



Difficult entry

Some young people struggle to get a foothold in the labor market



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Youth unemployment has long been a major concern among policymakers and researchers. It is an undisputed fact that problems entering the labor market have long-term negative effects on young people's subsequent employment careers and their participation in society. What is more, young labor market entrants are hit much harder by economic crises than adult workers, as they often do not enjoy full protection against dismissal and because new hires are often the first to get cut during layoffs. To ensure successful and viable school-to-work transitions, industrialized countries have developed various institutions, policies, and programs to prevent problems at labor market entry. But in order to establish effective long-term institutions and medium-term policies, youth unemployment needs to be properly measured and described. The question is: Who is affected, and do the policies and programs in place cover all young people?

The classic indicator to describe youth labor markets is the youth unemployment rate: Youth in a specific age group who have been unsuccessful in finding employment are compared to youth in the same age group who are either employed or actively seeking work. The higher the proportion of unsuccessful job seekers, the tighter the situation in the youth labor market in question. The problem with this concept is that political support measures are directed only at those youth who are actively looking for employment but not at those who are economically inactive, that is, those who are not

pursuing paid work or who are not registered with the employment agency as job seekers. As a result, a large proportion of youth are not even included in the youth unemployment rate. This type of measurement may thus lead to wrong conclusions about young people's real situation.

A different approach is offered by the NEET concept, which was developed in the United Kingdom in the 1990s with the aim of addressing the disadvantages of the youth unemployment rate. NEET is short for "Not in Employment, Education or Training." With the NEET concept, inactive and unemployed youth are put into relation to all youth in an age group, meaning that the measurement now includes all youth. Since the 2000s, the concept has been used by Eurostat and the OECD and has also received attention in scientific studies. The focus is on two questions: Who is affected by NEET, and where in the transition from school to work do we find young people who are not in employment, education, or training?

Young mothers are affected most

An international comparison reveals many similarities, but also differences between countries: Generally, the group of NEET youth includes a disproportionately large number of people with a migration background or low educational attainment and many (mostly male) youth suffering from mental health or drug problems. Our country analyses also reveal specific national circumstances. In Germany, we find two striking phenomena, aside from migration and education effects: First, the likelihood of experiencing a NEET phase in adolescence and young adulthood increases significantly among younger birth cohorts. For those born in the 1980s, school-to-work transitions are significantly less stable and linear than those of people born in the 1960s and early 1970s. This may be interpreted as an outcome of the flexibilization of the German labor market since the 1990s. Second, young women with children are strongly overrepresented in the group of NEET youth in Germany, more so than in other countries. We do not find this effect for women without children or for men with children. This means that young mothers in Germany (especially those with several children) experience NEET spells more often than their counterparts in other countries. It seems that withdrawal from the labor market is still the rule for women starting a family in Germany. When only looking at the youth unemployment rate, this effect would not be revealed as clearly, because young people who are not considered job seekers are not even included. Consequently, the invisibility of young mothers in conventional measurement has led to an inaccurate focus of labor market policies.

Unemployment and NEET spells have negative effects on people's subsequent employment trajectories. These effects vary with the duration, frequency, and timing of NEET phases. An individual experiencing one month of not being in employment, education, or training after school will certainly feel fewer effects in later years than someone who has to explain a two-year interruption in their CV. The same applies to people going through multiple NEET phases. Whether someone is in NEET status right after school or between two jobs is another important factor.

In our research, we look at young people's individual trajectories rather than the aggregate data used by international organizations for country comparisons. The National Educational Panel Study (NEPS) offers an excellent database for this purpose.

Three problematic labor market entry trajectories

Overall, about half of all young people in Germany experience a NEET phase of at least one month after graduating from high school. To answer the questions about the timing of NEET phases and their individual effects, we analyzed the employment trajectories of young people for a period of ten years after earning their first school-leaving degree, incorporating monthly information on labor market status. We distinguished between "school," "vocational training," "university," "employment," and "NEET" states. The resulting trajectories of 120 states each (10 years by 12 months) may be classified into similar groups with the help of a comparison algorithm. Each group of individuals with similar trajectories forms an ideal type, or, in other words, a transition pattern. Next, we can examine the composition of each transition pattern regarding certain characteristics (gender, regional background, etc.) or the subsequent consequences in terms of income and employment.

