Young Workers in Recessionary Times: 
A Caveat to (Continental) Europe to Reconstruct its Labour Law*

1. Introductory Remarks

Policy makers, social partners, and the public opinion monitor with interest and growing concern the steep increase in youth unemployment, in Europe more than elsewhere. Indeed, all the main international institutions – supported by the analysis of labour market experts – seem to uphold that

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1 In other areas of the world, especially in developing countries, the cultural lens through which the problem of youth unemployment is explored might be different. See on the issue Senatori, I., and M. Tiraboschi. “Productivity, Investment in Human Capital and the Challenge of Youth Employment in the Global Market. Comparative Developments and Global Responses in the Perspective of School-to-Work Transition”, 5th IIRA African Regional Congress, IIRA Cape Town, South Africa 2008.


young people have been hit the hardest by the “great crisis” that began in 2007 with the collapse of financial markets.

It is only natural then that in a time of ongoing recession and many sacrifices demanded of workers, feelings of apprehension and hope arise with regard to the future, therefore involving younger generations and their employment prospects in the years ahead.

The notion of “unemployment” has long become less and less appropriate to frame the critical aspects of the interplay between young people and employment. Of equal importance, as well as extensively discussed and highly controversial, are those phenomena accompanying young people in their school-to-work transitions, particularly inactivity, precarious employment and low wages.

Nevertheless, unemployment still remains a main indicator, as it supplies clear and immediate evidence of the vulnerability of young people in the labour market, also for those who are not experts in the field. According to relevant data, in most countries – whether industrialised or non-industrialised ones – high levels of youth unemployment have been reported long before the onset of the recent economic and financial crisis, to the extent that many specialists made use of the term déjà vu to refer to the phenomenon.

Accordingly, the concern resulting from high youth unemployment rates is not a novelty. What appears to be new here, at least within the political and institutional public debate taking place in recent years, is the emphasis placed by Europe on the future of younger generations and how this issue is taken as an excuse to justify – or perhaps to impose – major labour market reforms and deregulation on nation States overseen by central institutions, which will also limit their sovereignty.

4 Particularly relevant in this respect is the study presented in the World of Work Report 2012 of the ILO (op. cit., note 2) on the measures that affected workers in terms of protection reduction.


6 This issue has been extensively discussed in Tiraboschi, T. 2006. “Young People and Employment in Italy: The (Difficult) Transition from Education and Training to the Labour Market”, IJCLLIR, 81 ff.

7 See, among others, N. O’Higgins, op. cit.


9 In this respect, see Baylos, A. 2012. “Crisi del diritto del lavoro o diritto del lavoro in crisi? La riforma del lavoro spagnola del 2012”, Diritto delle Relazioni Industriali, No. 2.
Put differently, labour law rules – chiefly concerning high levels of protection against termination of employment – would explain high youth unemployment rates as well as the increasing recourse to atypical, non-standard or temporary employment arrangements.

Indeed, there is little wonder about this issue, save for the fact that – in a time of severe crisis and ongoing recession – fathers are now called to make a lot of sacrifices that are deemed to be “acceptable”, for they contribute to provide their sons with better employment prospects. In this sense, the “great crisis” has acted as a catalyst\(^10\) for long-awaited labour market reforms and liberalisation processes, which however have never been fully implemented so far due to a lack of adequate political and social consensus.

Of particular significance in this respect is an interview with the President of the European Central Bank, Mr. Mario Draghi, which appeared in the *Wall Street Journal*.\(^11\) In the midst of the international crisis and in the name of younger generations, Mr. Draghi questioned the future sustainability of the “European Social Model”, urging a major overhaul of national labour regulations in Europe, which are currently more favourable to labour market insiders, i.e. adult workers.

