

## Social Cohesion and Development

Vol 9, No 2 (2014)



**Κοινωνική Συνοχή και Ανάπτυξη**  
 Εξαμηνιαία Επιστημονική Επιθεώρηση, ©Θινόλογος 2014, τόμος 9ος, τεύχος 2

**Social Cohesion and Development**  
 18 Biannual Scientific Review, Autumn 2014, volume 9, issue 2

**ΑΡΘΡΑ Articles**  
 Charalampos Economou, Daphne Kaitelidou, Dimitris Katsikas, Olga Siskou, Maria Zafiroπούλου, Impacts of the economic crisis on access to healthcare services in Greece with a focus on the vulnerable groups of the population  
 Ioannis Dendrinou, Youth employment before and during the crisis. Rethinking labour market institutions and work attitudes in Greece  
 Sevaste Chatzifotiou, Eleni Fotou, Ignatios Moisisides Best practices in police handling and liaisons with social services workers in domestic violence incidents.  
 Katerina Vassilikou, Elisabeth Ioannidi – Kapolou, Sex Education and Sex Behaviour in Greek adolescents: a research review

**ΣΥΝΕΔΡΙΑ Conferences**  
 EUROMED Migration III, Legal Migration Meeting, Contribution by **Nasia Ioannou**

**ΒΙΒΛΙΟΚΡΙΤΙΚΕΣ Book Reviews**  
 Manos Spyridakis, *The Liminal Worker. An Ethnography of Work, Unemployment and Precariousness in Contemporary Greece* (Th. Sakellaropoulos), Nathalie Morel, Bruno Pallier and Joakim Palme (eds.), *Towards a Social Investment Welfare State? Ideas, Policies and Challenges*, (M. Angelaki), Kaufmann, F.X., *European Foundations of the Welfare State* (Chr. Skamnakis)

ΕΚΔΟΣΕΙΣ ΔΙΟΝΙΚΟΣ

### Youth employment before and during the crisis: rethinking labour market institutions and work attitudes in Greece

Ioannis Dendrinou

doi: [10.12681/scad.8895](https://doi.org/10.12681/scad.8895)

Copyright © 2016, Ioannis Dendrinou



This work is licensed under a [Creative Commons Attribution-NonCommercial-ShareAlike 4.0](https://creativecommons.org/licenses/by-nc-sa/4.0/).

#### To cite this article:

Dendrinou, I. (2016). Youth employment before and during the crisis: rethinking labour market institutions and work attitudes in Greece. *Social Cohesion and Development*, 9(2), 117–132. <https://doi.org/10.12681/scad.8895>

# Youth employment before and during the crisis. Rethinking labour market institutions and work attitudes in Greece

Ioannis Dendrinos, *Greek National School of Public Administration*

## Η απασχόληση των νέων πριν και κατά τη διάρκεια της κρίσης. Επανεξετάζοντας θεσμούς και αντιλήψεις στην ελληνική αγορά εργασίας

Ιωάννης Δενδρινός, *Εθνική Σχολή Δημόσιας Διοίκησης*

### ABSTRACT

During the Greek crisis, the high and rising youth unemployment rates have created severe concerns about the impact of the deep recession on human capital and social cohesion. However, even in previous times of significant economic growth, both youth unemployment ratio and other related employment indicators had been systematically worse compared to those of the general population, and even more so compared to other European countries. This article demonstrates how institutional and social factors influence youth employment performance, arguing that the youth unemployment problem in Greece has actually structural and persistent root causes. The article concludes with policy proposals towards changes both in labour market institutions and social attitudes.

**KEY WORDS:** Greek crisis, youth unemployment, labour market institutions, family ties

### ΠΕΡΙΛΗΨΗ

Κατά τη διάρκεια της ελληνικής κρίσης, τα πολύ υψηλά ποσοστά ανεργίας των νέων έχουν δημιουργήσει σοβαρή ανησυχία για την επίδραση της ύφεσης στην κοινωνική συνοχή και την ποιότητα του ανθρώπινου δυναμικού. Ωστόσο, ακόμη και σε περιόδους ισχυρής οικονομικής μεγέθυνσης, η ανεργία των νέων και άλλοι σχετικοί δείκτες απασχόλησης ήταν συστηματικά δυσμενέστεροι αυτών του ενήλικου πληθυσμού, καθώς και του κοινοτικού μέσου όρου. Το άρθρο διερευνά τη συνδυαστική επίδραση που έχουν στην απασχόληση των νέων θεσμικές και κοινωνικές παράμετροι, καθιστώντας την ανεργία των νέων ένα σοβαρό διαρθρωτικό και διαχρονικό πρόβλημα της ελληνικής αγοράς εργασίας. Σε αυτό το πλαίσιο, οι προτάσεις πολιτικής του άρθρου εστιάζονται σε αλλαγές και μεταρρυθμίσεις τόσο στους θεσμούς όσο και στις στάσεις και αντιλήψεις έναντι της εργασίας.

**ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ:** ελληνική κρίση, ανεργία νέων, θεσμοί αγοράς εργασίας, οικογενειακοί δεσμοί

## 1. Introduction

**I**n the midst of the unprecedented Greek crisis, youth unemployment rate of those aged 15-24 reached the level of 60% (young women: 65%), while those of the broader 15-29 age group reached 46%. These alarming figures raised awareness of the unemployment's long term effects on the human resources quality and, hence, the economic growth prospects, as well as concerns about the social cohesion.

