

**“Young adults & labour market scarring:
consequences and the policy response”?**

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Cowork₄YOUTH

Collaborative and Sharing Workspaces
Policies for Youth in EEA Peripheral Regions

Evidence that recessions result in scars for young adults

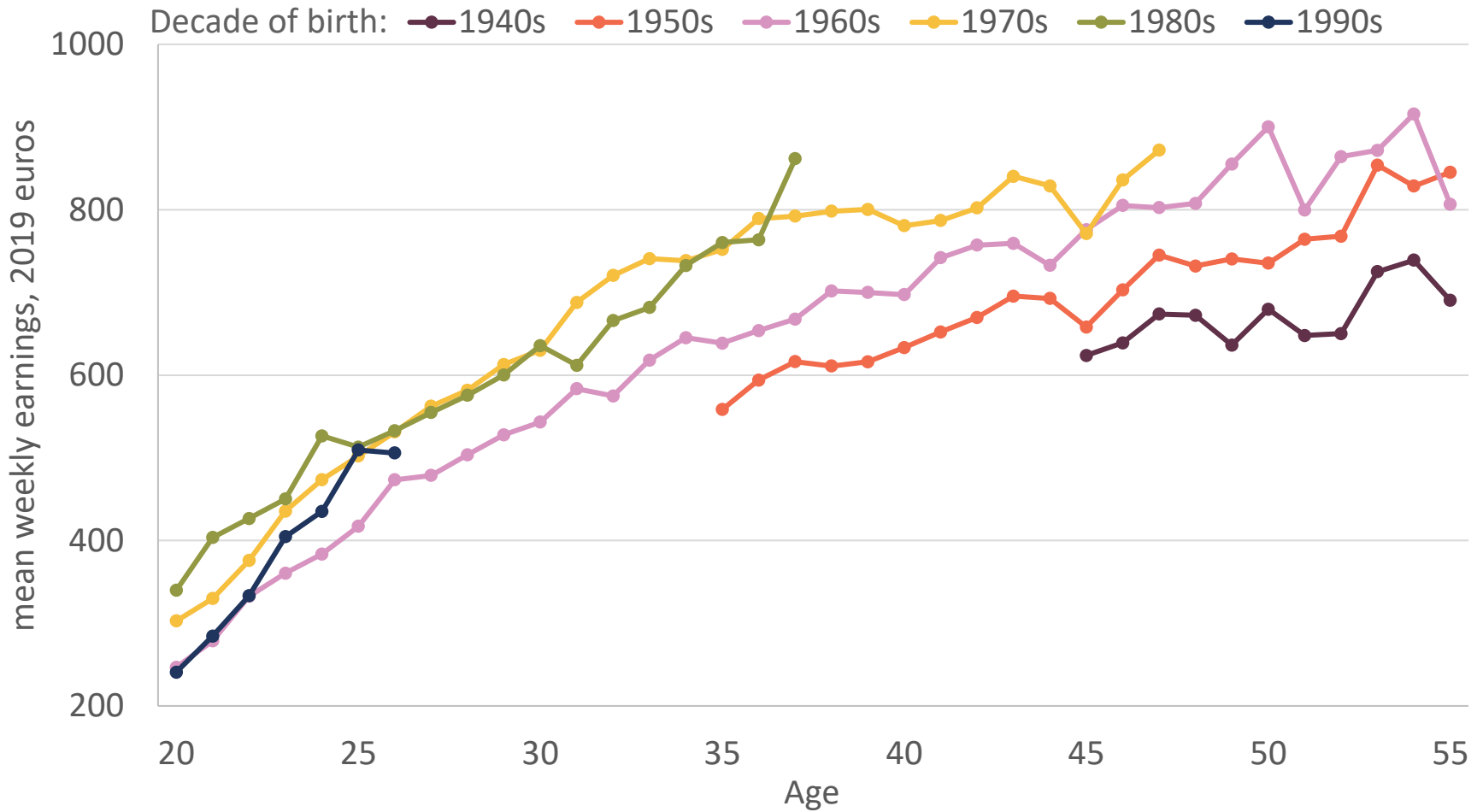
Entering depressed labour market has negative impact on initial earnings & employment that take c.10 years to fade (von Wachter, 2020)

