more attention to internal flexibility is no guarantee of greater protection for some particularly vulnerable groups like now young workers unless external flexibility is reduced. Otherwise, youth would still be overexposed to temporary employment and companies would still rely upon this form of flexibility for this group, hence using internal flexibility with public assistance for core workers. Heyes (2011) shows how the impact of the economic crisis on employment in many cases has been larger in those countries with lower EPL compared to countries with more protective EPL. In other words, the labour market impact of the crisis has been lower in countries with more robust employment protection systems.

The second aspect worth mentioning is the effectiveness of flexicurity policies during the economic crisis. Some authors have argued that flexicurity policies have only worked in a context of growing employment and availability of public resources devoted to funding active labour market policies (Tangian 2011; Eurofound 2012). As a result of the economic crisis, some countries have significantly reduced the already low quantities devoted to funding ALMP or have maintained them in a context of growing unemployment. Provided the importance of this instrument within the original flexicurity building, its paralysis undermines core elements of the paradigm.

Without denying the importance of ALMP and the need to increase financial efforts to increase its scope and enhance its quality, it is necessary to adopt a broader approach which not only takes into account the implementation of flexicurity policies, but integrates them with other policies which may contribute to improve the position of young workers. The uncertainty facing

young workers in the labour market is exacerbated by conditions and regulations in other policies like now housing.

## Section II

### Hardly New, but Worrying Anyway: Youth in the Labour Market during the Crisis

A debate has emerged in recent months and is rapidly growing around the need to pay greater attention to young workers and youth unemployment. This claim is supported by evidence of a stronger impact of the present crisis on youth unemployment compared to the early 1990s' crisis. This has particularly been the case for some countries, most notably Southern European, compared to continental and Nordic countries, where youth unemployment grew to a similar extent as in the early 1990s crisis. In Southern Europe, the effect of the last crisis on youth unemployment has been particularly strong compared to the evolution in the early 1990s' years (Eurofound 2012).

Against this view, other authors claim that there is nothing new in the fact that youth unemployment has gone up very rapidly, as a high youth unemployment rate has become an entrenched characteristic of European labour markets. As a matter of fact, when we compare youth unemployment rates right before the crisis with the total unemployment rate for all countries considered in this paper we observe how there has hardly been any deterioration in the relative performance of young workers. Rather the contrary, with the exception of Finland, there has been an improvement in the relative performance of youth unemployment rate compared to the overall unemployment rate (see table 1).

Table 1: Ratio of Unemployment Rate for those aged 15-24 and total Unemployment Rate

	2007	2010
European Union (27 countries)	2,2	2,2
Greece	2,7	2,6
Spain	2,2	2,1
Italy	3,3	3,3
Portugal	2,0	2,0
Denmark	2,1	1,8
Finland	2,4	2,5
Sweden	3,1	2,9
Norway	3,0	2,6

Source: Eurostat, EULFS

At the light of the above, one could be tempted to argue that there is an unjustified alarm about youth labour market performance as previous crises have witnessed similar situations. However, the most important changes in the position of youth in the labour market can't be perceived by using purely quantitative indicators of unemployment. When we go deeper into the characteristics of unemployment we do observe some significant transformations. Thus a look into youth long-term unemployment shows how the crisis has led to a general increase, with the only exception of Greece. It is interesting to note that youth long-term unemployment in the case of Nordic countries has been increasing since the early 2000s hence showing a structural trend in these countries. However, the levels are still far below those registered in Southern Europe that are well above the EU-27 average and range between the 30.5% in Portugal and 44.4% in Italy. Regarding trends, evidence for Southern Europe is mixed with Italy and Greece exhibiting a decrease since 2002 whilst Spain and Portugal have increased it. In spite of this decrease, the levels in 2010 were in all countries significantly lower compared to the levels of long-term youth unemployment in 1995, the final year of the early 1990s economic crisis.

Table 2: Youth Long-term Unemployment (> 12 months) as a Share of All Unemployed Youth (aged 15-24)

	<b>1995</b>	<b>2002</b>	<b>2007</b>	<b>2010</b>
EU-27		33,5	26,1	28,4
Greece	49,8	46,5	41,6	35,6
Spain	45,9	22,3	10,2	29,3
Italy	52,2	55,9	40,7	44,4
Portugal	41,9	22,3	27,7	30,5
Denmark	9,5	:	:	6
Finland	17,3	3,7	5,4	7,5
Sweden	12,6	4,6	4	7,4

Source: Eurostat, EULFS

Data about youth unemployment rate has to be handled with care as it tends to underestimate the real extent of the problem. This is because youngsters are more likely to come back to education or training after short unemployment spells. In this vein, the data contained in table 2 may hide not so much a generalized improvement in the employment prospects of young workers (and an earlier exit from unemployment) but a move out from the labour market towards inactivity. This is consistent with the evidence of decreasing participation rates in all the countries compared here,



though the levels in Nordic countries are significantly lower compared to those of Southern Europe. However, this does not necessarily mean there is a move out of unemployment towards education or training. As some works have showed, the negative employment prospects that youngsters face has led many of them to opt out of the labour market and become passive job seekers or dedicate to family (European Commission 2011). Even though activity/inactivity indicators have been downplayed in the debate about young workers, recent studies have stressed the need to pay more attention to NEET (not in employment, education or training). It is estimated that around 13% of youth aged 15-24 are not in employment, neither on education or training, though there are remarkable differences between countries. Hence, whilst Italy, Spain and Greece rank high on NEETs, the Nordic countries are below the EU average. This means that apart from those unemployed, there are a number of discouraged youth with very little chances to find a job in a short period. If we add this group to the unemployed, we end up with a significantly large number of young people whose immediate future is very uncertain and that will find enormous difficulties to become fully integrated into the labour market and society.

When we look into the distribution of unemployment by education level, we observe how the crisis has reduced the positive role played by education as a shelter against unemployment, though a strong negative relationship between unemployment and education level persists. In other words, a new aspect of youth unemployment in the present crisis is that education has reduced its capacity to protect from unemployment (Eurofund 2012). This applies in general to all Southern European countries, though Spain would be an exception as the positive effect of education in order to reduce unemployment has increased (García 2011).

Table 3: Unemployment Rate for Aged 15-24 by Education Level in 2000, 2007 and 2011

	Pre- primary, primary and lower secondary	First and second stage of tertiary	Pre- primary, primary and lower secondary	First and second stage of tertiary	Pre- primary, primary and lower secondary	First and second stage of tertiary
	2000	2000	2007	2007	2011	2011
European Union (27 countries)	20,2	12,7	20	11,4	28,2	16,7
Denmark	6,2	:	8,8	:	16,3	:
Germany (including former GDR from 1991)	9,7	6,8	15,7	:	12,4	:
Greece	24,1	29,4	17,8	32	43,2	48,6
Spain	24,6	26,6	20,4	13,6	53,2	35
France	31,2	11,4	30,2	12,5	35,3	13,4
Italy	31,7	25,8	22,5	19,3	32,8	27,1
Netherlands	7,4	:	8,4	:	10,7	4,4

Portugal	8,2	:	16,2	25,9	32,6	29
Finland	43,4	14,8	25,8	:	31,5	:
Sweden	11,4	:	29,5	12,3	38,6	12,4
United Kingdom	21,5	5,6	26,4	7,5	36,2	12
Norway	18,7	:	10,1	:	10,8	:

Source: Eurostat, EULFS

When we look into employment and distinguish between different forms of contracts among young workers, we find significant differences in levels between countries, but also in their evolution. The first thing to note is that, contrary to what is often assumed, the percentage of young workers (either 15-24 or 25-34) with the typical permanent full-time job was lower in the Nordic countries compared to the Southern European in 2000. This applies to the 15-24 as well as the 25-34 groups. The differences remain even in 2007. There is more internal diversity within Southern compared to the Nordic countries. Spain ranks significantly lower in full-time permanent employment and by contrast it has the highest levels of both full time and part-time temporary contracts.