This is what occurred in many European countries between 2008 and 2012\(^12\) with the introduction of a number of unpopular measures aimed at reducing workers’ protection that have been imposed on increasingly disoriented and helpless citizens, and presented as an unavoidable sacrifice required by the current macro-economic situation with a view to improving employment and retirement prospects (also) of younger generations.\(^13\)

This trend has not been witnessed only in Europe, since 40 out of 131 countries – as are the Members of the International Labour Organization (ILO)}
Chapter I. Economic Crisis and Labour Law Reforms: Models and Scenarios

– have reduced their standard employment protection levels.\textsuperscript{14} This aspect is particularly apparent in industrialised countries, and chiefly in central and southern Europe, where 83% of anti-crisis reforms focused on employment protection, with particular reference to the regulation on dismissal for economic reasons.\textsuperscript{15}

In view of the above, and in the context of a dramatic deterioration of the economy and lack of public resources for subsidies, this paper sets out to understand whether job-creation policies, employment incentives,\textsuperscript{16} and deregulation of labour laws in Europe – in particular in relation to unfair dismissal – could really provide a possible (if not the only) solution to cope with the issue of youth unemployment.

\section*{2. The Issue of Youth Unemployment: The New Perspective Provided to Labour Lawyers by a Comparative Study}

Intuitively, it could be argued that high protection levels provided to labour market insiders may discourage or pose an obstacle to outsiders, thus including young people. Drawing on this assumption, at the end of the last century, the OECD started implementing a set of measures collected in the well-known \textit{Jobs Study}.\textsuperscript{17} The studies that followed have questioned the role of workers’ protection in terms of total and youth unemployment.\textsuperscript{18}

\begin{footnotesize}


\textsuperscript{17} OECD. 1994. \textit{The OECD Jobs Study. Facts, Analysis, Strategies}. Paris: OECD.

\end{footnotesize}
Limited data reveal increased youth employment prospects in countries with a deregulated or flexible labour market. To the contrary, many studies show that higher workers’ protection actually favoured, at least in the medium term, youth employment during the “great crisis”. Likewise, straightforward is that in deregulated labour markets with higher flexibility in hiring and dismissals, youth can be discouraged or find themselves in a less favourable position compared to adults, due to a lack of work experience, no well-established connections or relations helping them in the job search, lower productivity, lack of expertise and skills, and competition with migrant workers, who are more inclined to take up jobs and withstand employment arrangements deemed unacceptable by the local population. Labour lawyers, like the author of the present paper, have limited knowledge of technical and conceptual instruments to take part in a debate – that is also very controversial among labour economists – on the effects of the regulatory framework on the labour market organisation and regulation. Because of the thorough knowledge of the regulatory and institutional framework, labour lawyers can however present economists with a different interpretation of the potential impact of protection measures on youth unemployment rates. This is the real challenge to take on, as pointed out also by the International Labour Organization over the last decade. According to the ILO, the current available indicators are perfectly suitable to afford an analytical framework through which detailed information about the condition of young workers in the labour market in the different areas of the world might be given. It is still the ILO, which stresses that the real difficulty is rather to identify the tools to improve employment conditions by means of existing indicators. What labour economists may interpret by simple facts empirically proven – if not even the outcome of their investigation – is seen by labour law experts, especially if a comparative perspective is taken, as some useful insights to better assess the efficiency of labour market institutions and, in particular, the impact of protection measures on youth unemployment.


19 With reference to internal and external labour market, see Bell, D.N.F., and D. G. Blanchflower, op. cit., 2. In the same vein, see also ILO. 2010. Global Employment Trends for Youth, cit.

From a comparative analysis of the labour market indicators – before and after the “great crisis” – what emerges is the different ratio between youth and overall unemployment rates (see Fig. 1). Of particular interest to a labour lawyer is that in some countries youth unemployment is broadly in line with that of adult workers (Germany, Switzerland), whereas in other countries, regardless of its level, youth unemployment is about twice (Portugal, Denmark, Spain, the United States) or three times as high as that of their adult counterparts (Italy, Greece, the United Kingdom, Sweden).
At first glance, a “geographical” representation of the different youth unemployment rates intuitively shows that youth unemployment is not much of a problem in those countries (or in those legal systems, as a labour lawyer would put it) which make extensive use of apprenticeship, and which consider this tool not merely as a temporary contractual scheme, but rather as a lever for placement to achieve better integration between education and training and labour market (Fig. 2).