- Also evidence of adverse effects on crime (Bell et al., 2017), substance misuse (Maclean, 2015; Cutler et al., 2015) & mortality (Maclean, 2013)
- Mechanisms include worse worker-firm match (Liu et al, 2016), depreciation of skills (Pissarides, 1992), psychologically discouragement (Clark et al., 2003)

But much of this evidence for north-American college graduates

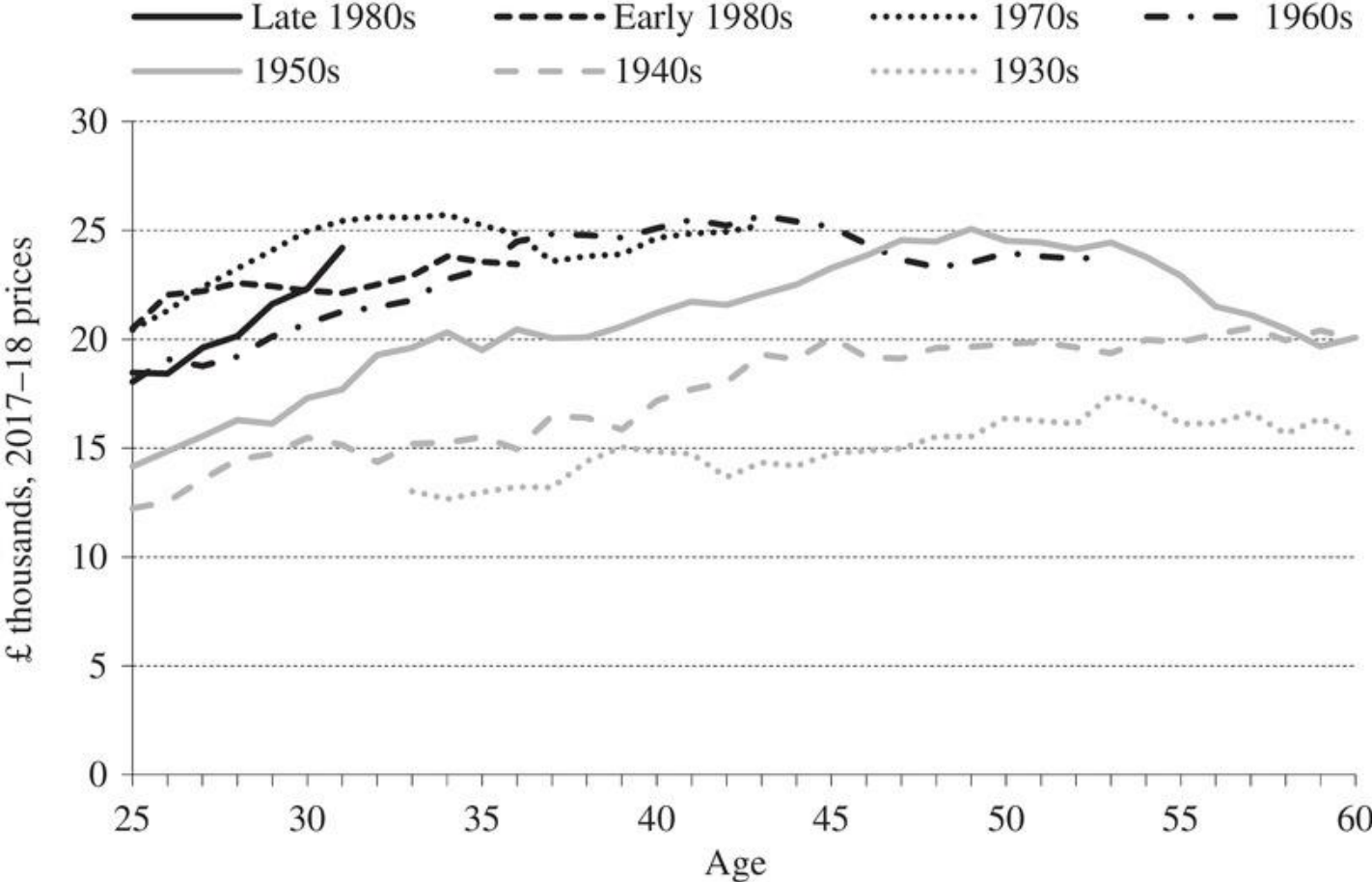
- Although Regan (2020) finds similar effects for college graduates in the EU
- ... while Cribb (2020) and Roantree et al. (2021) find age-profiles of earnings for recent cohorts of British/Irish youth consistent with scarring effects
- ... as do Regan & Roantree (2021) for youth of all education levels in Denmark