The great increase in youth unemployment is considered to be a result of the current crisis in Greece. Indeed, it has been acknowledged in the relevant literature that young people were severely affected by recession, as in almost all the European countries. However, even in times of significant economic growth in Greece, youth unemployment ratio as well as other performance indicators had been systematically worse than those among adult population, even more compared to the EU and OECD average. Since the beginning of the '90, youth unemployment rate has been much higher than in adult workers, while the time lapse until the first «stable» job was in Greece twice the figure in many other European countries. Under this perspective, youth (un)employment in Greece is rather a permanent and structural feature of the Greek labor market.

A number of papers in recent years have looked at the factors driving youth employment (in international and European level), focusing on the role of non economic factors such as labour market institutions, the education system and the socio-cultural environment. In this context, the present article highlights the structural features of youth unemployment in Greece. It examines the impact labour market regulations, strong family ties and relevant work attitudes, undermining the smooth transition of Greek youngsters from education to employment, have on it.

The main conclusion of this paper is that the youth employment problem in Greece is related to distortions both in labour demand and supply side, which are driven by a strong insider-outsider divide and a prevalent set of social beliefs. Therefore, policy proposals arising under this perspective inevitably focus on drastic reforms and changes in labour market institutions, but also on work attitudes.

This paper is structured as follows. Section 2 presents the main dimensions of youth employment problem in Greece. Section 3 illustrates the theoretical framework about the crucial role of institutional and cultural environment on youth employment. Sections 4 and 5 investigate how this environment functions in the Greek case, through examining the implications of labour market institutions and family ties, respectively. Section 6 contains a brief discussion of the recent labour market reforms and section 7 concludes. The data used in this paper are drawn mainly from the OECD and Eurostat databases.

## 2. Mapping the problem of youth employment in Greece

**T**he public and scientific debate about the situation of young people in Greek labour market has focused almost exclusively on the "youth unemployment" problem. Such a discussion however is often misleading for at least two reasons. First, the numerical description, i.e. unemployment rate may reflect or hide realities completely dissimilar in different labour markets (Blanchard and Portugal, 2001). The same level of unemployment rate may result from a high job destruction rate or may be an issue of low rates of flow from unemployment to employment (and vice versa). The latter is trapping workers in a few but long-lasting and painful unemployment

episodes as is the case of Greek labour market. Second, such excessive figures make the youth unemployment problem look worse than it really is, since only a small fraction of the population aged 15-24 is included in the labour force, and most of it is either in education or training.

For these reasons, the difficult position of young employees in the Greek labour market could be better described and explained as a transition problem, from (any level of) education to employment (Mitrakos, Tsakoglou and Cholezas, 2010). This broader approach focuses its analysis on any type of barriers to transitions that a worker is called upon to carry through his/her life cycle: from education to the labour market, from unemployment to employment, from domestic duties to work, from work to retirement, etc.

Already in the early '90s - i.e. long before the crisis commencement - young people in Greece would after leaving full-time education remain for a long time unemployed or temporarily employed in precarious jobs (Karamesini, 2006). Moreover, in contrast to other countries, long transitions time in Greece (table 1) was the case for all educational levels (Quintini and Manfredi, 2009; OECD, 2010). This unfavorable picture is also confirmed by more recent empirical findings, since according to ELSTAT (2009) approximately 43% of young people in Greece find their first job at least three years after completion of their studies, while the average time until finding their first significant job reaches to 36.6 months. During the crisis, the already long year transition time for young people entering the labour market may have extended further.

**Table 1. Time needed to find the first job in Europe and USA (months)**

	Medium	Median	75o percentile	90o percentile
<b>Europe</b>	<b>16,9</b>	<b>3</b>	<b>23,0</b>	<b>59,0</b>
Austria	5,7	0	12,0	14,6
Belgium	17,5	3	23,0	67,4
Denmark	6,3	0	5,0	17,1
France	14,4	2	21,0	54,0
Germany	5,0	0	3,0	14,0
<b>Greece</b>	<b>24,4</b>	<b>12</b>	<b>38,3</b>	<b>71,0</b>
Ireland	8,3	0	6,0	25,8
Italy	33,1	24	53,0	95,0
Luxembourg	21,6	3	18,8	95,0
Portugal	15,6	3	17,0	61,8
Spain	22,1	12	31,0	73,4
United Kingdom	5,8	0	2,0	12,0
<b>USA</b>	<b>5,6</b>	<b>0</b>	<b>4,4</b>	<b>18,8</b>

Source: OECD estimates based on the European Community Household Survey (1994-2001) for European countries, and the National Longitudinal Survey of Youth 1997 for the United States.

An overview of the youth employment situation in Greece as compared to EU-27 and OECD countries is shown in table 2. It must be pointed out that we focus in the age group 15-24,

because in EU statistics “young people” are conventionally defined as being less than 25 years. Obviously, the lengthening of transitions suggests that it would be more correct to set “youth phase” below 29 years than 24 years of age. However, the statistical picture and trends are similar in this wider age group, though less acute.