The classification results in eight transition types, three of which contain multiple and/or longer NEET spells and hence must be characterized as problematic employment trajectories for young people:

- Trajectory type 1: Here, people first complete their vocational training, followed by a short employment spell and then the transition to a persistent NEET phase.
- Trajectory type 2: Here, the NEET phase begins within the first year after leaving school and lasts until the end of the observation period.
- Trajectory type 3: This type is characterized by multiple employment periods, repeatedly interrupted, however, by shorter NEET spells.

The other five trajectory types also contain isolated NEET phases, but significantly fewer NEET months in total. Moreover, they are dominated by employment, university enrollment, and/or vocational training and hence do not appear to be problematic.

The three labor market entry trajectories dominated by NEET phases differ significantly regarding their socioeconomic composition. Type 1 (late transition into NEET) is frequently found among young mothers. In this case, the reason for withdrawing from the labor force (without pursuing continuing education) is starting a family or having a first child. Young mothers are also disproportionately represented in type 2 (long NEET phases), as are people with a migration background. Likewise, type 3 (recurring short NEET phases) is primarily characterized by persons with a migration background. One reason is that migrants are less likely to be integrated into the traditional (more stable) vocational training pathways; migrants' entry into employment is more discontinuous overall.

The types of labor market entry do not vary by regional background: It does not matter, for example, whether someone comes from East or West Germany. Similarly, the effect of birth cohort is hardly significant for NEET phases during labor market entry. Likewise, educational attainment only plays a role in labor market entry: higher school-leaving degrees reduce the likelihood of NEET phases in the school-to-work transition. Similarly, social background – measured as parental educational level – has only a minor influence on the frequency and distribution of NEET phases. It seems that social background only has an indirect effect through young people's level of schooling.

Lower incomes due to long NEET phases

To identify policy needs, it is necessary to consider the potential longer-term disadvantages of NEET phases that interrupt young people's labor market entry. For this purpose, we analyzed the earnings and occupational status of 30-year-olds. Individuals who enter the workforce in one of the three problematic trajectory types mentioned above have significantly less monthly income available at age 30: about 800 euros less for type 1 (late transition into NEET) and even about 1,500 euros less for type 2 (long NEET spells), compared to individuals who do not have a NEET phase in the first ten years after leaving school. Individuals in type 3 (recurring short NEET phases) on average earn 700 euros less at age 30.

It is interesting to note that NEET phases occurring in combination with university enrollment in the post-high school employment trajectory do not have a negative impact on income. Higher education thus seems to offset the negative effects of NEET spells. Similarly, we observe that, all else being equal, expected earnings at age 30 shrink over time, meaning that younger cohorts must invest more in education than earlier cohorts to achieve comparable earnings.

The second characteristic we examined is occupational status at age 30. Essentially, this is a description of the social status a person achieves. There can be upward or downward mobility, and most concepts that measure social status use a combination of educational attainment and occupation. As expected, those who continue their postsecondary education at a university do not have to fear any disadvantages resulting from NEET phases in their employment trajectory. Their occupational status at age 30 remains well above average. The risks associated with the problematic types described above are greatest for young mothers. At age 30, they must expect a significantly lower occupational status.

Conclusion

The NEET concept plays an increasingly important role in assessing the labor market situation of school leavers by providing a more comprehensive picture than the unemployment rate and by broadening the focus to other affected groups. International organizations such as the OECD or Eurostat, but also national governments increasingly use NEET rates to describe problems in youth labor markets. By examining individual

trajectories, it becomes possible to determine the conditions under which NEET phases have negative effects on later careers and to identify the groups suffering most from this situation. Our analyses have shown that long NEET phases are especially detrimental to later income and occupational status. In Germany, young mothers (long NEET spells) and people with a migration background (frequent NEET spells) are particularly affected by this. These effects disappear, however, in combination with a university degree.

Literature

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