Roantree et al. (2021)

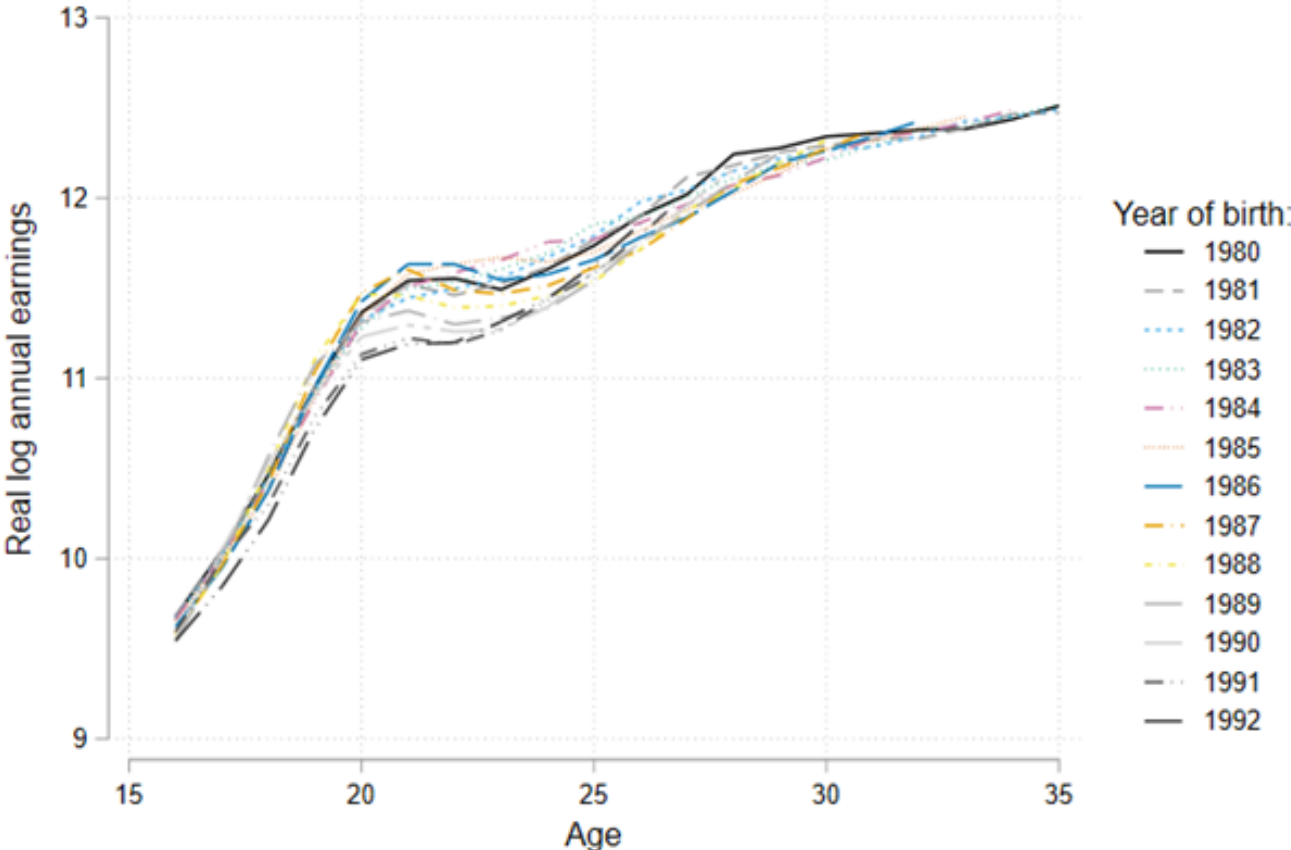


Source: Figure 4.5 in Roantree, B., B. Maître, A. McTague and I. Privalko (2021). Poverty, income inequality and living standards in Ireland, <https://doi.org/10.26504/bkmnext412>

Cribb (2020)