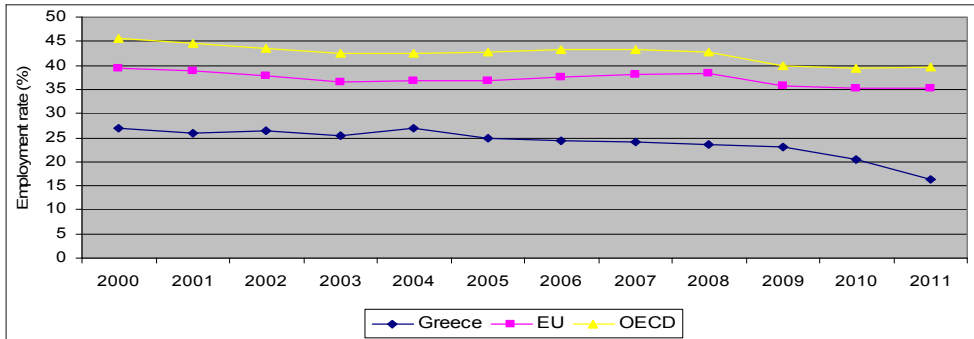
**Table 2. Comparative employment performance, youth (15-24), Greece, EU and OECD**

	2001			2011		
	Greece	EU	OECD	Greece	EU	OECD
Employment rate (%)	26,0	40,2	43,3	16,3	33,4	37,8
Unemployment rate (%)	28,0	16,5	14,5	44,4	22,8	19,0
Relative unemployment rate youth/adult (15-24/25-54)	3,2	2,5	2,6	2,6	2,7	2,7
Unemployed/population 15-24 (%)	10,1	7,3	6,7	13,0	9,0	8,1
Long-term unemployed (% unemployed 15-24)	45,3	25,4	18,7	42,4	28,0	22,1
Temporary employment (%)	28,2	33,1	30,0	30,1	40,6	38,2
Part-time employment (%)	5,8	16,8	20,6	15,5	25,4	27,9
Not in employment, education or training, NEET (%)	18,2	13,6	13,2	13,2	11,2	12,8
School drop-out (%)	25,0	19,9	22,7	17,3	15,1	19,6
Relative unemployment rate low skills/high skills (ISCED<3/ISCED>3)	0,7	2,6	2,5	0,7	2,3	2,2

Source: National Labour Force Surveys, OECD Education Database

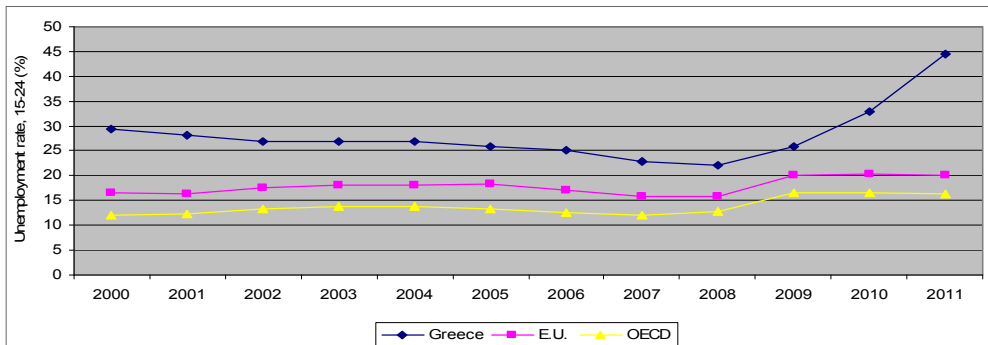
Although this condensed picture needs further analysis, it is remarkable that in almost all indicators Greece has had worse performance than the EU or OECD average - before and during the crisis. The unemployment rate for young people in all advanced countries is higher than the adult population. In the Greek case, however, the problem lies not only in the high youth unemployment rate (15-24) but also in its long-term characteristics, since one in two youngsters remain unemployed for a time longer than one year. Of particular interest is the fact that the number of young unemployed persons, as a percentage of total population in this age group is relatively low, although higher than the EU average. Yet, the low participation rate is a well stylized fact of Greek labour market for youth and women. In this sense, employment rate (Figure 1) seems to be the most representative – though equally disappointing - indicator of poor employment outcomes of youth before and during the crisis, than the unemployment rate (Figure 2).

Figure 1. Youth employment rate (15-24), Greece, EU, OECD



Source: OECD, Employment Database

Figure 2. Youth unemployment rate (15-24) Greece, EU, OECD



Source: OECD, Employment Database

### 3. Some theoretical considerations

In a matching process - such as hiring a new employee - decisions of contracting actors (workers and employers) are taken in a context of given preferences and available options. This could be described schematically as follows:

Employers seek to hire applicants at the lowest possible cost and those they believe are the most productive for the requirements of the job to be covered. In their decision, training and experience act as “signals”, i.e. significant indicators of the workers’ potential productivity (Mueller, 2005). On the other hand, workers tend to seek to take jobs that promise the highest return (considering both income and non pecuniary rewards) for their education investment (Becker, 1964). In any case, workers accept wages higher than the level they determine as threshold to obtain a job, e.g. their own “reservation wage”.

Although this general matching mechanism between employer and employee is rather common, the institutional and structural conditions on which decisions are made, significantly differ (between countries, different time periods, etc.), thus highlighting the role of the framework in which each pairing takes place. For example, regulations about dismissals and severance payments are very important, since they determine how easily or at how a high cost an employer could replace an employee who does not perform as expected.