Fig. 2. Youth Unemployment Rate 2010

Source: Eurostat Data

The same holds true for inactivity, most notably the issue of the NEETs (not in employment, nor education or training), which is less serious in countries where apprenticeship is resorted to as a means to obtain secondary education (Fig. 3). However, there is more. The best performing countries in terms of

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21 See in this connection the article by Ryan, P. 2011. “Apprendistato: tra teoria e pratica, scuola e luogo di lavoro”, Diritto delle Relazioni Industriali, No. 4, analysing the German “ideal” model, as opposed to the lack of transparency of market-oriented systems and to Italy and the United Kingdom, where apprenticeship is an employment contract.
youth employment, such as Austria and Germany report high levels of workers’ protection, especially against unfair dismissals (see Fig. 4). By Denmark contrast, countries with more liberal legislation on dismissals, such as, the United Kingdom and the United States, account for high levels of youth unemployment. Evidently, they do not fall within the European countries with the worst youth employment outcomes, such as France, Italy and Spain, but youth unemployment is still twice as high as that recorded in the best performing countries.

Fig. 3. NEET Rates 2010

Source: Eurostat data

This simple and straightforward empirical observation seems therefore to uphold the assumption that major difficulties for the youth entering the labour market are not caused by inadequate regulations, but rather by inefficient
school-to-work transition processes as well as by the failure to properly match labour demand and supply. A good match between labour demand and supply is, however, not to be intended in static terms as merely dependent on more or less effective employment services – be they public or private – but rather in relation to the devising of academic careers which are consistent with current and future labour market needs in terms of training and skills acquisition.

Fig. 4. Overall Work Protection and Work Protection against Individual Dismissal (0 = less restrictive; 4 = more restrictive)

Source: Own Elaboration on OECD data
3. **Flexicurity and Apprenticeship: the Limits of the Proposal for the so-called “Single Employment Contract”**

Countries embracing the flexicurity model as strongly recommended by the European institutions\(^{22}\) report positive outcomes in terms of youth employment, with high employment rates and low unemployment levels (see Fig. 5).

This led many experts to put forward the introduction of a “single employment contract” both in central and southern European countries. In some of these, including France,\(^{23}\) Italy\(^{24}\) and Spain\(^{25}\) attempts have been made to adopt new legislative provisions favouring a “single” – or at least a “prevailing” – contract for salaried workers, generally open-ended and with significantly reduced workers’ protection against unfair dismissal, to be offset by a higher degree of protection in the labour market, no longer provided by the contract itself, but rather by a more generous universal system of unemployment benefits, that can support workers during unavoidable and increasingly frequent occupational transitions.

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The misleading charm and the limits of the proposal for a “single employment contract” – rest on the irrational belief, not even put forward in Fordism, with standardised production and work organisation models, that the duality of European labour markets can be overcome by reducing the multifaceted and diverse reality of modern work and production to fixed contractual arrangements, through one single contract of employment, abolishing self-employment and coordinated and continuative collaborations (quasi-subordinate work) also in their most genuine forms. This is achieved by reducing to a limited number of cases the scope to lawfully resort to temporary work, by prohibiting it also when plausible technical, organisational and productive reasons are in place, by disregarding the educational value of
access-to-work contracts directed to disadvantaged groups as well as of apprenticeship contracts for youth, with a view to favouring a pure and poorly balanced type of flexibility, where freedom of dismissal is easily granted upon payment of severance pay.

On close inspection, a solution of this kind would damage not only employers, but also the workers themselves, most notably young people and those forced out of the labour market, who, in all likelihood, would bear the heaviest brunt of the reform, as they would no longer be doomed to “precarious”, but rather to “illegal” employment in the shadow economy. Not only would they have no access to internships, job-training contracts and project work, but they would also be denied protection resulting from employment stability, at least during their first years of work for the same employer or client.