In all countries there seems to be a decrease in more stable and less precarious forms of employment. However, this decline a) exhibits some significant differences across countries and b) is not directly related to the economic crisis. As can be observed in table 4, the period 2000-2007 witnessed a decrease in the percentage of young workers with stable and full-time contracts except for Finland and Spain. This decline was accompanied by an increase in non-standard forms of employment. The countries where the share of typical full-time permanent employment has decreased to a larger extent are Italy and Portugal on the Southern cluster and Denmark in the Nordic one. In the case of the Nordic cluster, part-time employment expanded during the pre-crisis years, and with the only exception of Sweden, there was no change regarding temporary employment. In the case of Southern Europe, the largest increases occurred in the case of temporary full-time jobs, most notably in Italy and Portugal. Part-time employment did increase but to a lesser extent. Interestingly, the economic crisis has not implied a major change with respect to the previous trends. Thus in the case of the Nordic countries, there has been a further reduction in the percentage of full-time and permanent jobs amongst young workers together with an increase in part-timers (most notably in Denmark) on either permanent or fixed-term basis. By contrast, there has been a reduction in the percentage of temporary employment. In the case of Southern Europe, in all countries with the exception of Spain there has been an increase in atypical forms of employment and more specifically, temporary employment. Part-time permanent employment has

increased to a larger extent in Spain and Italy. There has also been an increase in the most precarious form of employment, that is, temporary and part-time jobs. Spain is an exception as in this country there has been a decrease in fixed-term employment since the beginning of the crisis together with an increase in the percentage of permanent full-time jobs.

Table 4: Atypical Employment in Southern Europe and the Nordic countries, 2000-2009

	2000				2007-2000 (difference in % points)				2009-2000 (difference in % points)				
	FT+Perm	PT+Perm	FT+Temp	PT+Temp	FT+Perm	PT+Perm	FT+Temp	PT+Temp	FT+Perm	PT+Perm	FT+Temp	PT+Temp	
<b>DK</b>													
15-24 years	35,5%	35,0%	22,0%	7,5%	-5,6	12,6	-7,0	0,0	-15,5	21,7	-6,9	0,6	
25-34 years	72,2%	14,6%	9,1%	4,1%	0,8	0,5	-0,9	-0,4	-4,4	3,5	1,2	-0,3	
<b>SE</b>													
15-24 years	41,3%	14,7%	20,4%	23,6%	-4,4	-0,2	5,0	-0,5	-8,5	0,9	-0,5	8,1	
25-34 years	70,8%	12,2%	10,3%	6,7%	-3,2	2,6	1,7	-1,1	-3,2	3,0	-0,5	0,7	
<b>NO</b>													
15-24 years	37,1%	32,8%	16,5%	13,6%	-4,6	2,6	-1,0	3,0	-3,5	4,1	-4,3	3,8	
25-34 years	71,8%	17,3%	6,3%	4,6%	-0,9	-0,5	1,4	0,0	0,4	-0,5	-0,5	0,6	
<b>FI</b>													
15-24 years	31,3%	17,8%	36,2%	14,8%	2,4	2,2	-5,6	1,0	2,9	4,0	-9,7	2,8	
25-34 years	71,5%	6,3%	18,8%	3,3%	4,4	-0,5	-3,7	-0,2	4,6	-0,5	-4,1	0,0	
<b>ES</b>													
15-24 years	27,6%	2,6%	59,6%	10,2%	4,5	2,7	-12,0	4,8	8,3	5,4	-20,7	7,0	
25-34 years	55,9%	3,3%	35,4%	5,3%	1,1	2,6	-4,4	0,6	4,0	3,2	-8,1	0,9	
<b>IT</b>													
15-24 years	68,1%	4,7%	20,7%	6,4%	-18,0	3,3	13,1	1,6	-21,8	4,4	13,7	3,7	
25-34 years	80,9%	6,3%	8,6%	4,2%	-9,9	4,3	5,8	-0,2	-11,0	5,6	5,5	-0,1	
<b>PT</b>													
15-24 years	57,3%	1,8%	38,0%	2,8%	-12,8	0,1	9,9	2,9	-15,8	0,6	10,0	5,3	
25-34 years	76,5%	1,4%	20,1%	2,0%	-7,2	0,2	6,1	0,9	-10,3	0,2	8,9	1,2	
<b>GR</b>													
15-24 years	68,3%	2,3%	24,2%	5,2%	-0,4	2,2	-3,7	1,9	-2,5	2,8	-3,3	2,9	
25-34 years	81,1%	2,1%	14,2%	2,7%	1,9	0,7	-2,8	0,2	-1,0	1,0	-0,7	0,7	

Source: EULFS

The differences between Nordic and Southern countries show how in spite of similar pressures, the institutional context matters in the way in which atypical employment develops. With the only exception of Spain, Southern European countries have levels of typical employment similar to those of the Nordic countries. However, flexibility in Southern has been introduced mostly through temporary employment, whilst in the case of Nordic countries it has been part-time. The implications of these two different paths are important. First of all, the possibility to rely on stable part-time jobs during the education years favours the compatibility between education and work compared to full-time temporary jobs. At the same time, a stable part-time relationship provides also incentives to invest in specific skills, whilst fixed-term contracts do not provide any kind of incentive in this regard. Another reason for the little development of part-time in Southern Europe has to do with low wage levels. Finally, a major difference between the Nordic countries and the Southern European countries is that atypical employment for youth in the Nordic countries is mainly voluntary, while involuntary atypical jobs predominate in the Southern countries (European Trade Union Institute (ETUI) (2012: 34-35).

The above evidence suggests that there has been a generalized deterioration in the position of young workers in the labour market, but this is not a direct consequence of the recent economic crisis. In other words, young workers have witnessed how developments in labour market regulation in the 1990s and 2000s have increased their vulnerable position. As a matter of fact, when we compare the unemployment performance of young workers in the current crisis compared to the early 1990s one, we observe significantly lower unemployment and long-term unemployment rate among young workers. The economic crisis has meant an accentuation of some long-term dynamics, but without reaching the mid 1990s' levels. However, there is a qualitative change in the recent crisis compared to previous episodes as many young workers experiencing unemployment have become discouraged and become passive job seekers. This has been particularly the case in Southern Europe. It is sensible to think that many of these NEETs are early school leavers whose employment prospects are particularly negative. Two inter-related considerations need to be made at this stage.

The first refers to the negative effects that entry flexibility has had for young workers. The increase in atypical contracts aimed at facilitating entry and consolidation of young workers clashes with their need to invest in generic and job specific training and work experience. As many authors have pointed out, young workers do not lack generic human capital, but other occupational components that are strongly linked to their work experience. This is the so-called youth experience

gap that would require a certain degree of job stability as well as stronger public efforts to provide occupational training. The growth of non-standard employment has implications for the achievements of objectives relating to lifelong learning, given that part-time and fixed-term employment are associated with lower levels of training investment compared with standard employment. By contrast, young people experiment frequent job transitions characterized very often by short-term contracts. As pointed out by Forrier and Sels (2003: 662), there is accordingly a conflict between the demand for greater contractual flexibility and the need to invest in lifelong learning as a mechanism to enhance the employability and hence improve employment prospects of young workers.

In this context, some of the policies that have been presented as examples of how flexicurity can contribute to alleviate the impact of the economic crisis, i.e., short-time working schemes, suffer from some of the problems just mentioned. Thus for instance, it is sensible to think that in a context of limited resources, employers will always prefer to apply this type of schemes on older workers with more work experience and tenure. In other words, *ceteris paribus*, young workers will benefit to a lower extent from these schemes.

Another aspect to be considered are the so-called scarring effects of chaotic and fragmented labour market trajectories with frequent unemployment spells. According to this, the problems experienced by young workers in their earlier stages will have a negative impact on their future performance regarding wages and other aspects. The economic downturn is pushing more and more youth, even those who would have performed well in good times, into the group of “poorly-integrated new entrants” and possibly even into the group of “youth left behind”. This reinforces the pressure for governments to intervene vigorously in the youth labour market (OECD 2009).

### **Section III**

#### **Mobility of Young Workers; Uncertainty facing in the Scandinavian and Mediterranean clusters**

The objective of this section is to shed some light into the types and degrees of uncertainty young workers face in the Nordic and Mediterranean countries with a view to assess the effect of different flexicurity arrangements on labour market transitions. In order to do so, we will first of all briefly summarize the main institutional characteristics of flexicurity in the two groups of countries

as these provide the context within which to interpret transitions. We will then move to the analysis of EU Labour Force Survey data.