Indeed, the integration of young people into the labour market considerably differs across European countries. Some countries are characterized by very smooth school-to-work transitions, while in other countries early career is a particularly turbulent and uncertain period for young people, trapping them in unstable routes between unemployment and temporary job positions. To some extent such a variation would reflect the state of the economy in different countries. But this is far from being the whole story, because the ratio of youth to adult unemployment rates also varies widely, suggesting that economic conditions have an effect on young people's unemployment rates in different manners in different countries. At this point the relevant theoretical and empirical literature highlights the important role of other (non economic) factors, especially national institutional settings such as labour market regulations, the education system, social institutions as well as the quality of governance and the political system, cultural beliefs and norms, etc. Even more crucial are the complementarities between the above mentioned factors than the factors themselves (Kalleberg and Sorensen, 1979, Contini, 2012, Kawaguchi and Tetsushi, 2012).

As Nicolitsas (2007:42) notes on the Greek case "...institutional as well as economic and social factors shape participation, employment, unemployment and education enrolment rates" without these factors being independent to each other. In this context, the present article explores the effect that specific institutional and social factors have on youth employment in the Greek labour market. Employment protection legislation and minimum wage as well as strong family ties and the relevant work attitudes affect the labour demand and supply side respectively, creating entry barriers and inertia conditions for Greek youngsters.

## 4. The role of labour market institutions

### *Employment protection*

**M**uch of the relative literature has studied the impact of strict employment protection - namely restrictions on layoffs in the form of severance payment or procedural costs, established through legislation, collective agreements or even via case law - on the employment outcome. It is true that there is no theoretical conformity on how aggregate employment and unemployment are affected from such regulations, while empirical evidence is rather ambiguous and inconsistent, depending on the complementarities with other labour but also product market regulations (Agell, 1999, Nickell and Layard, 1999, Boeri and van Ours, 2008).

However, greater agreement exists among researchers and stronger empirical evidence is observed regarding the negative effect of employment protection on the demographic composition but also on the duration of unemployment. Strict protective regulations enhance the employment perspectives of those already securely placed in the labour market, while the opposite stands for more vulnerable groups, especially the youth. As Skedinger (2011) notes, the

firm already incorporates potential future costs in a case of lay-off already at the hiring decision. So, firing costs not only decrease the employer's inclination to lay off an employee, but also his or her willingness recruit new staff. The latter effect applies, obviously, on groups of workers whose professional success depends on the existence of barriers in the entry or re-entry into the labour market, such as youth and women (Esping-Andersen and Regini, 2000).

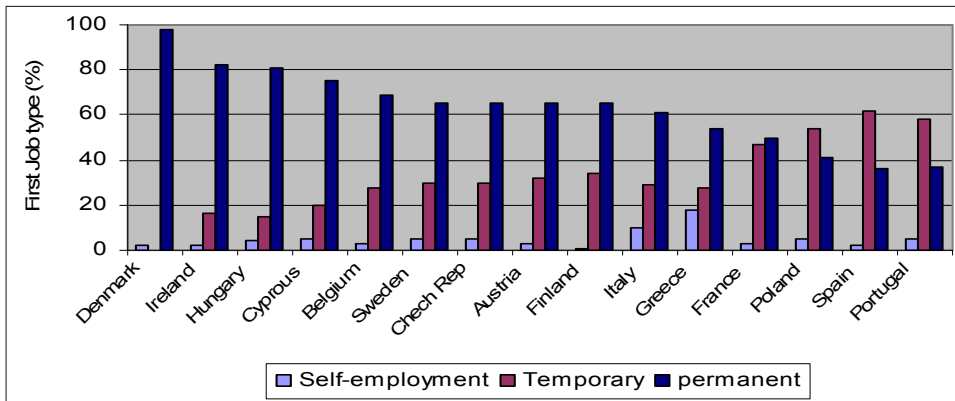
For this reason, countries with high rates of employment protection index (Employment Protection Legislation, EPL), such as Greece, face low employment levels, high unemployment rates as well as long-term unemployment spells in this age group. Obviously, the above mentioned correlation is more complex. In specific, it appears that the lay-off restrictions undermine the new entrant's perspectives primarily in countries where employers can't easily and reliably estimate the potential productivity of job seekers by their educational credentials (Mueller, 2005). Thus, in the Mediterranean countries (including Greece), where there are no ready-to-use and reliable professional skills, the impact of employment protection legislation is more explicit and clear. In Germany and Austria, i.e. countries that have developed training systems associated to production needs, this effect is overturned by the strong signals sent by the educational credentials that job seekers possess (Mueller and Gangl, 2003, Wolbers, 2007).

Even more problematic is the situation of youth in labour markets where employment protection is designed in a way that it creates or stimulates dualism conditions (Boeri, 2011, Scarpetta et al. 2010). It has been documented that the poorly integrated entry process - i.e. trapping in shuttle routes between inactivity, unemployment and temporary or other atypical forms of employment, even in periods of strong economic growth – affecting about 30% of young people in OECD countries is due to dualistic labour market structures (Boeri, 2010, European Commission, 2010). The latter may be the result of a strong institutional asymmetry in the protection of open-ended and temporary contracts as in the case of two tier labour market reforms in Spain, France and other countries, where the reform process focused primarily at the margin of labour market. However, this dualism may arise in labour markets with a strong insider-outsider divide and with high segmentation along a range of divisions, namely public vs. private sector, large vs. small firms, formal vs. informal economy and even divisions by age, gender and ethnicity as Karamesini (2008) notes for Mediterranean countries. This is also the case of Greece, where youth are more likely than to their adult counterparts to be “outsiders”, while they are overrepresented in flexible employment arrangements and undeclared work (Lyberaki and Tinios, 2012).

