

Editorial

# Young People and the Labor Market—Challenges and Opportunities: An Introduction

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The position of young people in the labor market is disappointing in most countries worldwide, as shown by the generally scanty labor market indices: high rates of unemployment and NEET (not in education, employment or training), and low activity and employment rates [1]. It is remarkable that, in the world, the young population (estimated by the ILO, the International Labour Organization, at 1.2 billion) is mostly engaged in education or training (42%), or in working activities (36%), but a great part of it is to be considered NEET (22%). There is an additional problem: even when youngsters obtain an occupation, they often hold a precarious job position, for instance, in the informal labor market or a temporary contract, frequently in low-paid and poorly qualified occupations; thus, young workers are usually the first ones to lose their job when an economic crisis occurs. The “working poor” phenomenon, relatively extended among young generations, clearly contrasts with the “decent job” aim, settled by international organizations, such as ILO.

In many countries, this defective performance even concerns skilled and highly educated young people. As a result, in some countries—even in the developed world (for instance, in some countries of Southern Europe)—the only feasible solution for them is out-migration, which causes the inefficient “brain drain”.

A key reason for the unsatisfactory achievements of young people in the labor market—worse compared to the total population—is the “experience gap” that habitually harms young workers. In fact, human capital accumulation depends not only on formal education processes but also on work experience, both generic and specific. An additional problem is the frequent “skill mismatch” between the skills attained through formal education and the abilities required by firms, which is often accompanied by under-employment and over-education [2]. In addition to this broad structural problem, the dynamics of the unemployment rates also depend, of course, on the general macroeconomic situation. Additionally, it should be emphasized that young workers are more sensitive to the business cycle and to macroeconomic shocks, in comparison to the adult population: for example, after a recession, the increase in youth unemployment rates is particularly large and persistent [3].

In many countries—besides the demographic, individual, social and structural conditions that may increase the unemployment risk for young people—there is also a lack of adequate or efficient public institutions; this refers to many aspects such as the more or less flexible regulation of labor markets, the protection of workers and the diffusion of temporary contracts. Especially important are the institutions dedicated to the “school-to-work” transition processes.

For all these reasons, in many countries, unemployment rates are two to three times higher in young people than in the total working-age population. The unacceptable high NEET rates of youngsters led some scholars to conjecture the risk of a “lost generation”. Moreover, if unemployment is persistent—we recall that long-term unemployment (i.e.,



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more than 12 months) concerns at least one third of youth unemployment—then psychological and medical problems are likely to arise [4]. Additionally, their level of human capital deteriorates, and the experience gap is prolonged, with negative effects also on (life-long) salary expectations and career opportunities. The negative consequences of this scenario can also be found in the social sphere: in many countries (for instance, in Southern Europe), young adults are compelled to live with their parents for many years, even when they are 30 or 35 years old, with negative effects on birth rates too [5]; this setting generates frustration, discontent and social malaise.

The (frequently poor) position of young people in the labor market has been widely debated in recent decades, both in the academic literature and among policymakers. This topic has become even more relevant following the COVID-19 crisis, both at the time of the crisis itself and in view of the new features of the post-crisis economy (as we describe below). In fact, the pandemic shock—a shock that impacted the economy from both the supply and the demand side—caused an unprecedented recession in 2020, even greater than the Great Recession of 2009 subsequent to the global financial crisis [6]. The labor market impact has produced not only higher unemployment rates but also, in many countries (especially in developing economies), falling participation rates. It should be noted that informal workers—particularly spread in developing countries—exhibit a job loss risk three times greater than formal workers. Moreover, falling participation rates (correlated with well-known effects in labor economics such as the “discouraged worker effect”) disproportionately affect young people.

The COVID-19 crisis touched young people in at least three ways: (i) the halt of new hires (first-time entrants into the labor market normally cover a large proportion of total hires), notably in 2020, principally damaged young people; (ii) institutional reasons (young workers hold informal or temporary contracts and thus are more easily fired); and (iii) sectoral specialization (young people are particularly present in sectors such as hotels and restaurants, services, tourism and retail trade, which were industries particularly affected by the crisis).

The pandemic produced deep effects in the economic systems and in the labor markets. The impact was partially contained by the unprecedented policy reactions—both monetary and fiscal—in most countries of the world. Nevertheless, the shock is also likely to bear permanent effects on the economy [7]: for example, on the modes of production, on work methods, on consumer habits and on lifestyles. Yet, some features of the economy and society that have appeared during the pandemic—some of them will also be with us when the pandemic is over—can represent an opportunity for young people: just consider the durable impact of the digitalization of many activities. In fact, during the pandemic, many activities—in the service sector but also in the manufacturing sector (e.g., in research, administrative or other tertiary activities)—have been guaranteed, despite the lockdowns, by innovative working methods: home or smart working, virtual meetings via internet, etc. (youngsters have also been involved in “distance teaching”, though with mixed effects on the learning processes).

Such innovations will also partly remain in the future. In any case, it is important that public policies—in addition to supporting economic growth as undertaken in many countries (consider, for example, the European program “Next Generation EU”, NGEU)—will sustain such fundamental transformations. Notice that the NGEU plan incidentally places the digital economy as a priority together with the green economy. It is well known that new industries and new jobs will be boosted by the transition toward sustainable growth [8].

In the new economy, structural policies—including active labor market policies, and industrial and innovation policies—are central, especially to generate “good jobs” in the right sectors [9]. In particular, with reference to the needs of young people, public policies should help in favoring a smooth transition from schools and universities to the labor market, especially in the countries where deficiencies are existing. New and efficient systems are required not only in the formal education processes—especially in tertiary/higher education—but also in training, placement and apprenticeship activities [10].

Thus, in this context, four directions of research seem particularly promising: (i) an updated comparison of the current situation of young people in the labor market, collecting evidence from many countries; (ii) an investigation on the general and persistent reasons for the greater difficulties of young people in the labor market; (iii) an analysis of the characteristics of the impact of the COVID-19 crisis on youth unemployment and on young workers; (iv) the identification of opportunities possibly accruing to young people in the new economy characterizing the evolving economy and society (also as a consequence of the pandemic).

Specific research areas can be suggested as examples. The first one includes investigations regarding empirical evidence (based on fresh data) and discussion on the situation of young people in the labor market (unemployment, type of jobs, characteristics of the transition from school to work, etc.), either in individual countries or in an international comparative analysis. A second, more delimited field comprises studies of the specific impact of the COVID-19 crisis, in one or many (in a comparative way) countries. The third research area refers to the analysis of the evolving situation—especially after the pandemic shock—in industries and occupations and its impact on the employment of young workers. Finally, the investigation of the informal economy and the role played by young people in specific countries or regions is also of particular interest.

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