### III.1 Flexicurity Institutions in Nordic and Southern European countries

#### *Flexicurity in Nordic Countries*

The Nordic countries are conceived as one family of Nordic welfare state models. When it comes to the institutional framework around the labour market, there are however significant differences (Berglund & Madsen, 2010):

- Compared to the other Nordic countries, Denmark stands out as having a rather low level of job protection. Sweden has the strongest protection of regular employees, but quite liberal rules concerning temporary employees. Norway has more strict rules concerning temporaries. For regular employees, the rules are more liberal than the Swedish but more severe than the Danish. The Finnish rules for regular employees are on the same level as the Norwegian. However, they are more liberal than the Norwegian concerning temporary employees.
- With respect to the duration of unemployment benefits, Denmark has until 2010 had a long potential duration time in Denmark (48 months) compared to the other three countries (24-28 months) and a high coverage. The duration of benefits in Denmark was however reduced to 24 months taking effect from 2013. In Finland the so-called Labour Market Support has, in principle, no time limit.
- Finally, with respect to active labour market policy, one notes a low overall expenditures per unemployed person in Finland. By contrast one sees a high level of expenditures on ALMPs in Denmark.

When one looks at the overall levels of different forms of employment mobility in the Nordic countries, Denmark gets the highest ranks and Sweden the lowest. Finland and Norway appear somewhere in between. The differences in the institutional framework can be expected to have influence on the mobility patterns of both younger and older workers. The analysis first of all confirms the general impression of younger workers as being in more volatile positions on the labour market in all the Nordic countries. By example their risk of being in a temporary job is higher than for older workers.

But the also seems to be some national differences, which may be interpreted as caused by differences in the national framework, especially with respect to the level of job protection. For example, young Danes have the highest odds of moving into employment from unemployment compared to the other three countries. However, their chance of moving from a temporary to a permanent job is not larger than for other age groups.

Finally, when it comes to employment and income security for young workers, the Nordic countries show a rather high level of support, but also with significant differences with respect to replacement levels (Madsen, 2010).

*Table 5: Standardized values of main institutional indicators of Flexicurity*

	<b>Employment Protection Legislation 2003</b>	<b>Unemployment Benefits 2003</b>	<b>Active Labour Market Policies 2003</b>	<b>Lifelong learning 2006</b>
<b><u>Nordic</u></b>				
Denmark	0.30	0.34	0.31	0.29
Finland	0.35	0.18	0.10	0.23
Norway	0.43	0.19	0.18	0.19
Sweden	0.43	0.22	0.23	0.32
<b><u>Mediterranean</u></b>				
Greece	0,48	0,04	0,02	0,02
Italy	0,40	0,10	0,08	0,06
Portugal	0,58	0,17	0,11	0,04
Spain	0,51	0,16	0,06	0,1

#### *Flexicurity in Southern Europe*

Even though an analysis based on traditional indicators of flexicurity shows a rather symmetrical picture for Southern European countries compared to the Danish model, a closer look into what's behind these indicators shows a more complex picture. Most quantitative flexicurity analysis end up concluding the existence of a Mediterranean model, though some studies consider Italy as an outlier to the rest of Southern European countries. This shows first of all the sensitivity of flexicurity analyses to the type and weight of indicators used. The implication of this is the need to go beyond existing indicators and provide contextualised interpretations of their meaning. Most importantly, the disagreement about where to position some countries within the flexicurity



paradigm warns us about data-based oversimplifications of reality. An excessive and unduly use of aprioristic typologies may lead to wrong conclusions.

This would be the case of Spain, which according to most analyses that use the OECD Employment Protection Legislation index is a country with high levels of formal employment protection both for regular as well as temporary workers. However the labour market reality of Spain is hardly reflected in this indicator. If we use other non-formal indicators of flexibility like labour market mobility, transitions etc., we observe how Spain ranks amongst the countries with highest levels together with Denmark and the UK, i.e., two countries with very low levels of EPL. As a matter of fact, the labour market reality of the Spain makes it closer to that of countries with flexible regulations.

When it comes to unemployment benefits in Southern Europe, we observe how Spain and Portugal have the most generous unemployment benefit systems including both insurance and assistance schemes. Nonetheless, here it is important to take into account the institutional characteristics of mechanisms other than strict unemployment benefit schemes. Hence, Italy scores low in terms of generosity and duration of unemployment benefits, but the picture changes radically if we take into account other institutions that formally lay out of social protection policies but that has functionally equivalent results. This is the case of CIG in Italy that provides generous income support for workers affected by temporary company restructuring.

Moreover, common to both the employment protection as well as unemployment benefit indicators are the problems posed by self-employment, a mechanism of flexibility which is used extensively in Southern Europe. Not only self-employment escapes very often formal protection, but self-employed workers lack unemployment protection. Provided the high levels of self-employment that characterise all Mediterranean countries, we can conclude that formal flexicurity indicators not only underestimate the real degree of flexibility in Mediterranean labour markets, but they also overestimate the level of security provided by the unemployment benefit system.

All four countries have similarly low levels of expenditure on active labour market policies and lifelong learning. Only Spain seems to report higher expenditure levels though also in this case it would be necessary to look into the specific programs and their effectiveness.

The implications of the above cross-country differences for employment and income uncertainty facing young workers are particularly interesting in the context of the present research. The interaction between the forms of flexibility and the mechanisms of income protection against unemployment deliver multifarious risks for young workers which are different to those of older

workers. Even though there has been a generalized increase in the percentage of both young and old Spain is by far the country with highest rates of fixed-term contracts. Portugal is moving very rapidly towards the levels of temporary employment reported in Spain. It is precisely the extension of temporary employment what determines the existence of higher levels of mobility, labour turnover and labour market transitions. At the same time, this would explain the lower incidence of long-term unemployment amongst young workers as high levels as they have a higher probability of finding a temporary job. Portugal is characterized by a similar situation for young workers. This contrasts with the situation in Italy and to a lesser extent Greece, where lower levels of labour market mobility mirror into significantly higher levels of long-term unemployment for young workers. Accordingly, employment uncertainty in Spain and to a lesser extent Portugal seems to be more related to the stabilization, whilst in Italy and Greece, it is related to the risk of remaining long-term unemployed until a stable job is found.

Regarding income uncertainty, it is difficult with the available evidence to arrive at any meaningful conclusion. Compared to Greece and Italy, Spain and Portugal have a more generous and durable unemployment benefit protection system. This in principle would be in line with flexicurity principles that argue for a flexible labour market and generous unemployment protection. However, the very short duration of a large share of temporary jobs in Spain makes it very difficult for young workers in Spain to gain access to the insurance scheme. Young workers in Italy and Greece face a different problem related to long unemployment spells that make it also difficult to obtain unemployment benefit. Moreover, these two countries lack mechanisms of income protection for those in long-term unemployment.

Notwithstanding the above differences, common to all Southern European countries is the important role still played by the family. The family provides income support to young Italian and Greek workers in their long road towards (stable) employment. By contrast, the family in Spain and Portugal plays also a supportive role, very often by complementing the low wage earned under temporary contracts. The social sustainability of the Mediterranean model is nonetheless threatened by changes occurring in family structures and patterns with a significant increase in mono-parental households.

### III.2 Labour Market Transitions in Scandinavian and Southern European countries

#### *Some Notes on Methodology*

The analysis of labour market transitions has been made using the EU Labour Force Survey (LFS). The data include rather detailed items concerning a vast number of labour market related statuses, situations and incidences. The LFS provides an adequate source in order to perform this comparison thanks to its comparability. However, as the dataset does not have a panel structure, we have to use retrospective variables to study mobility, which of course raises some methodological issues. First, the number of transitions and their dimensions is limited. Secondly, using retrospective questions often has a downward bias regarding transitions and mobility. It is reasonable to assume that people forget changes, they tend to forget when they have made a transition or they forget their labor market status one year earlier. For example when people are asked whether they changed job during the last 12 months, they often do not remember precisely, when a change occurred. However, this problem shouldn't be different between countries or between the Nordic and Mediterranean cluster.. If the LFS data have systematic error in estimating the level of mobility, the error is very likely to be similar in all countries, because the data are gathered in a standardized way – even though the context and the exact wordings of questions in different languages can never be completely standardized.

Mobility is measured by a retrospective question regarding the main status (employed, unemployed or inactivity) of the respondent one year before the survey [WSTAT1Y]. Coefficients are presented in the form of odds ratios. An odds is a probability that a certain event will occur divided by the probability that it will not happen. We use reference categories to which odds for a certain category is compared. For example, if men are the reference category, the odds for women is divided by the odds for men ( $\text{Odds}(w)/\text{Odds}(m)$ ). A ratio of 1 indicates that the odds for the two categories are equal. However, it is important to remember that the predicted probabilities presented are not absolute values, but statistical pre-dictions according to a model, thus with the normal statistical uncertainties.