The involvement of young people in flexible or temporary contracts is not a problem per se. The latter is applied, in more or less all European countries, often operating as “stepping stones”, i.e. as an entry tool to the labour market or as transitional steps in the trajectory career (Booth et al. 2002, Scherer, 2005). For this reason, the incidence of temporary arrangements is higher among young people, e.g. in Germany (57.2%), France (51.2%), Spain (55.9%), Sweden (53.4%), Portugal (53.5%) and Nederland (46.5%), much higher than among adult population (Eurostat, 2009). In Greece also, the share of temporary contracts among young people is more than twice than in adults (28.4% compared to 11.9%)

The significance of temporary contracts as an “entry port” mechanism is further confirmed by the Figure 3, which illustrates the types of first employment contract for new entrants. In the case of Greece (and Italy), the share of self-employment is remarkable, mainly in the form of false or “pseudo self-employment”. According to Karamesini (2010), 5-7 years after graduation the 59.6% of graduates were employed in stable employment positions in the private and public sector, 19.7% had fixed-term contracts and 20.7% were self-employed in a unique employer.

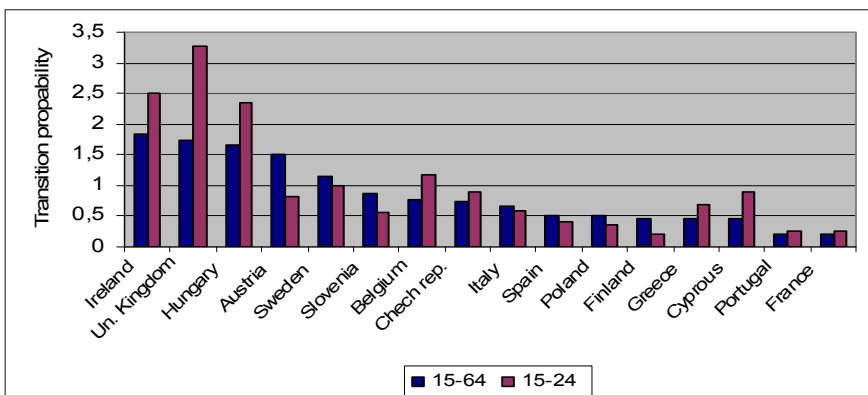
Figure 3. Types of first employment contract (2004-2007)



Source: EU SILC longitudinal component (Employment in Europe, 2010)

The problem lies in the reluctance of employers to convert these forms of employment to permanent job positions. This is more likely to happen in countries with strict employment regulations against lay-offs, as employers prefer to rotate workers in temporary jobs than to bear the high cost of potential dismissal of a permanent employee (Blanchard and Landier, 2002, Kahn, 2010). Indeed, as shown by the Figure 4, entrapment in temporary employment for young people aged 15-24 (and for the whole population) is more likely in countries with strong insider-outsider divide such as Greece, Spain, France, Italy, Portugal, etc. On the contrary, in countries with more deregulated labour relations (e.g. UK, Ireland), temporary workers are 1.5 to 2 times more likely to move to permanent jobs in the next year than to remain in the temporary job (Booth et al. 2002, E.C., 2010).

Figure 4. Probability of transition from temporary to permanent employment\*



Source: Employment in Europe, 2010

\* In axis y is measured the ration of the likelihood a person who worked temporary in the period t to have acquired a permanent job in the t+1 period, to the likelihood to remain in the temporary job. The higher the price of the unit, the higher the rate of conversion of temporary contracts into permanent.

### *The cost of employing youths - Minimum wage*

Of particular interest in the Greek case is the way in which labour cost influences the employment perspectives of particular groups of young workers. Indeed, young people with working disadvantages (“youth left behind”), such as those to a low education level, immigration background or those suffering some kind of disability, face high risk of remaining for a long time outside the labour market (OECD, 2008, Boeri, 2010). A very useful comparative indicator for this group of youngsters is the so-called NEET’s, i.e. young people who are out of work (unemployed or inactive) and, simultaneously, out of any educational or training course. In the context of the above mentioned matching model, the difficulty for this category of young people to enter the labour market is closely related to the labour cost and, hence the minimum wage.

The theoretical and empirical assessment about the impact of minimum wage on total employment and unemployment is ambiguous and inconclusive, depending on the complementarities to other labour market institutions (Dolado et al. 1996). However, robust findings exist in the case of youth employment. Both the level of the minimum wage (especially when it is determined at a level higher the one corresponding to competitiveness equilibrium) and the sharp wage increases could have adverse effects on youth and unskilled workers (Neumark and Wascher, 2004). Indeed, young people have less professional experience and they exhibit higher labour turnover. Moreover, the employer can’t immediately recognize the potential productivity of the young candidate, especially in situations where the education system has weak connection with the labour market and the production system, as in the case of Greece (Mueller and Gangl, 2003). Consequently, labour cost is the only observable and measurable factor for the evaluation of youth labour.

It is well known that formal job positions in low productivity sectors are created only when they are cheap or subsidized (Baumol, 1967). In Greece, the coexistence of the minimum wage institution with a high tax wedge (due to social contributions), as well as the accumulated distribution of wages at the levels of the sectoral minimum wages and slightly above them, made it more attractive for employers to employ people with experience and skills than unskilled new entrants (Mitsopoulos and Pelagidis, 2011). Although employers can transfer, to some extent, the burden of contributions to workers through lowering wages, this is not applicable for people who earn the minimum wage, e.g. young and unskilled workers (Nicolitsas, 2007). As a result, the wide use of both flexible contracts and undeclared work is encouraged. This seemed to be the case in Greece, at least in the times before the current crisis (Burtless, 2001).