This explains why the proposal for a “single employment contract” was soon dismissed in all the countries where it had been put forward, replaced – at least in France\textsuperscript{26} and Italy\textsuperscript{27} – by a major overhaul of the apprenticeship system, as well as of those schemes (of contractual of non-contractual nature) promoting labour market access for entrants, including internship, training and guidance. This can be seen as a reasonable trade-off based on the need to reduce the mismatch between labour demand and supply. A solution that is supported, in the author’s view, by the evidence that apprenticeship countries (as defined in § 1) coped better with the crisis,\textsuperscript{28} reporting a significantly lower increase in unemployment (see Fig. 6), and in some cases, a reduction in the unemployment rates (see Fig. 7). This aspect can be appreciated in comparison with flexicurity countries, which, by contrast, proved to be more vulnerable in the recession.\textsuperscript{29}

\begin{flushright}
\begin{itemize}
\item Law No. 2011-893, so-called “Cherpion Reform”.
\item See Simms, M. \textit{op. cit.}, in particular 24 ff.
\end{itemize}
\end{flushright}
Fig. 6. Youth Employment Rate in 2010 and Percentage Variation between 2007 and 2010

Source: Own Elaboration on Eurostat data
4. The (Main) Determinants of Youth Unemployment: Education Systems, School-to-work Transition, Labour Market Institutions, Industrial Relations Systems

The existence of a sound dual system of apprenticeship cannot be the only reason for low levels of youth unemployment in countries such as Germany, Switzerland, and Austria, and in more general terms, nor the cause of what has been defined as the “German labour market miracle during the great recession”.30

Without assuming a direct causal relationship between labour market institutions and the policies in place in the different countries, it seems however possible to identify a number of specific determinants of youth unemployment that show how limited and partial an intervention of a purely regulatory nature would be in tackling the problem of youth employment, all the more so if an institutional approach would probably be more effective.

According to several comparative analyses, youth unemployment trends are not only – or not much – affected by labour market rules with regard to hiring and dismissing, but rather by a series of factors including the quality of the education system, an effective school-to-work transition, the integration between school and vocational training, the quality of the industrial relations system, and the functioning of labour market institutions.

The table that follows classifies some European countries and the United States considering the unemployment rate for youth aged 15-24 years old, providing an overview of the determinants of positive or negative youth employment outcomes based on three factors: education and training, industrial relations and employment protection legislation (see § 4). The comparative overview supplied in the foregoing table is based on a series of indicators collected from authoritative research and international studies and shows in particular that different priority issues must be taken into account to effectively tackle youth employment, and that labour market reform is not enough.

At the time of addressing interventions, priority should be given to the education system, focusing on the shift from school to work. Indeed, education policies are not only applied during crises, but also as structural measures, and it is no coincidence that countries with good youth employment outcomes have high quality education and training systems. As pointed out in Table 1, the higher quality of education is related to lower youth unemployment rates. For reasons of simplicity, the table presents a general indicator describing the “quality of the education system” taken from the Competitiveness Report of the World Economic Forum31 where in an executive opinion survey it was asked “How well does the educational system in your country meet the needs of a competitive economy?” [1 = not well at all; 7 = very well].

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Table 1. Characteristics of Labour Market Institutions and Youth Unemployment in Europe and in the United States

<table>
<thead>
<tr>
<th>Source: Own Elaboration</th>
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<tr>
<td><strong>Youth Unemployment Rate 2019</strong></td>
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<tr>
<td>Austria</td>
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<td>Netherlands</td>
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<td>Germany</td>
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<td>Denmark</td>
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<td>USA</td>
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<td>UK</td>
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<tr>
<td>France</td>
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<tr>
<td>Italy</td>
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<tr>
<td>Spain</td>
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Note: the X indicates that the country ranks within the top 30 in the rankings.

Countries with low youth unemployment rates (light and medium grey in the table) are those where the quality of education perceived by corporate executives is high. Although this indicator is probably subjectively biased, it can be particularly useful in that it gives the standpoint of labour market operators, not merely focusing on education per se, but taking into account the extent to which education and training meet the skills and vocational requirements of a competitive economy.