Regarding the independent variables, we have incorporated most of the possible determinants in a standard model that has been used in a similar way in all the multivariate analyses conducted. The independent variables included and their categories have been driven by data (what is available in all countries), theory (what can be expected to have an effect on mobility), and testing (codification and selection based on what works). The first group of variables has to do with individual characteristics, including gender, age, marital status, and education level. The second group of variables has to do with the individual's labour market situation. These include

occupational categories as well as a variable about the individual's situation outside the labour force.

Our ambition is to make a comparison both between the eight selected countries individually and between the Mediterranean and the Nordic clusters. Earlier on in this paper we discussed the impact of flexicurity policies and institutions on the uncertainty facing workers in the labour markets of both Nordic and Mediterranean countries. Here we focus on the effect of flexicurity on young workers aged 16-24 and 25-34 years. In order to do so, we explore mobility patterns for these groups.

In order to shed some light into the effect of the crisis on the position of youth in the labour market, we have carried out a separate analysis of mobility patterns for the pre-crisis years (2000-2007) and the crisis years (2008-2009). This allows us to observe changes caused by the crisis in the effect of different variables on transitions.

Even though there are six possible transitions, we will focus on employment mobility. The expectations when it comes to these can be summarized as follows. Firstly, we expect that transitions from employment to unemployment are more frequent, when employment protection legislation is weak. With respect to transitions from employment to inactivity, we must expect something similar to switches from employment to unemployment. It is likely that the strictness of employment protection legislation is the important determinant, possibly in combination with the patterns regarding fixed-term contracts. Also, transitions to employment may be affected by employment protection legislation. If it is costly for employers to dismiss workers, they may be more hesitant to hire people. Such a mechanism can thus slow down the flows to employment from unemployment or inactivity. We should consequently expect transition rates to employment to be particularly high in the Nordic countries.

However, this assumption may need to be modified, when taking the impact of unemployment benefits and active labor market policy into account. On the one hand, generous unemployment benefits—in terms of replacement levels and duration—may have a negative impact on flows out of unemployment; the assumption is then that people on benefits are less motivated to find a job. There is a great deal of empirical research pointing in that direction. On the other hand, active labor market policies may increase chances for job seekers to find work, but it still remains a rather controversial issue, the effective impact of such policies. In this area, Denmark is the most interesting country among the four Nordic countries. Denmark has rather generous unemployment insurance, and it spends more on active labour market policies than most other OECD-countries. At

the same time, the other Nordic countries also score rather high on these measures. The main difference may be the strictness of employment protection legislation. If the flexicurity model functions as has been suggested, Denmark's mixture of measures might lead to high levels of transitions from unemployment and inactivity to employment. Nevertheless, it is possible that some of the measures outbalance each other. Our data will hopefully shed some light on such issues regarding differences between countries within the two clusters.

### *Labour Market Flows and Transitions*

The first step in the analysis consists in providing an overview of labour market flows in order to obtain an indication of how mobility levels vary across countries as well as over time. Secondly, we examine the main determinants behind the transitions. In order to do so, we include variables such as sex, age, industry, type of employment contract, size of workplace and unemployment levels. The question is whether the main determinants behind mobility patterns are generally the same in all eight countries compared. Third, we show the predicted probabilities of transitions for a number of categories —male manual workers, female manual workers, male professionals, female professionals, etc. The categories are selected to represent fairly large occupational groupings.

In order to understand the reasons that have led to the comparatively worsening performance of young workers in European labour markets, we have to look into the period that preceded the economic crisis. First of all, this will help us to understand the degree to which the situation has changed as a consequence of the crisis. Moreover, it will also shed some light into the asymmetrical incidence of age upon labour market flexibility across the countries compared.

The data in table 6 shows labour market transitions for persons aged 24-35. As can be observed, there are no significant differences across countries or clusters in transitions from employment to either unemployment or inactivity either in the 2000-2007 or 2008-09 periods. If we turn to flows out of unemployment, the picture changes dramatically as we find important differences, not only between the clusters compared, but also within countries in each cluster. First, even though the percentage of people remaining unemployed at  $t$  is on average higher in Southern Europe, there are substantial differences within this group of countries with Italy and Greece showing much higher levels of people remaining in the unemployment status compared to Spain and Portugal. Moreover, Spain also stands out compared to the other Southern European countries due to the high levels of people moving from unemployment towards inactivity. As a matter of fact,

the numbers for Spain are closer to the Scandinavian than to the Southern European. The higher percentage of people moving out from unemployment to either employment or inactivity is a reflection of the lower uncertainty facing young workers in the Nordic countries as it is easier for them to leave the unemployed status. The crisis has but aggravated these differences between the clusters. Hence, the percentage of young workers trapped into unemployment has grown, whilst in the case of Nordic countries it has decreased. Regarding transitions from inactivity, Southern European countries exhibit higher degrees of stability into this status compared to the Nordic countries. More specifically, flows from inactivity towards employment are significantly higher in Nordic compared to Southern European countries hence showing also the difficulties young workers face in their school to work transitions. There are no remarkable changes as a consequence of the economic crisis.

Table 6: Labour Market Transitions for persons aged 25-34, period 2000-2009

<u>Period 2000-2007</u>								
	DK	SE	NO	FI	ES	IT	PT	GR
<i>Employed at t-1, status at t:</i>								
<b>Employed</b>	89%	93%	95%	90%	92%	95%	95%	95%
<b>Unemployed</b>	4%	3%	2%	3%	4%	3%	4%	4%
<b>Inactive</b>	7%	4%	3%	7%	4%	2%	1%	1%
<i>Unemployed at t-1, status at t:</i>								
<b>Unemployed</b>	32%	36%	43%	45%	34%	69%	48%	69%
<b>Employed</b>	51%	46%	45%	39%	50%	28%	46%	28%
<b>Inactive</b>	16%	18%	12%	16%	16%	4%	6%	3%
<i>Inactive at t-1, status at t:</i>								
<b>Inactive</b>	50%	58%	64%	60%	63%	82%	73%	84%
<b>Unemployed</b>	11%	9%	10%	8%	12%	8%	12%	8%
<b>Employed</b>	39%	32%	26%	32%	24%	10%	14%	8%
<u>Period 2008-2009</u>								
	DK	SE	NO	FI	ES	IT	PT	GR
<i>Employed at t-1, status at t:</i>								
<b>Employed</b>	89%	90%		89%	89%	94%	93%	95%
<b>Unemployed</b>	4%	3%		3%	8%	5%	6%	4%
<b>Inactive</b>	7%	7%		8%	3%	2%	1%	1%
<i>Unemployed at t-1, status at t:</i>								
<b>Unemployed</b>	26%	34%		44%	47%	71%	51%	69%
<b>Employed</b>	63%	46%		38%	41%	25%	44%	27%
<b>Inactive</b>	11%	20%		19%	12%	4%	5%	4%
<i>Inactive at t-1, status at t:</i>								
<b>Inactive</b>	48%	55%		59%	65%	83%	70%	83%
<b>Unemployed</b>	9%	9%		7%	15%	8%	16%	9%
<b>Employed</b>	43%	36%		34%	20%	9%	14%	8%

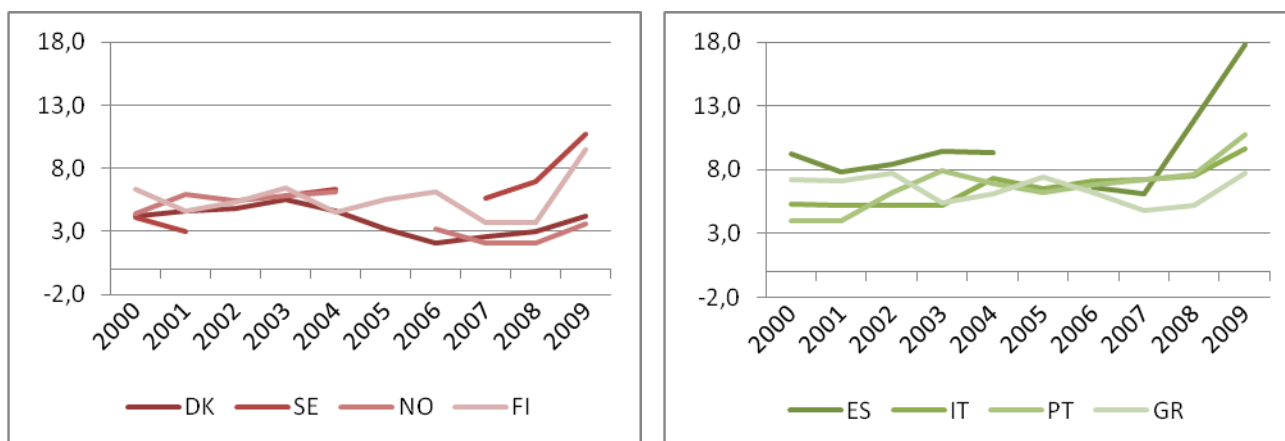
Source: Own elaboration using EU-LFS data

The above shows how there is generally more mobility in the Nordic countries compared to Southern Europe. The most important differences between the two clusters appear with regard to transitions from inactivity and unemployment. This is probably related to differences in the behavior of particular groups such as young workers in general, or young women in particular. Moreover, institutional differences regarding the effect of active labour market policies facilitating transitions out of inactivity or unemployment would also help to explain higher flows in Scandinavian countries for persons being inactive. Some differences are also observed between countries within the two clusters, where two countries stand out; Finland within the Nordic and Spain within the Southern European.