On the basis of the above mentioned institutional distortions, many international organizations (OECD, IMF) as well as the European Commission have recommended particular institutional reforms in order to tackle youth unemployment in Greece. These are well known measures, largely in force in many other countries, such as the introduction of sub-minimum wages for young workers, the enhancement of apprenticeship and the reductions of social contributions for new entrants. Indeed, recent reforms in the Greek labour market have followed to a large extent these recommendations, as discussed later in this article.

Areas of concern arising from such reforms refer to the low entering wages and their consequence to future career paths. However, it has been shown that the long or repeated unemployment spells have more adverse (and scarring) effects for young people than their involvement in low-paid or temporary jobs positions (Cagliarducci, 2005). Moreover, as Smith (2010) notes, working in temporary jobs, low paid or even unpaid (e.g. voluntary work in non-governmental organizations and other bodies) is for young people a key mechanism for enhancing their employability. Not only by improving their cognitive and social skills, but also by providing a strong sign of productivity to employers who want to minimize the risk of a recruitment failure.

Therefore, it is reasonable to argue that it is better for the career progression of young people to be working in a low paid job than to have no job at all (Smith, 2010). The crucial point is, as mentioned above, the existence of an inclusive labour market without excessive institutional or administrative obstacles in order the exit rates from low pay job positions to be relatively high, even higher than the exit rates from non-employment.

At this point, relevant is the issue of young people attitudes about their career paths. The next section explores the role of strong family ties in Greece in the formation of social beliefs and work attitudes that prevent the smooth transition from school to work.

## 5. The role of family and attitudes

**I**t is well known that in Greece as well as in the other Mediterranean countries, the family apart from its social cohesive action plays a significant role, both in welfare state and labour market (Ferrera, 1996). Strong family ties constitute the most important protective mechanism for young people, providing housing, financial and emotional support for a very long time. Over the past 30 years, these countries have witnessed a dramatic increase of the fraction of young adults living with their parents. As a result, well over half of all young adults (18–33 years old) live with their parents in Greece, Italy, Portugal and Spain, while their counterparts in United Kingdom, Germany and Scandinavian countries is less than 30% (Giuliano, 2007). Obviously, apart from social norms and cultural causes, other reasons that have contributed to this trend are the increased housing prices and the deterioration of employment perspectives for the new entrants in these countries.

However, the fact that young people in Greece live for many years with their family causes negative side effects. Firstly, it postpones the transition of young workers to an economically independent adult life (Chtouris et al. 2006), allowing them to enter into the labour market with a long-wait strategy until the “appropriate job” to be found (Karamesini, 2010). In other words, strong family ties increase the reservation wage of young people (i.e. the wage level above of which accept to work), contributing so to the formation of a voluntary fraction of youth unemployment (Scherer, 2005). Secondly, the fact that this long-wait strategy is chosen instead of alternative strategies such as the productivity enhancement through work experience, even in insecure job positions, means employability losses for youngsters. Thirdly, the shrinking youth labour supply leads – according to mainstream economics - to higher equilibrium wages and lower employment levels, contributing so to the cumulative deterioration of youth employment perspectives.

In this sense, it has been argued that strong family ties incite or support work attitudes that are actually doubtful regarding the employability of youths. Characteristic examples are the short extent that Greek youngsters combine study and work as well as the persistent trend for career choice in the public sector.

Combining study and work is not a widespread behavior among the Greek students (Mihail and Karaliopoulou, 2005; Nicolitsas, 2007). In 2008, the share of working students aged 15-19 and 20-24 was in Greece below to 3% and 10% respectively, much lower than the OECD average (21% and 35%). It should be noted, that the share of working students is higher in countries that either have more deregulated labour relations such as Denmark, the Netherlands, UK, and apparently the U.S. or have well organized apprenticeship systems. The same countries score high on youth employment.

It has been well documented that students working to an extent that doesn't compromise the educational achievements, has positive effects on youth employment perspectives (OECD,

2008). It contributes to a smooth transition from school to work, indicating a positive sign to employers and cultivating positive work values.

Although the reluctance of young people in Greece to combine their studies with work is not entirely unjustified, mainly due the low attractiveness of precarious jobs offered to students – this involves considerable employability losses (Smith, 2010). Indeed, according to a nationwide survey carried out by the Network of the Careers Offices of Greek Universities in 2005 on a representative sample of 13,615 graduates belonging to the 1998-2000 cohorts: the graduates who have continuous work experience during their undergraduate studies are 84% more likely to be employed than unemployed and 69% more likely to be well-paid than medium or low paid 5-7 years after graduation than their counterparts who have no or occasional work experience during undergraduate studies (Karamesini, 2010).

On the other hand, the steady preference for job positions in the public sector has been a key feature of youth labour market in Greece. In the above mentioned survey, the declarations of students about the desired job positions were impressive and revealing: the large majority of them (60,7%, women: 72,4%) would prefer to work in the public sector and only one to ten graduates desire to find a job in the private sector. Adding to that, more than 20% up to a total of about 750,000 registered unemployed by the Greek Manpower Organization (OAED) in 2009, they were not seeking for a job position. They were registered only because the unemployed status is either a benefits prerequisite or a favorable condition for recruiting in the public sector.