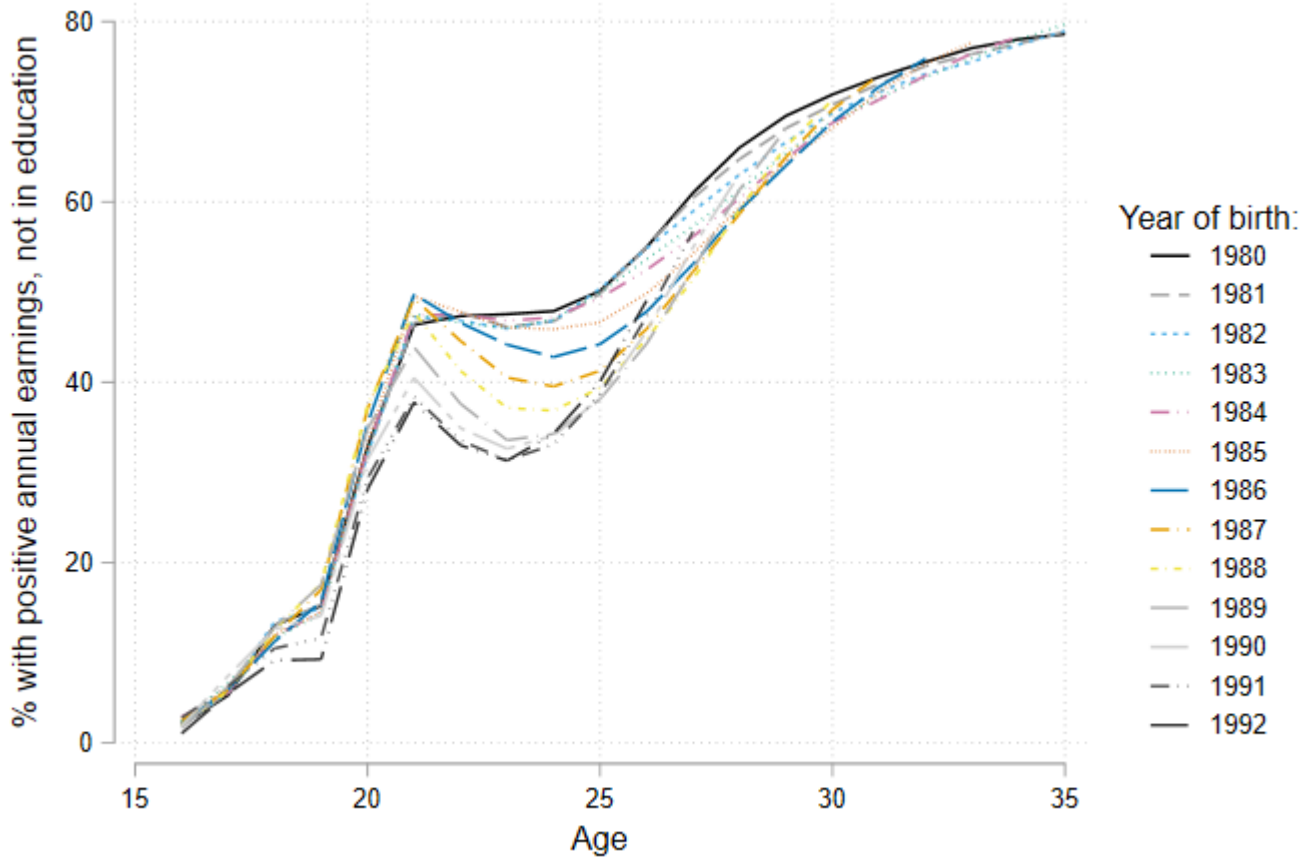


Regan & Roantree (2021)



Source: Regan, M and Roantree, B. (2021). Born under a bad sign: the impact of finishing school when labour markets are weak. London: Institute for Fiscal Studies.

Regan & Roantree (2021)



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Regan & Roantree (2021) also estimate effects of labour market scarring for recent cohorts in Denmark

