

A lost generation or a period specific selection process? Youth unemployment in the times of the Great Recession

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Abstract

The Great Recession and its aftermath hit most of the European countries severely. Especially young people suffered by both an increasing risk of becoming unemployed and a prolongation of individuals' duration of staying unemployed. Already in 2010, politicians reactivated the term "lost generation" to characterise the situation of young people in the years of the Great Recession. In fact, youth unemployment increased until 2013 by numbers and rates, and the duration of unemployment experience prolonged. However, from a research perspective it is still unclear, in how far the recession cohorts (here the school leavers, who left the educational system in the years of the Great Recession) became a lost generation. The term lost generation is used in a double sense here: experiencing a delayed entry into the working life and starting at an insecure or precarious level of employment with lower perspectives to recover. From that perspective, scholars assume the Great Recession worked as a cohort-specific obstacle, yielding a lost generation. The alternative hypothesis is, the Great Recession created a period-specific episode of unemployment and people involved recover from unemployment along with economic recovery.

As a second effect the paper assumes, the Great Recession amplified the selection process when young people enter the labour market and establish in employment. Thus, not cohorts in general but especially disadvantaged groups (poor school performance, social background, etc.) suffered most from the years of crisis and experienced a precarious school-to work transition.

Eurostat Labour Force Survey (LFS) data from 2005 to 2015 are employed to analyse individuals transition from school to work and their first years on the labour market before, whilst, and after the years of the Great Recession. The paper utilised data from 26 European countries. Logit models are applied and marginal effects (AME) calculated. The paper estimates the effect of the Great Recession on the risk of being unemployed, the duration of unemployment, the risk of working in a precarious job and the risk of working in a decent job.

First results indicate, the Great Recession increased the risk of becoming unemployed especially for labour market entrants in the European countries. But individuals' labour market position improved in line with the economic recovery. Secondly, even for young people already established on the labour market, the unemployment risk raised, with the Great Recession, and decreased afterwards. These findings support the "period effect hypothesis", whilst there is less empirical evidence for a "lost-generation hypothesis".

Thirdly, the unemployment risk raised especially for the at-risk-population, (e.g. less qualified young people). The later findings support the assumption of an enforced selection process.