Both examples reflect the importance of the public sector as a key career choice for new entrants to the labour market, many years before the outbreak of current crisis. More problematic, however, is the fact that this was a rather rational choice, especially for young people with lower qualifications. Indeed, the average wage in the public sector was - at least until the recent measures to cut public salaries - well above the average wage in the private sector of the economy and much higher at lower levels of wage dispersion (Papapetrou, 2006). The protected work in the public sector and the wage progression on the basis of seniority (and not productivity) has made it more attractive, especially for people with lower qualifications, working in the public than in the private sector.

However, apart from rational economic reasons, strong preference of young people for public job positions reflects social preferences as well as perceptions about the role of the state in Greece. The high "demand for protection" as well as the sovereignty of state either as a regulatory mechanism or a direct employer is a rather dominating social and economic feature of modern Greece from the early postwar years (Tsoukalas, 1986). The findings of the Eurobarometer (2009) are indicative: just 7% of Greeks believe that the creation of employment opportunities for unemployed can be derived from the operation of the private economy. On the contrary, 87% believe that the state has the responsibility to provide or to create job positions for the unemployed.

To conclude on the crucial role of the family, it is worth mentioning that the strength of family ties could explain, to a large extent, the way that the protection of employment is designed, namely employment protection vs. unemployment benefits schemes. In other words, family ties could explain the social preferences for strict labour market regulations and, hence, the enhancement of dualistic features. Indeed, many recent empirical surveys, the conduct of which has been made possible due to the presence of social data through the World Values Survey, indicate complementarities between the strength of family ties and the strict labour market regulations. According to Alesina and Giuliano (2010), the benefits derived from family ties could be realized when the labour market is not flexible enough to impose (geographical or occupational) mobility conditions. It could be said, that the lower levels of employment

perspectives for young people in Mediterranean countries (including Greece) is somehow the price that these labour markets pay in order to draw benefits from the strong family ties. In this conceptual framework, Neugart (2008) argues that in countries with strong family ties (like Greece), there is a politico-economic equilibrium with relatively high employment protection (through legislation) and relatively low unemployment benefits.

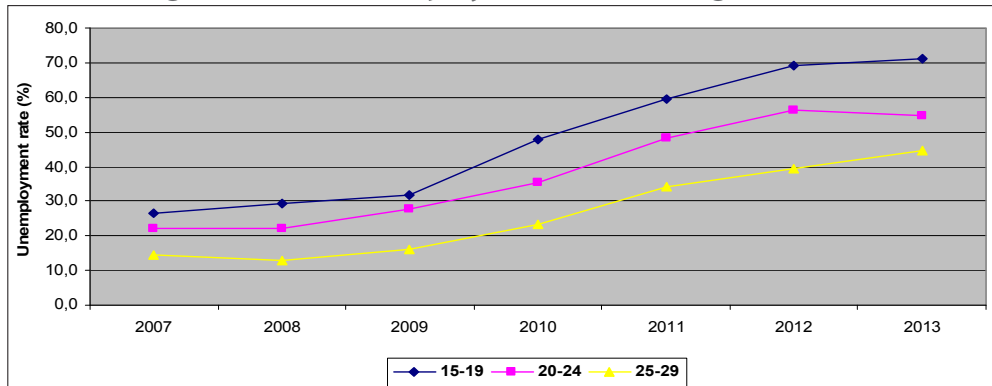
## 6. The recent reforms and the youth unemployment: A short discussion

**I**n this brief section, we discuss whether the recent labour market reforms in Greece have had an impact on youth unemployment.

Since the inception of the first Economic Adjustment Program (2010) to date, the Greek labour market has undergone significant reforms. Many institutional changes as well as policy measures have taken place, which mainly aimed at removing the labour market distortions and enhancing the youth employment prospects. These changes involve the introduction of a sub-minimum wage for young (Law 4046/2012), the extension of probation period from 2 to 12 months (Law 3899/2010) and the reduction of dismissal notice as well as severance pay (Law 4093/2012). The new institutional framework for the expansion of vocational training and apprenticeship (Law 4186/2013) enter into this policy priority as well.

However, youth unemployment ratios did not seem to be inhibited during the same period, raising questions about the quality of interventions.

**Figure 5. Youth unemployment rates during the crisis**



Source: ELSTAT, Labour Force Surveys (4th quarter) 2. Part I

The above Figure gives us a better understanding of how youth unemployment has evolved during the Greek crisis. The largest part of youth unemployment's increase occurred already during the first three years of crisis (2009-2012) as the impact of deep recession has accumulated to the preexisting structural reasons (Zografakis and Spathis, 2011). On the other side, the most significant reforms took place after this period. So, it is rather early to draw firm conclusions about their influence on youth employment outcomes.

In any case, it should be noted that the above mentioned reforms are not yet completed and to a great extent could be considered as incoherent. For example, although the employment protection legislation has been significantly reduced, the social protection of unemployed is still insufficient and problematic, as large groups such as new labour market entrants and long-term unemployed are ineligible for unemployment benefits. Moreover, active labour market policies remain weak, while a mutual obligation framework in employment services to job seekers has not yet established. In this sense, the current reregulation of Greek labour market seems to diverge from the flexicurity strategy's core suggestion, namely flexibility – security nexus, focusing at the protection of workers rather than of the job positions.