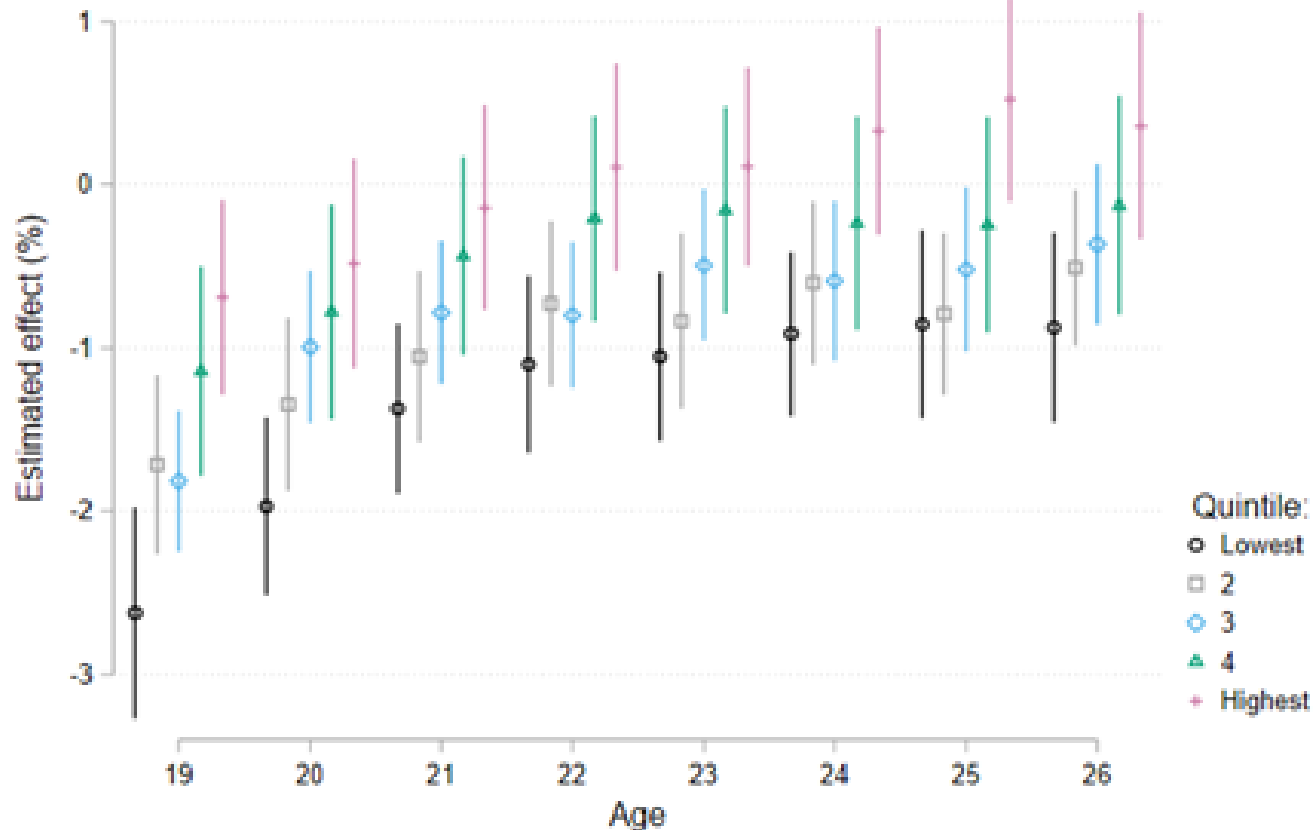
Exploit variation in NEET rates across cohorts within municipalities using rich Danish administrative data covering entire population

- Contains information on employment, education & even criminal charges!
- Look in particular at how impacts differ by family background, using quintiles of parental earnings when youth were aged 16

