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# THE QUALITY OF EMPLOYMENT IN THE EARLY LABOUR MARKET EXPERIENCE OF YOUNG EUROPEANS

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## ABSTRACT

Standard analyses of labour market performance are usually based on indicators aimed at capturing young people condition in the labour market (employment, unemployment, NEET rates) and employment quality (temporary and permanent contracts, subjective security) at a certain point in time. However, setting priorities and designing appropriate policies requires looking at the entire performance of individuals in the labour market over time. Therefore, this paper presents a dynamic approach to youth labour market performance. The novelty of this approach is the evaluation of labour market outcomes from a dynamic point of view by considering monthly and annual information over a period of two years. We present a new definition of employment quality, based on four dimensions: employment security, economic security, economic success and a successful match between education and occupation. Furthermore, since the group of those who are unable to achieve a secure or successful employment is quite heterogeneous, we use their employment status trajectories to distinguish various subgroups according to the prevailing status and the frequency of status changes. Differently from the optimal matching technique, trajectories are identified on the basis of some features, specified ex-ante by researchers according to the specific purpose of the analysis.

We present an empirical application using EU-SILC longitudinal data, which cover the years from 2006 to 2012 for 17 European countries. We focus on young people aged 16-34, who were interviewed for at least three consecutive years and finished education three to five years before the first interview. The econometric analysis has two aims. First, we want to examine how individual characteristics and labour market policies and legislation affect the probability of having a secure and/or successful employment condition. Second, we want to check whether the heterogeneity among insecure and unsuccessful young people (in terms of their trajectories) is also partly explained by these variables.



Our contribution for a better understanding of youth employment is twofold. First, we propose a dynamic approach to identify some qualitative aspects of individuals' employment and to address the heterogeneity of the low-quality group. Second, we examine the extent to which individual characteristics, policies and institutional features affect both the probability of achieving a secure and/or successful employment, and of following a particular employment pathway for insecure or unsuccessful individuals.

Estimation results highlight remarkable gender and educational differences. Young women are less likely than men to experience both security and success. Within the insecure and unsuccessful group, women have a higher probability to be prevalently inactive, in and out from employment or to return into education. Education appears fundamental in achieving good labour market outcomes, whatever the dimension of employment quality considered. Moreover, within the insecure/unsuccessful group, highly educated individuals have a higher probability of being almost always employed and a lower probability of experiencing prevalent unemployment or inactivity. Whatever the educational level, a more stringent regulation on flexible contracts (EPL-T) is associated with a higher probability of being secure. For females it is also associated with a higher likelihood of achieving a secure and successful employment. More stringent norms on individual dismissals (EPL-P), instead, are associated with a lower probability of being secure for females, and of having a successful and secure employment for tertiary educated people. Higher expenditures on active labour market policies increase the probability of achieving a secure employment for high-school and university graduates while those on passive labour market policies improve the quality of employment trajectories for insecure young people and increase females' probability of being prevalently inactive.

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