‘Career opportunities the ones that never knock’: Are some employers more ‘youth friendly’ than others?

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Research questions

Surprising little attention has been given to understanding which employers recruit young people. Valuable cross-national comparisons of differences in training and recruitment show that where young people are better integrated into employment, employers are more actively involved in providing apprenticeship schemes (Hadjivassiliou et al. *forthcoming*). But, can we assume that all employers are equally looking to employ young people, or are the jobs open to youth concentrated in particular sectors?

What has happened to job opportunities in these sectors during the Great Recession? Have young people lost their jobs, or job opportunities, because the sector shrunk as a result of the Great Recession? Or, did the fall in youth employment come about because employers were less inclined to employ young workers? And, have youth job opportunities continued to deteriorate as suggested by Blanchflower and Freeman (2000)?

Research Methods

Using a shift-share analysis based on European Union Labour Force Survey (EU-LFS), we look at where young people (aged 16–24) have been employed and how this changed between 2007 and 2014 (Grotti et al. *forthcoming*). This allows us to decompose aggregate changes in total employment resulting from different driving forces: the structural change in the overall size of sectors (growth effect); the change in the proportion of youth workers in each sector (share effect); and the interaction between these two forces (interaction effect).

In the decomposition analyses, the categorization of the sectors is based on the NACE statistical classification of economic activities in the EU (Eurostat 2008). Shift-share analysis furnishes descriptive understandings of the shifting trends over time and allows us to investigate whether changes in youth employment are driven by structural shifts in the growth or shrinkage of particular economic sectors or whether they are attributable to changes in employers’ propensity to employ young people.

In which sectors are young people employed?

The highest youth share is found in the accommodation and food sector, which is particularly high at 46% in Denmark and the Netherlands. The youth share in this sector is much lower in the subprotective countries, like Spain and Italy, although young people are still over-represented compared to older workers. Over time, however, the reliance on youth in this sector decreased in the majority of countries.

Wholesale and retail is also a youth-intensive sector: in 2007, young people accounted for over one-fourth of those employed in this sector in Denmark, the Netherlands, Ireland, and the United Kingdom, but for less than 10% in Italy and Hungary. Over time, the youth share of employment in wholesale and retail decreased in almost all countries, and particularly in Ireland and Spain, again suggesting that youth are particularly exposed to a hiring freeze or labor shedding in this sector in some countries.