Estimates of scarring effects are larger for less advantaged youth

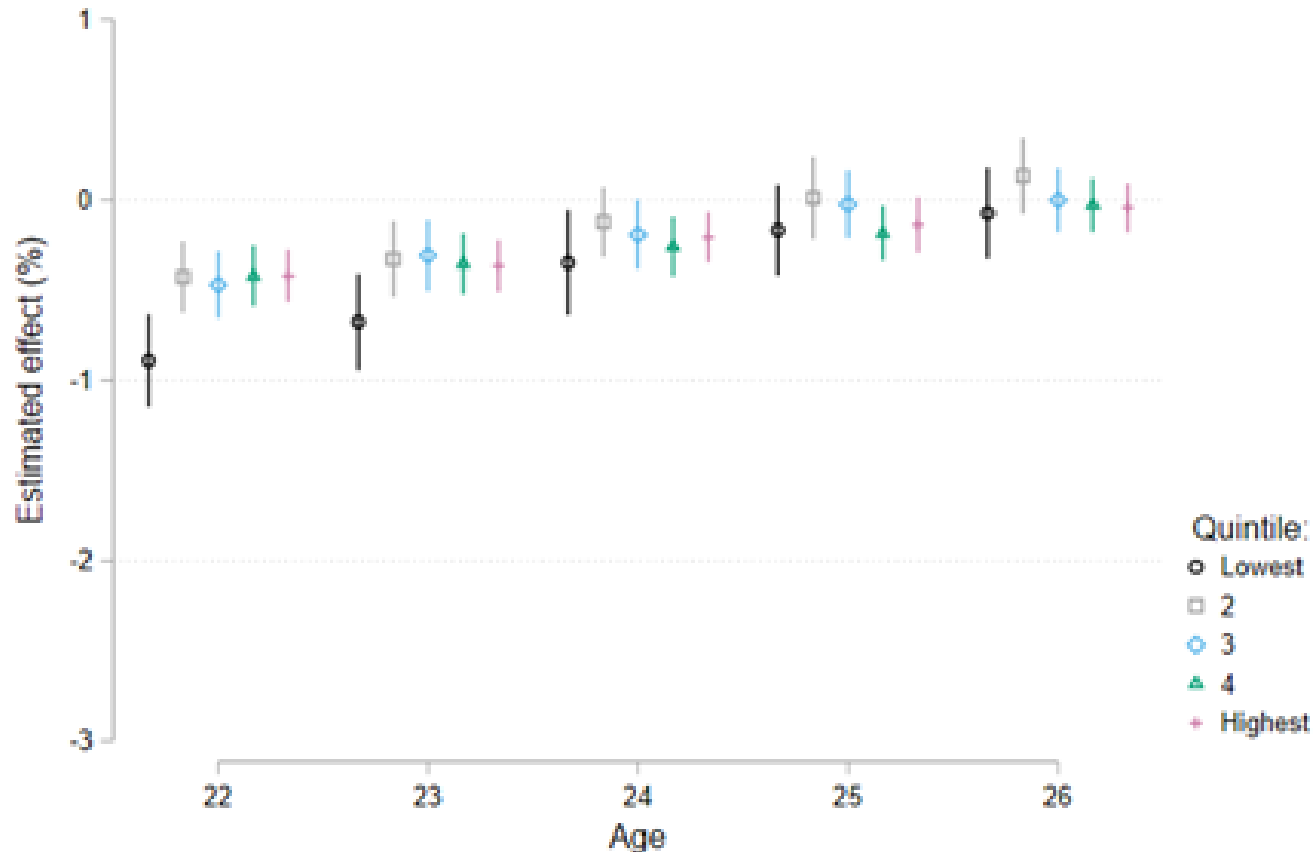
- Find early school leavers who complete education when NEET rate is 1ppt higher than normal still 0.5% less likely to be in paid work by age 26
- ... and this is more pronounced for early school leavers with poorer parents

Estimated impact on employment for early school leavers



Source: Regan, M and Roantree, B. (2021). Born under a bad sign: the impact of finishing school when labour markets are weak. London: Institute for Fiscal Studies.

Estimated impact on employment for later school leavers



Source: Regan, M and Roantree, B. (2021). Born under a bad sign: the impact of finishing school when labour markets are weak. London: Institute for Fiscal Studies.

Research has important implications for policy

Shows that entering weak labour market has persistent negative effects, especially for those from disadvantaged backgrounds

- Effects seem to fade within 10 years for college grads, but larger & more persistent for early school leavers (nb those with lower-earning parents)

Should be of concern given evidence on effectiveness of ALMPs

- [Card et al. \(2018\)](#) find public sector employment programmes – common in many countries – have negligible or negative impacts over all horizons
- Also find – as do [Caliendo & Schmidl \(2016\)](#) – ALMPs less effective for youth, with “work first” schemes more effective for disadvantaged participants
- ... & that potential gains to matching different participant groups to specific ALMPs e.g. long-term unemployed to human capital focused programmes

Need for more effective ALMPs aimed at disadvantaged youth

Motivation for ALMP devised by the Rockwool Foundation

NExTWORK links young social assistance claimants without further/higher education to firms offering internships

- Rather than assign youth to firms, attempts to generate better worker-firm match through programme facilitated matching event
- Also provides ongoing support to participants throughout their internships from both a counselor and weekly peer-support groups

RCT based evaluation being led by researchers from the Institute for Fiscal Studies and the Economic and Social Research Institute

- Pre-analysis plan published at AEA RCT registry (DOI 10.1257/rct.2752-1.3)
- Impact evaluation delayed with pandemic, but hope to have published initial report towards the end of next year

THANK YOU!

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