In the context of education and school-to-work transition, apprenticeship plays a substantial role also in cultural terms, providing effective training and work-based learning and being acknowledged in the literature as one of the most valuable means for an effective school-to-work transition.\(^{32}\) However, not all apprenticeships are equal in terms of investment in training, which is the fundamental feature of a true apprenticeship.\(^{33}\) Moreover, not all apprenticeships carry the same value in terms of youth employability, and if there is no investment in “genuine” training on the part of the company, what remains is the mere use of cheap labour. For this reason, in the table below, apprenticeship schemes are divided according to the (effective, and not just theoretical as required by law) provision of training. Although a number of legal provisions establish compulsory training during apprenticeship, reality is often very distant from the ideal apprenticeship model, and this tool becomes a mere instrument of exploitation of a flexible and cheaper labour force. Apprenticeship schemes in Germany and Austria include part-time formal schooling, whereas in Italy and in the United Kingdom, apprenticeship is not only a “flexible” or “subsidised” employment contract, but it is often devoid of real learning contents, if we consider that the share of apprentices receiving formal training is lower than 40%.\(^{34}\)


\(^{33}\) According to Ryan (in Apprendistato: tra teoria e pratica, scuola e luogo di lavoro, op. cit.), “ideal” apprenticeship is not only a work-based learning opportunity, but should rather provide part-time vocational training as well as work experience, leading to the acquisition of a formal vocational qualification.

This is also the reason why the third indicator, i.e. pay levels of apprentices with respect to skilled employees, was included in the table. By analysing the level of pay granted to apprentices, one might quantify the exchange value of training, and it follows that the higher the investment in training, the lower the apprentice’s remuneration defined in collective agreements; whereas, apprentices are paid almost the same as skilled workers when training is neglected. It is significant, as the following table clearly shows, that German and Austrian apprentices receive lower pay and learn more. The dual system distinguishes itself from how apprentices’ pay is defined, since it is considered an allowance (Vergütung) rather than wage in a strict sense, as is generally referred to in the United Kingdom and in Italy. In Austria and Germany, as well as in the Netherlands and France, apprentices receive less than the half of the wage of a skilled employee, whereas in Italy apprentices’ pay can reach up to 80% of the full wage of a skilled worker.

Table 2. Apprentices’ Pay as a Percentage of the Wage of a Skilled Worker

<table>
<thead>
<tr>
<th>Region</th>
<th>Manufacturing</th>
<th>Services</th>
<th>Other Sectors</th>
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<tbody>
<tr>
<td>United Kingdom</td>
<td>2005</td>
<td>46%</td>
<td>70%</td>
</tr>
<tr>
<td>Germany</td>
<td>2007</td>
<td>29%</td>
<td>34%</td>
</tr>
<tr>
<td>Switzerland</td>
<td>2004</td>
<td>14%</td>
<td>17,5%</td>
</tr>
<tr>
<td>Ireland</td>
<td>2009</td>
<td>30% (I year), 45% (II year), 65% (III year), 80% (IV year)</td>
<td></td>
</tr>
<tr>
<td>France (% minimum wage)</td>
<td>2010</td>
<td>25% (under 19 years old), 42% (20-23 years), 78% (over 24 years old)</td>
<td></td>
</tr>
<tr>
<td>Italy</td>
<td>2010</td>
<td>72% (2 levels below the final employment grade)</td>
<td>from 70% to 80% (2 levels below the final employment grade)</td>
</tr>
</tbody>
</table>

Source: ADAPT, Giovani e lavoro: ripartiamo dall’apprendistato, in fareApprendistato.it, 10 May 2011

Besides the proper use of contractual (and non-contractual) arrangements, an efficient school-to-work transition should rely on a placement system able to
develop synergy between “knowledge” and “know-how” – i.e. schools and businesses – by fostering a systematic collaboration based on an ongoing information exchange that builds a bridge between labour demand and supply, as well as in light of future prospects, exploring training and skills needs required by the market and providing the training centres with relevant information.\textsuperscript{35}

In countries where there is a well-established school and university placement system, the relationship between training centres and businesses is – in their mutual interest – of a cooperative nature. Students’ CVs, as well as job posts are freely available on the universities websites and in placement offices and schools are actively involved in the job-matching process and are aware of the skills required by the market.