Generally speaking, transition rates from employment to unemployment are higher in the Mediterranean countries compared to the four Nordic countries, though with the exception of Spain in the recent crisis period, the differences are not remarkable. This would go against the view that stricter EPL (as in Southern Europe) mirrors into lower flows towards unemployment. The same holds when we look into at young people aged 16-24.

When we move to the comparative analysis of transitions over time (graphs 1 to 4) we observe no clear pattern for the proportions of young workers making this particular transition over time. It seems that Denmark, Sweden and Norway have experienced an increase in the proportion of young workers moving into unemployment in the years 1999-2004. After the peak, the decline is particularly strong in Denmark. Furthermore, there is no clear pattern regarding the curves for the four Mediterranean countries. Italy and Portugal have experienced a moderate increase in the proportion of young workers moving into unemployment, while Spain has experienced rather large increases in the proportion of young workers changing labor market status from employment to unemployment – peaking at 10-12 % in 2008 as a consequence of the economic crisis.

Graph 1: Employment to unemployment transition rates for young people (aged 15-24)

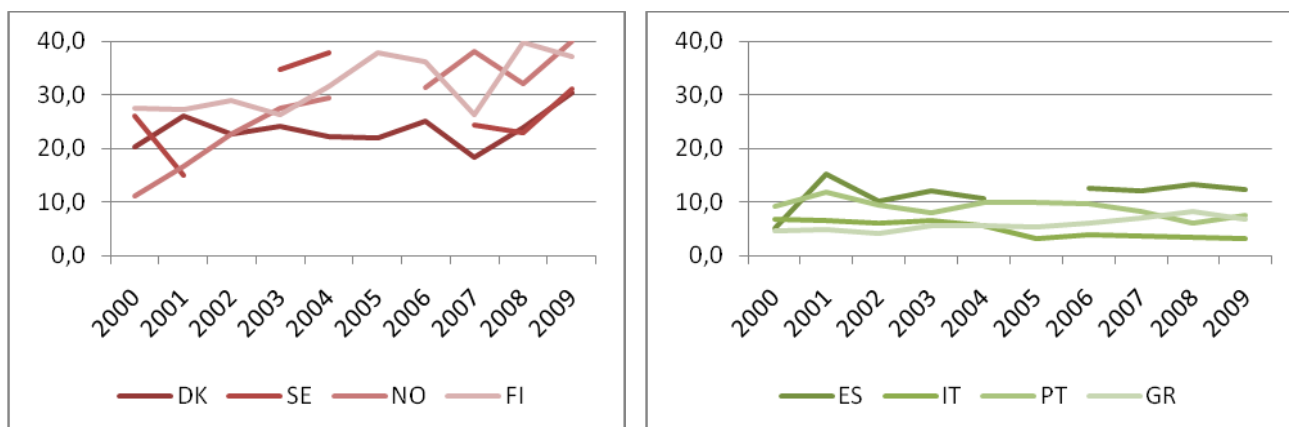


Source: EULFS

The pattern for transitions from employment to inactivity for younger workers, is similar to the one observed for all workers. The proportions of young people making this particular transition are much higher in the Nordic countries thus indicating that the high overall transition-rates from employment to inactivity in the Nordic countries are not to be explained alone by generous retirement schemes. It also seems that young people are remarkably more mobile between education and employment in the Nordic countries, though there are great variations within this cluster. Finally we must point out, that methodological issues must be taken into account here. The extremely high proportions in Denmark and Finland can perhaps be explained by the nature of the retrospective question of “status one year ago” as this question creates some difficulties when measuring transitions. And especially in the Nordic countries it is likely that part time working high school students have reported a transition, when in fact they may not have made one. Overall, the difference between two clusters can be related to two aspects: first of all, the greater participation of Scandinavian young workers in training and formal education; secondly, the different pattern in behavior of young women.



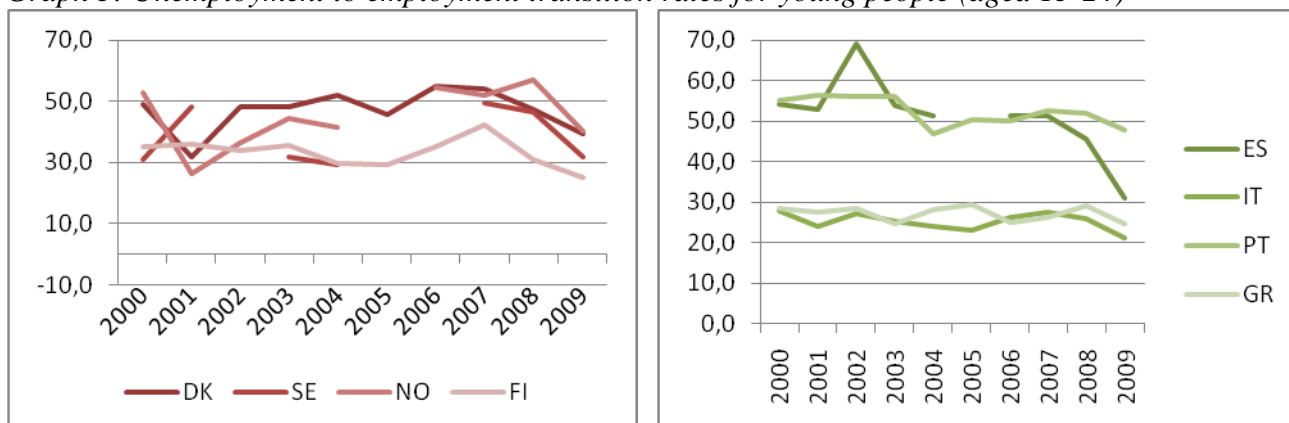
Graph 2: Employment to inactivity transition rates for young people (aged 15-24)



Source: EULFS

Transitions from unemployment to employment exhibit little variation over time. Furthermore, there are not great variations within the clusters, though the transition rates for Italy and Spain are somewhat higher especially in the late 2000's than in the other Mediterranean countries. The Finnish and Swedish figures are lower than those for both Norway and Denmark throughout. A similar pattern is exhibited by transitions from employment to inactivity, where transitions from inactivity to employment are remarkably higher in the Nordic countries than in the Mediterranean countries. This evidence does not allow robust evidence that would allow to support the insight that countries with stricter EPL would have lower transitions towards employment. It certainly would apply in the case of transitions from inactivity to employment, but not in transitions from unemployment to employment, where we observe some Southern European countries exhibiting higher rates compared to the Nordic cluster.