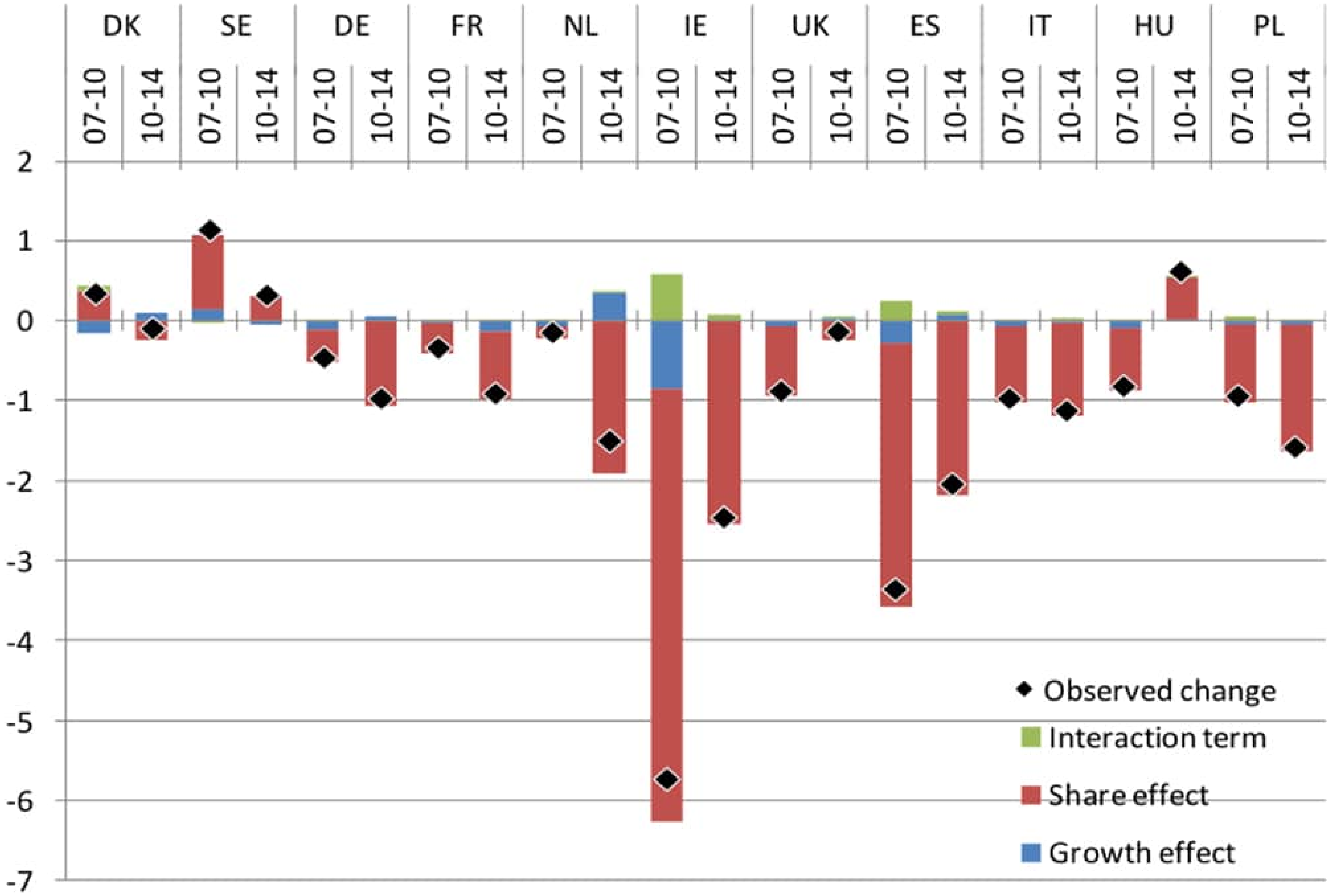
Ireland and Spain also experienced the largest decline in the youth share in construction (17 pp and 10 pp, respectively). Notable decreases of between 3.5 pp and 5 pp are also present in France, Italy, the United Kingdom, and the Netherlands (Grotti et al. *forthcoming*).

Beyond these marked changes, and with the exception of Denmark and Sweden, the decline in the youth share was observed in all sectors, reflecting young people's declining employment share across the economy as a whole. This evidence substantiates the argument made by Blanchflower and Freeman (2000) that there is a long-run tendency of employers to lower their propensity to employ young people, and part of this trend has been the dissolution of temporary contracts (Boeri and Jimeno 2015).

Shift-share analysis

The heterogeneity in the experience of youth employment among countries could be a result of several different factors. It could be the result of an overall shrinkage in the sector in question (shift) or of a declining share of youth employed in the same sector. Using a shift-share analysis, we decompose changes in the total share of youth employment in 2007–2010 and 2010–2014 by sector. This method enables us to measure how much of the changes in youth employment are due to changes in the size of sectors (growth or sector effect), to changes in the utilization of youth labor within sectors (share effect), and to the interaction between these two forces (interaction term) (figure 1).

Figure 1. Decomposition of changes in youth employment as a share of total employment in 11 EU countries, 2007–2010 and 2010–2014 (percentage points)



Source: EU-LFS, authors' analysis. Figure 2.3 in Grotti et al. *forthcoming*.

The first thing to note is that, in all countries and in both periods, changes in youth employment are driven by the share effect, namely by the fact that during the recession young people are more likely to be dismissed (or less likely to be hired) compared to older people. For example, the great decrease in youth employment that we observe for Spain in the first phase of the recession (–3.35) is almost entirely due to the share effect (–3.31). This supports the argument that employers have lowered their propensity to employ young people, both by imposing a hiring freeze and through the dissolution of temporary contracts.