In countries such as the United Kingdom and the United States, this synergy results in a smoother youth labour market entry and lower youth unemployment rates. Inefficient placement offices and inadequate placement employment services – both public and private – make job search for young people even more difficult. So much so that, as shown in Table 1, in countries where employment services are efficient, young people tend to rely more on them during their job search, increasing the chances to find employment. By contrast, EUROSTAT figures show that in countries with higher unemployment levels, youth rely less on employment services, and resort to informal methods (such as friends and social connections) acquiring less information and thus adding further barriers to the traditional difficulties in labour market entry resulting from asymmetric information.

Not only does this first proposal represent an alternative to Labour Law reform as the only solution to youth unemployment. It can also contribute to preventing the increase in youth unemployment, by setting the stage for the acquisition of marketable skills for the job market, bringing young people closer to the labour market by means of apprenticeship and other relevant tools, and creating a network among the institutions involved.

The idea that Labour Law reform is not the only way to reduce youth unemployment is reinforced by the awareness that new policies and regulations are adopted only when problems have already arisen and they cannot fully solve the difficulties that youth face in the labour market.

The second important area of intervention to focus on is the quality of the industrial relations system. As provided in Table 1, two factors falling under the rubric of industrial relations could particularly contribute to promoting youth employment and to creating a more inclusive labour market.

In countries where industrial relations are more cooperative, where collective bargaining is decentralised and wage determination is flexible, the production system is efficient and new opportunities for youth can easily arise. By contrast, in countries where social partners do not act cooperatively and where the bargaining system is highly centralised, the voice of labour market insiders, i.e. adult workers with stable employment, prevails over the voice of outsiders and of the unemployed or inactive.

Among industrial relations indicators, particularly relevant is the extent to which industrial relations can be considered cooperative, and wage determination flexible. Both indicators are drawn from the *Competitiveness Report* with a view, once again, to looking at reality rather than providing a theoretical perspective based on laws and contracts. The World Economic Forum classification and the analysis of youth unemployment rates seem to be in line with the idea that cooperative industrial relations and flexible wage determination mechanisms can contribute to building a more inclusive productive system.

However, the debate at a European level is moving away from the notion of “concertation”, with employment protection legislation that is considered almost unanimously the main cause of youth unemployment. As previously noted, labour economics literature has not universally established the effects of employment protection systems on unemployment, while there is overwhelming agreement only on the fact that these effects are ambiguous. In this connection, Table 1 shows that higher flexibility in dismissals perceived

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36 Schwab, K. *op. cit.* The X indicates that the country is ranking among the first 30 out of 140 countries with reference to the *Cooperation in Labour-employer Relations* and *Flexibility of Wage Determination* indexes.

by labour market operators is not related to lower youth unemployment levels, since, as noted, in Austria, the Netherlands and Germany it is not as easy to dismiss workers as in flexicurity countries or in those countries with a free market economy, despite reporting lower youth unemployment rates.

5. Future Prospects for Interdisciplinary Research

The main economic studies on the subject agree that a central role in terms of youth employment promotion policies is played by aggregate demand. It remains crucial, therefore, in the fight against unemployment in general, and youth unemployment in particular, to adopt sound tax and monetary macroeconomic and sectoral policies. Particularly relevant, today and more so in the future, is the role of demography, both for the sustainability of retirement and welfare systems and for the effects on the labour market and business organisation models.

The present article has aimed to point out the marginal role played by labour market liberalisation reforms, showing instead that institutional factors are of fundamental importance when concerning youth employment. These factors include the quality of the education system, apprenticeship as a work-based training opportunity, efficiency and quality of the industrial relations system and more generally, of labour market institutions. There is therefore scope for a new strand of research based on a cross-sectoral approach and intended to verify the assumption presented in the previous paragraphs and focusing on the determinants of youth employment and related problems in an interdisciplinary fashion.

To those who are aware of the complexity of the subject, these issues cannot be addressed and solved with legislative interventions alone.