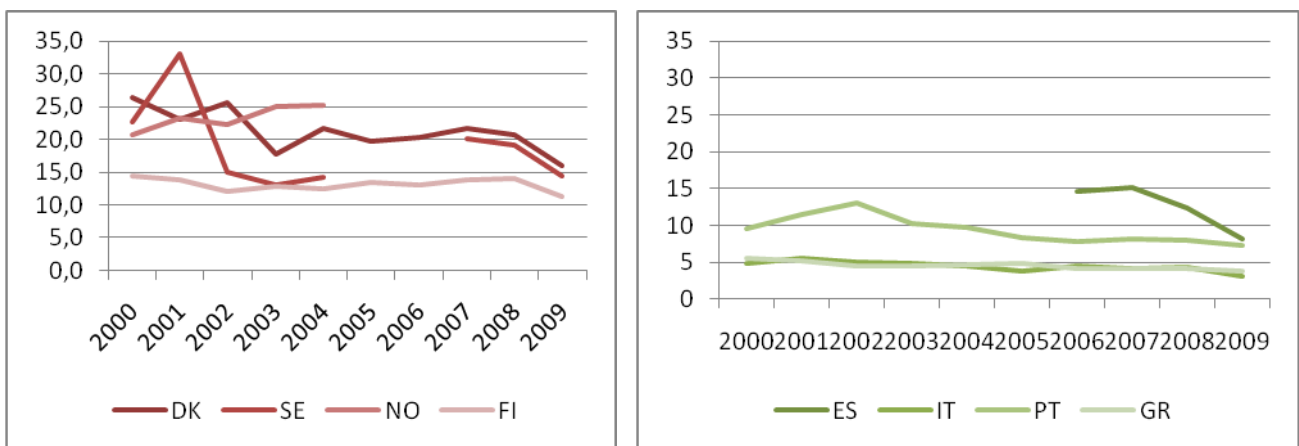
Graph 3: Unemployment to employment transition rates for young people (aged 15-24)



Source: EULFS

When comparing transitions to employment, it is also important to take into consideration not only the quantitative aspect (percentage of flows) but also the type of contract they may get once they leave either unemployment or inactivity. In this regard, the higher transitions out of unemployment into employment in Spain and Portugal in the Southern cluster (see table 4) are due to the higher levels of temporary employment in these two countries compared to Greece or Italy. Thus it is true that exiting unemployment is probably easier, but it can't be taken as a sign of less uncertainty, because of high job rotation.

Graph 4: Inactivity to employment transition rates for young people (aged 15-24)



Source: EULFS

Overall, we can extract three main conclusions from the above evidence. First of all, there are some significant differences between the two groups of countries when it comes to the frequency of transitions between different labour market statuses. These differences are particularly marked when it comes to transitions between employment and inactivity. As we will discuss later with more detail, these differences may be related first of all the role of flexicurity institutions which would facilitate transitions from employment towards education and the reverse. But they also may reflect the greater difficulties imposed by the institutional environment onto women in Southern Europe in order to make compatible work and family charges, and in particular childcare. However, the above data also highlights the existence of some remarkable differences within each of the two clusters. These differences are particularly marked when it comes to transition between employment and unemployment for young people as this form of mobility is particularly affected by pre-existing mechanisms of flexibility etc. We will come back later to explaining these differences. A final point concerns the dynamics of transitions as well as of differences between the

countries compared. The main characteristic in the evolution of the different indicators used is the stable differences between the countries and more generally, the maintenance of similar levels across the period studied, though with some exceptions. This would in principle put into question the effectiveness of flexicurity policies in the Mediterranean countries that have been characterized precisely by a strong emphasis on the development and implementation of flexibility and mechanisms to increase mobility mostly from inactivity and unemployment towards employment.

### *Determinants of labour market transitions*

#### *Transitions from Employment*

In order to shed further light into the individual determinants of differences in labour market transitions as well as their asymmetrical incidence across countries, we use multinomial logistic analysis applied into a pooled dataset. As mentioned earlier, we have split the dataset into two periods in order to observe the impact of the economic crisis. Data has been pooled for the pre-crisis (2000-2007) and crisis (2008-2009) periods and the same statistical analysis has been carried out in the two periods separately.

Tables A2 and A3 show the outcome on transitions from employment to unemployment and inactivity respectively. Starting with sex, there are two main conclusions to be drawn. The patterns regarding transitions from employment to unemployment are rather inconsistent across countries in the Nordic cluster. In Denmark and Finland men are less likely than women to become unemployed but only in the pre-crisis. Norway and Sweden show no sex-significant differences. The Mediterranean cases represent a different picture: men are highly significant less likely to become unemployed across the board in the four Mediterranean countries. This situation does not change as a result of the economic crisis. Among Southern Europe, Greece is the country with the lower odds hence reflecting a particularly disadvantaged situation for young women. The role of sex in transitions from employment to inactivity for aged 15-24 is similar in all countries compared shows a lower probability for men to move to inactivity. In the case of Southern Europe, it is even less likely for young men to move to inactivity compared to women. Thus women tend to exit employment for inactivity more often than men do in all countries.

When it comes to age as a dimension to understand transitions out of employment, it is found to be significant in all countries, except in the case of Denmark in the pre-crisis years and Norway in the crisis years. The Nordic countries resemble each other in terms of low risks among the youngest to become unemployed. Only in Sweden and Norway, we find significant coefficients

in the 2000-2007 period regarding enhanced risks of becoming unemployed for the youngest group. In the case of Southern Europe, the results show a higher probability for young workers to move to unemployment compared to the Nordic countries. The young workers are at greater risk of becoming unemployed in the Mediterranean countries than in the Nordic countries and the oldest age group are significantly less likely to become unemployed than the reference group in all three countries.

As we could expect, age also has a significant effect in explaining transitions towards inactivity. The probability of a young worker to move to inactivity is significantly higher in Nordic as compared to Southern European countries. Within Southern Europe, Greece has experienced a significant change in the crisis years as the probability for a young worker to move towards inactivity has increased significantly.

Therefore, the age patterns in the Nordic countries do not correspond with the belief that young age is associated with a greater risk of unemployment. This assumption is based on the fact that employment protection legislation is aimed at protecting employees with longer tenure. This would nonetheless be the case in Southern Europe. The rather low level of EPL in the Nordic countries compared to Southern Europe thus seems to reduce segmentation of the labour market on an age basis in the Nordic cluster.

Education is another variable that is likely to play a significant role in explaining labour market transitions. The results in table A2 show a significant effect in all countries when we look at flows towards unemployment. In this vein, the less educated young workers are more likely to fall into unemployment compared to the better educated. The economic crisis increases the probability of young with lower levels of education to move towards unemployment except in the case of Finland. Interestingly, in the case of Southern Europe there is no significant difference in the probability of less educated young to move to unemployment when we compare the 2000-2007 and 2008-09 periods. As a matter of fact, the probability in the case of Greece decreases in the crisis years, hence showing a less prominent role of education as determinant of flows out of employment. As we could expect, the probability of less educated young to move to inactivity is higher compared to the more educated both in Nordic and Southern European countries. There are no remarkable differences between the two periods compared, with the exception of Portugal, where education does not seem to play any role in explaining transitions from employment to inactivity.

### *Transitions from Unemployment*

When it comes to flows from unemployment to employment, table A4 shows how sex does not seem to have any effect in Nordic countries, except for Finland and Denmark in the crisis years (2008-09). In these two cases, it is less likely for young men compared to women to find a job when unemployed. Similarly to what happened in the case of transitions from employment, sex does play an important role in Southern Europe. In all countries within this cluster, it is less likely for women to find a job when unemployed. The only exception would be Spain in the crisis years, where sex does not seem to be an important explanatory variable. This is probably linked to the characteristics of the crisis and underlying adjustment in the labour market, characterized by a remarkable destruction of jobs in the construction sector.

It is also interesting to observe transitions out of unemployment towards inactivity as in this case sex plays a role in both the Nordic and Southern European countries. More specifically, in all countries men are less likely to move towards inactivity than women.

Regarding the role of age, it has a significant impact on transitions in the Nordic countries, with Denmark and Finland exhibiting higher odds compared to the rest. In all cases, it is more likely for young workers to move out from unemployment and find a job. The two youngest categories have higher odds of making the transition into employment across the board. However, the crisis seems to have lowered the impact of age on these transitions. A similar pattern can be observed in Southern Europe, with Portugal exhibiting higher probability for young workers to exit unemployment and find a job. Age is also important to explain transitions towards inactivity, with young workers being more likely to move to this status once unemployed. Among the Nordic countries, Denmark and Finland have particularly high probabilities for young workers to become inactive probably as a reflection of a move into education. In the case of Southern Europe, the effect of age is not so clear. In the pre-crisis period (2000-2007), age did not have a significant impact. It did have an impact in the crisis years in Italy.

The role of education follows the expected theoretical pattern in the Nordic countries, where it has a significant impact and shows how the less educated are less likely to move to employment once unemployed. A similar pattern can be observed in Southern Europe. In all countries, the crisis does not seem to decrease the probability for the less educated compared to the better educated to move out of unemployment. When it comes to transitions to inactivity (A5), there is no clear pattern as to the role it plays in Nordic countries. In most countries, it has no role. In the case of Southern Europe, it is important to note the fact that whilst education did play a role in all countries in

explaining transitions towards inactivity in the pre-crisis years, it did not play any role in explaining these transitions in the crisis years (2008-2009).