In some cases, we observe growth and share effects operating in opposite directions at the same time. For example, in the Netherlands in the second period, the growth effect increases youth employment (+0.35) but the share effect decreases it (–1.91). We could interpret this as being the result, on the one hand, of the expansion of some sectors that traditionally give employment to youth and, on the other hand, to a decline over time in the use of youth within these sectors. This is what has happened for the wholesale and retail sector in the Netherlands.

Although differences between countries exist in the contribution of each sector to the total share effect, the overall changes have been mainly driven by construction, manufacturing, and wholesale and retail.

Gender differences

When youth employment changes are disaggregated by gender, a clear and unique pattern across Europe does not emerge (figure 2.4 in Grotti et al. *forthcoming*). On the one hand, changes in overall youth employment were driven by changes in female employment in the universalistic (Denmark and Sweden) and employment-centered countries (France, Germany and the Netherlands). On the other hand, in the subprotective (Italy and Spain) and postsocialist countries (Hungary and Poland), the overall changes were driven by changes in male employment. Whenever we observe increases in the share of youth employment, these are often driven by an increased share of female employment.

Has the quality of youth employment deteriorated?

Overall, changes in the share of youth in employment are driven by declines in the share of youth in permanent employment. However, in the few cases where we observe the youth share increasing, this comes from increases in both permanent and temporary youth employment, with the creation of permanent jobs driving the changes (see Grotti et al. figures 2.5 and 2.6).

Manufacturing, construction, and wholesale and retail are the sectors that have driven the decline in permanent employment for youth during the recession. This has occurred both via the shrinkage of sectors and via the declining utilization of youth within sectors. There are a couple of caveats that should be underlined. First, in interpreting the sizes of the decomposed changes, we have to keep in mind that these changes also reflect the sizes of the groups. For example, if we observe the largest contribution of part-time employment in the Netherlands, it is probably because the Netherlands is the country where part-time employment is more widespread. The same holds for temporary employment in Spain.

Second, we have to consider that changes in the share of youth are also a product of the inflow/outflow of those aged 25 years and over into and out of employment (Flek et al. *forthcoming*). For example, Boeri and Jimeno (2015, 3) observed that a characteristic of this specific recession is that the employment rates of older people increased in most countries as pension reforms progressively increased the retirement age. This, also, is a factor that contributes to accounting for the heterogeneous experience of youth unemployment across countries. Therefore, at least in principle, we might observe changes in the share of youth employment even in cases when youth employment does not change but older people's employment does. In this sense, these analyses furnish a picture of youth employment from a different perspective—looking at the composition of employment—and complement the pictures provided by the study of the unemployment and labor force participation rates (Grotti et al. *forthcoming*).

Conclusions

One of the clearest findings from this research is the need first to understand that youth job opportunities are very specific to sectors and that this applies regardless of country. Second, the engagement of employers is key to improving youth opportunities for work. Our research evidence indicates that employers have lowered their propensity to employ youth (combining a hiring freeze with the dissolution of temporary contracts), possibly for some of the reasons outlined by Marsden and Ryan (1986) with regard to wages, productivity, and training costs. But closer attention needs to be given to understanding how wage rates, labor market policies, and the costs of training make employers less disposed to recruiting young people. Hadjivassiliou et al. (*forthcoming*) illustrate how countries perform better where employers are closely engaged in STW transition regimes and VET systems. Here, employers see an incentive to participate. In more fragmented regimes where there is greater inertia in the ability to involve employers through different policy channels, the outcomes for youth have been devastating, especially in subprotective countries (Petmesidou and González Menéndez *forthcoming*). One of the key challenges in terms of policy learning and transfer requires mobilizing employers and professional bodies within multiagency forms of governance to deliver effective programs to overcome some of the deleterious consequences for youth that have become evident in the past decade.

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