### *Transitions from Inactivity*

Finally, when it comes to transitions from inactivity to employment (A6), sex does not play any role in the Nordic countries. This is different when we look at Southern Europe where sex is significant and the probability for inactive men to move towards employment is higher compared to women. Inactive men are more likely to become employed than inactive women in the four southern European countries. The crisis has nonetheless reduced these differences in Southern Europe, and in the case of Spain it does not play a role in the crisis years. By contrast, sex differences are important in the Nordic countries when we look at transitions towards unemployment (table A7), except for Denmark in the pre-crisis period. In these countries, the probability for men to move out of inactivity into unemployment is higher compared to women. In the case of Southern Europe, the role of sex does not follow a clear pattern. In the case of Spain, sex is significant and men are less likely to move from inactivity to unemployment. By contrast, in Italy and Portugal, men are more likely to do so. Finally, differences between men and women are not significant in the case of Greece.

Younger workers in the Nordic countries are significantly more likely to move from inactivity to employment and this is also the case in Southern Europe. A similar pattern applies to transitions from inactivity to unemployment, except for Portugal.

When it comes to the role of education, it does play a significant role in explaining transitions from inactivity to employment in the two country groups considered with almost no change between the two periods analysed. In all cases, less educated are less likely to find a job once inactive. Looking at transitions from inactivity to unemployment, we also observe significant odds in all the countries, with a lower probability for inactive low educated to move to unemployment.

## **Section IV: Concluding Remarks and Policy Recommendations**

The position of young workers in European labour markets is exposed to mounting risks and uncertainty resulting from increased flexibility. Even though the recession has aggravated these problems, the situation of youth in the labour market is the result of a series of regulatory changes that have not contributed to halt this process. The implications of this trend go far beyond the labour market as persistent and increasingly long youth unemployment constitute a major threat for the sustainability of EU social models.

However, the extent and form of uncertainty facing young workers varies significantly from country to country. This variation is correlated to the different degree and form of implementation of flexicurity policies. Not only have Southern European countries to a lesser extent developed the flexicurity paradigm and devoted resources to active labour market policies, but the form in which the flexibility part of the paradigm has been implemented has consisted in developing external flexibility (mostly through temporary employment) in Southern Europe, whilst in the Nordic countries, part-time flexibility is much more frequent. This would also explain the predominantly involuntary character of atypical employment in Southern Europe and its predominantly voluntary character in the Nordic countries.

The comparative analysis of labour market dynamics of young workers in Nordic and Southern European countries has shed some light into the determinants of this gradual deterioration in young workers' labour market situation. More specifically, the analysis of transitions in the pre-crisis years, i.e., a context of extension and implementation of flexicurity policies in all EU countries, shows first of all how it has had an asymmetric impact on young workers. Thus age had a significant effect on the probability an individual had to become unemployed or to find a job in both the Nordic countries and Southern Europe, though it was less strong in the former group. In other words, age matters when explaining labour market transitions and its effect is particularly strong in Southern Europe. Moreover, sex differences are important in Southern Europe when explaining transitions, whilst they're generally non important in the Nordic countries. Finally, there is some evidence of a less significant role of education as a shelter against the possibility of becoming unemployed, or of moving quickly out of inactivity into employment.

The economic crisis has led to an increasing divergence when it comes to the position of young workers in SE and the Nordic countries. In spite of a generalised deterioration of the youngest in the labour market, this has been more significant in those countries where flexicurity

has been implemented to a lesser extent and with a focus on enhancing external flexibility and more specifically temporary employment. Differences within clusters are also remarkable, particularly in Southern Europe that exhibits greater diversity than is very often recognised.

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## Annex

Table A1: Labour Market Transitions for aged 16-24, period 2000-2009

<b>Period 2000-2007</b>								
	DK	SE	NO	FI	ES	IT	PT	GR
Employed at t-1, status at t								
Employed	55%	78%	86%	62%	87%	91%	90%	90%
Unemployed	3%	5%	5%	6%	6%	6%	6%	6%
Inactive	41%	16%	9%	33%	6%	3%	3%	4%
Unemployed at t-1, status at t								
Unemployed	29%	30%	33%	36%	36%	69%	39%	67%
Employed	49%	43%	42%	34%	51%	26%	52%	27%
Inactive	22%	27%	24%	30%	12%	5%	9%	6%
Inactive at t-1, status at t								
Inactive	74%	76%	65%	82%	78%	91%	87%	91%
Unemployed	4%	5%	12%	4%	7%	5%	4%	4%
Employed	22%	19%	23%	13%	15%	4%	9%	5%
<b>Period 2008-2009</b>								
	DK	SE	NO	FI	ES	IT	PT	GR
Employed at t-1, status at t								
Employed	48%	72%		68%	79%	89%	87%	87%
Unemployed	4%	9%		7%	15%	9%	9%	6%
Inactive	48%	19%		26%	6%	3%	4%	7%
Unemployed at t-1, status at t								
Unemployed	30%	34%		34%	50%	73%	43%	66%
Employed	42%	39%		28%	37%	24%	50%	27%
Inactive	28%	27%		38%	13%	3%	7%	8%
Inactive at t-1, status at t								
Inactive	78%	75%		84%	81%	92%	87%	92%
Unemployed	4%	9%		3%	9%	5%	5%	4%
Employed	18%	17%		13%	10%	4%	8%	4%

Table A2: Transitions from Employment to Unemployment

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09
Gender																
Male	0,74	0,89ns	1,06ns		0,94 ns		0,88	1,01 ns	0,67	0,85	0,75	0,78	0,53	0,53	0,70	0,67
Female (ref)																
Age																
16-24	1,13 ns	1,75	3,84		4,16		1,62	1,32 ns	2,44	2,85	3,51	3,33	2,29	2,63	2,08	2,39
25-34	1,12 ns	1,38	1,89		2,36		1,11	0,81 ns	1,96	1,74	2,29	2,01	1,91	1,85	1,64	1,77
35-44	1,11 ns	1,31	1,25		1,67		1,10	1,07 ns	1,43	1,31	1,44	1,35	1,31	1,32	1,11	1,22
55-63	1,70 ns	1,28	1,27		1,10 ns		1,62	1,28 ns	0,79	0,83 ns	0,92	0,90 ns	0,91	0,85 ns	1,44	1,28
45-54 (ref)																
Marital Status																
Widowed, Divorced	1,62	1,87	1,54		1,97		1,63	1,47	1,79	1,70	1,45	1,41	1,56	1,73	1,33	1,07 ns
Single	1,86	1,98	1,27		2,03		1,59	1,56	1,40	1,46	1,49	1,38	1,72	1,63	1,30	1,41
Married (ref)																
Education																
Primary	1,97	2,13	2,22		1,90		3,13	3,06	2,28	2,59	2,44	2,49	2,50	2,32	1,86	2,34
Secondary	1,17	1,41	1,56		1,41		2,27	1,88	1,61	1,53	1,37	1,37	1,76	1,40	1,30	1,68
Tertiary (ref)																
Previous Occupational Status																
Self-Employed	0,80	0,38	0,60		0,51		0,33	0,39	0,29	0,28	0,63	0,74	0,37	0,38	0,48	0,59
Employee																
Sector																
Non-Manufacturing	0,94 ns	1,44	0,80		1,31		1,02 ns	0,99 ns	1,14	1,73	1,10	1,18	1,17	1,21	1,35	1,52
Manufacturing																

Table A3: Transitions from Employment to Inactivity

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09
Gender																
Male	0,61	0,65	0,51		0,58		0,59	0,46	0,48	0,49	0,50	0,53	0,51	0,49	0,57	0,63
Female (ref)																
Age																
16-24	27,73	27,99	18,17		7,66		23,86	16,43	3,33	3,32	2,77	3,49	3,22	4,38	2,13	2,20
25-34	3,84	3,71	4,65		2,47		4,09	3,63	1,83	1,53	1,30	1,83	0,84	0,67	0,68	0,73
35-44	1,31	1,48	1,76		1,05 ns		1,35	1,44	1,09 ns	1,06 ns	0,69	0,98 ns	0,48	0,54	0,55	0,63
55-63	7,02	6,78	4,00		4,60		5,47	3,55	3,25	3,01	7,65	10,73	5,73	4,27	3,46	3,51
45-54 (ref)																
Marital Status																
Widowed, Divorced, Separated	1,16	1,29	0,98 ns		1,26		0,87	0,97 ns	0,87 ns	0,76	0,80	0,81	0,72	0,62	0,90 ns	1,07 ns
Single	1,86	1,56	0,89		1,17 ns		1,12	0,89 ns	0,76	0,86 ns	0,65	0,67	0,65	0,80	1,08	1,13 ns
Married (ref)																
Education																
Primary	2,37	2,37	1,50		1,40		1,62	1,38	1,91	1,98	1,93	1,68	1,70	1,69	1,36	1,02 ns
Secondary	1,24	1,51	1,10		1,05 ns		1,32	1,23	1,36	1,48	1,38	1,29	1,63	1,55	1,41	1,06 ns
Tertiary (ref)																
Previous Occupational Status																
Self-Employed	0,78	0,73	0,83		1,08 ns		0,83	0,96 ns	0,54	0,44	0,62	0,61	0,59	0,75	1,56	1,39
Employee																
Sector																
Non-Manufacturing	0,50	0,59	0,69		1,94		0,72	0,73	1,05 ns	1,13 ns	1,25	1,26	0,94	0,84	0,93	1,26
Manufacturing																

Table A4: Transitions from Unemployment to Employment

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09
Gender																
Male	0,99 ns	0,73	0,96 ns	0,93 ns	0,92 ns		0,74	0,75	1,31	1,04 ns	1,54	1,34	1,91	1,57	1,21	1,17
Female (ref)																
Age																
16-24	2,22	1,63	1,82	1,36	2,76		2,32	1,63	2,04	1,70	1,34	1,67	2,25	1,90	3,76	3,50
25-34	1,80	1,90	1,46	1,46	1,83		1,84	1,38 ns	1,91	1,70	1,19	1,52	1,96	1,63	2,39	2,30
35-44	1,40	1,22	1,10 ns	1,32	1,05 ns		1,35	1,34 ns	1,49	1,29	1,07	1,24	1,42	1,07 ns	1,64	1,47
55-63	0,38	0,70	0,56	0,72	0,53		0,29	0,31	0,47	0,52	0,75	0,67	0,67	0,50	0,46	0,48
45-54 (ref)																
Marital Status																
Widowed, Divorced, Separated	0,88	0,61	0,84	0,85 ns	0,87 ns		0,86	0,98 ns	0,88 ns	0,95 ns	0,96 ns	1,10	1,14	0,86 ns	1,13	0,74
Single	0,83	0,69	0,98 ns	1,11 ns	0,76		0,88	0,83 ns	0,90 ns	0,87	0,65	0,74	0,82	0,86	0,83	0,78
Married (ref)																
Education																
Primary	0,66	0,63	0,52	0,45	0,49		0,54	0,52	0,66	0,56	0,42	0,45	0,62	0,59	0,61	0,54
Secondary	0,87	0,83	0,79	0,74	0,73		0,74	0,72	0,81	0,80	0,62	0,68	0,72	0,66	0,72	0,69
Tertiary (ref)																

Table A5: Transitions from Unemployment to Inactivity

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT	
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	
<b>Gender</b>																	
Male	0,72	0,57	0,73	0,67	0,52		0,64	0,81 ns	0,66	0,56	0,50	0,34	0,74	0,83	0,43	0,49	
Female (ref)																	
<b>Age</b>																	
16-24	4,96	5,28	4,24	3,69	3,22		6,69	6,17	0,98 ns	0,79	1,70	1,06 ns	2,11	2,41	2,86	2,60	
25-34	3,27	1,86	2,26	2,50	1,27 ns		2,60	2,10	1,24	0,74	0,96 ns	0,86	0,89 ns	0,88 ns	1,42	1,75	
35-44	1,76	1,30 ns	1,42	1,56	0,76 ns		1,33	1,69	1,24	0,80	0,89	0,85	0,69	0,54	1,13 ns	1,28 ns	
55-63	2,80	3,33	1,09 ns	1,65	1,04 ns		1,86	2,72	1,87	1,86	1,84	2,09	2,18	2,09	1,42	2,32	
45-54 (ref)																	
<b>Marital Status</b>																	
Widowed, Divorced		0,92 ns	0,91 ns	0,81	0,90 ns	0,96 ns		0,88	0,87 ns	0,61	0,81	0,68	0,57	0,44	0,66	0,84 ns	0,69
Single	0,80	0,79 ns	0,79	0,77	1,18 ns		0,80	0,75 ns	0,59	0,87 ns	0,52	0,53	0,41	0,47	0,91 ns	0,92 ns	
Married (ref)																	
<b>Education</b>																	
Primary	1,41	1,14 ns	1,03 ns	0,83	1,14 ns		0,79	0,99 ns	1,38	0,91 ns	0,69	0,64	1,45	0,86 ns	1,41	1,12 ns	
Secondary	1,40	1,21 ns	1,08 ns	1,01 ns	1,00 ns		0,96 ns	0,84 ns	1,29	0,89 ns	0,86	0,83	1,10 ns	0,78	1,31	1,18 ns	

Table A6: Transitions from Inactivity to Employment

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09
Gender																
Male	1,04 ns	1,06 ns	1,04 ns	1,06	0,96 ns		1,13	1,09 ns	1,25	1,03 ns	2,66	1,70	1,95	1,80	1,79	1,52
Female (ref)	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Age																
16-24	3,33	3,39	2,10	2,77	6,27		2,63	1,98	2,61	2,00	1,17	1,39	4,50	3,21	6,81	6,28
25-34	3,91	4,23	2,52	3,68	4,72		3,57	2,67	4,31	3,68	2,20	2,50	6,23	5,00	7,61	7,83
35-44	2,59	2,51	2,19	2,85	1,98		2,77	2,59	2,07	1,88	2,13	2,02	2,59	2,65	2,84	2,97
55-63	0,07	0,07	0,27	0,30	0,39		0,10	0,15	0,27	0,30	0,15	0,26	0,30	0,31	0,17	0,15
45-54 (ref)	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Marital Status																
Widowed, Divorced, Separated	0,88 ns	0,94 ns	0,82	0,74	1,04 ns		0,92 ns	0,72	1,71	1,87	1,52	1,57	2,60	1,67	1,11 ns	1,04 ns
Single	0,81	0,74	0,90	0,81	1,02 ns		0,85	0,72	1,16	1,15	0,81	0,97 ns	1,20	1,39	0,49	0,41
Married (ref)	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
Education																
Primary	0,16	0,12	0,28	0,19	0,34		0,12	0,10	0,30	0,29	0,15	0,15	0,08	0,09	0,11	0,11
Secondary	0,51	0,57	0,71	0,56	0,57		0,50	0,60	0,41	0,45	0,33	0,43	0,19	0,18	0,11	0,15

Table A7: Transitions from Inactivity to Unemployment

	DK	DK	SE	SE	NO	NO	FI	FI	ES	ES	IT	IT	GR	GR	PT	PT
	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09	2000-07	2008-09
Gender																
Male	0,98 ns	1,18	1,11	1,18	1,26		1,18	1,17 ns	0,84	0,81	1,37	1,31	1,02 ns	1,05 ns	1,78	1,38
Female (ref)																
Age																
16-24	1,38	1,72	1,01 ns	2,32	5,40		1,31	0,68	1,74	2,12	2,37	1,72	4,26	3,29	1,04 ns	1,10 ns
25-34	2,97	2,65	1,72	2,49	4,06		2,20	1,38 ns	3,11	3,72	3,52	2,41	6,02	5,24	2,59	2,98
35-44	2,31	2,78	1,71	1,91	2,50		2,17	1,79	1,73	2,10	2,50	2,11	3,10	2,25	1,44	1,78
55-63	0,15	0,13	0,31	0,19	0,17		0,11	0,28	0,21	0,25	0,15	0,13	0,19	0,13	0,55	0,43
45-54 (ref)																
Marital Status																
Widowed, Divorced, Separated	1,01 ns	1,06 ns	1,11 ns	1,04 ns	1,41		1,36	1,81	1,71	1,56	2,19	1,81	3,12	2,24	1,20	1,42
Single	0,90 ns	1,01 ns	0,89 ns	0,68	1,09 ns		0,98 ns	0,91 ns	1,07 ns	0,94 ns	1,42	1,28	1,59	1,95	0,55	0,54
Married (ref)																
Education																
Primary	0,25	0,22	0,80	0,72	0,62		0,35	0,55	0,49	0,63	0,12	0,18	0,07	0,06	0,34	0,33
Secondary	0,46	0,61	1,51	1,00 ns	0,69		0,79	1,15 ns	0,53	0,64	0,26	0,43	0,18	0,14	0,22	0,27