In conclusion, within the current Greek labour market conditions a fragile balance is currently emerging. On the one side, the set of institutional reforms is expected to strengthen the employment outcomes of the next recovery. But, at the same time, the prospects of this recovery are undermined by a persistent loss of youth employability due to the longtime recession.

## 7. Conclusions

This article does not attempt to offer a complete explanation of youth employment problem in Greece. In such a case, many other factors that are considered to affect youth employment trends should be taken into account, such as education system and skill mismatch. On the contrary, this article contributes to the debate on the role of labour market institutions on youth employment, while integrating the influence of strong family ties. In summary, the main conclusions are:

Firstly, strict and protective regulations in Greek labour market affect negatively youth employment perspectives, contributing – jointly with a peculiar production structure – to the labour market segmentation and the leakage of economic activity to underground routes. In this context, young workers and other new entrants face strong entry barriers as outsiders. Secondly, the strong family ties and relevant value-perceptions encourage long-wait integration strategies, leading often to the erosion of youth employability. So, tackling youth unemployment problem in Greece is not an easy issue, since it is connected with distortions supported by robust and stable over time social institutions and attitudes. In this sense, the Greek labour market seems to be closely bound in a “vicious circle” of inactivity and poor employment outcomes. For this reason, any reform efforts (like the one that is in progress) should not be exhausted in the microcosm of legal provisions, but should penetrate into the social capital and with persuasive argumentation reshape both institutions and attitudes.

The current crisis revealed and worsened preexisting distortions and problems of the Greek labour market. In this sense, addressing measures and interventions “especially for the crisis” may not be sufficient to prevent the loss of a generation. According to our analysis, policy proposals should inevitably focus on radical reforms, beyond the narrow framework of actions that have been taken from the early '90s. First of all, the rationalization of the cost employing young people, especially those with lower skills or accumulated labour disadvantages seems to be an inevitable adjustment given that low value-added and productivity activities are prevailing in the Greek economy. Obviously, it is necessary to take measures targeting at enhancing youth productivity such as the rationalization of active labour market policies and the closer linking of education and training systems to labour market needs.

But most of all, the dualistic structure of Greek labour market must be reduced; in order for young people entering the labour market to face equal “rules of the game”. Such changes fall (but are not limited) within the context of the ‘flexicurity’ strategy policies: rethinking the mix of labour market institutions, reducing fragmentation (mainly through the elimination of institutional asymmetry between “primary” and “secondary” labour market), enhancing the income protection for the unemployed (even if they have never worked) and establishing mechanisms that favor the transition between different regimes of work and non-work. The most critical change, however, has to do with the choices and strategies of young people themselves, where a more positive management of the ‘first entry’ in the labour market is needed.

## Bibliographical references

- Agell, J. (1999), “On the Benefits from Rigid Labour Markets: Norms, Market Failures, and Social Insurance”, *The Economic Journal*, 109: 143-164.
- Alesina, A. and Giuliano, P. (2010), “The power of the family”, *Journal of Economic Growth*, 15: 93-125.
- Baumol, W. (1967): “Macroeconomics on unbalanced growth: the anatomy of the urban crisis”, *American Economic Review*, 57: 415-426.
- Becker, G. A. (1964), *Human Capital: A Theoretical and Empirical Analysis*. Columbia University Press.
- Blanchard, O. and Portugal, P. (2001) “What Hides Behind an Unemployment Rate: Comparing Portuguese and U.S. Labor Markets”, *The American Economic Review*, 91(1): 187-207.
- Blanchard, O. and Landier, A. (2002), “The perverse effects of partial labor market reform: Fixed duration contracts in France”, *Economic Journal*, 112: 214-244.
- Boeri, T. (2010), “Creating a Port of Entry to Stable Jobs”, *paper presented at OECD Policy Forum on Jobs for Youth*, Oslo, September 20th, 2010.
- Boeri, T. (2011), “Institutional Reforms and Dualism in European Labor Markets”, in Card, D. and Ashenfelter, O. (eds.), *Handbook of Labor Economics*, Vol. 4B: 1173-1236.
- Boeri, T. and van Ours, J. (2008), *The Economics of Imperfect Labor Markets*. Princeton: Princeton University Press.
- Booth, A., Francesconi, M. and Frank, J. (2002), “Temporary Jobs: Stepping Stones or Dead Ends?”, *Economic Journal*, 112(1): 189-213.
- Burtless, G. (2001), “The Greek Labour Market”, in Bryant R., Garganas N., Tavlas G.(eds.) *Greece's Economic Performance and Prospects*, Bank Of Greece and The Brookings Institution, Athens.
- Cagliarducci, S. (2005), “The dynamics of repeated temporary jobs”, *Labour Economics*, 12(4): 429-448.
- Chtouris, S., Zissi, A., Papanis, E. and Rontos, K. (2006), “The state of youth in contemporary Greece”, *Young*, 14(4): 309-322.
- Contini, B. (2012), “Youth employment in Europe: institutions and social capital explain better than mainstream economics”, *The European Journal of Comparative Economics*, 9(2): 242-277.

- Dolado, J., Kramarz, F., Machin, S., Manning, A., Margolis, D. and Teulings, C., (1996), "The economic impact of minimum wages in Europe", *Economic Policy*, 11(23): 319-371.
- Esping-Andersen, G. and Regini, M. (2000), *Why De-Regulate Labour Markets?* Oxford: Oxford University Press.
- European Commission (EC), (2010), *Employment in Europe 2010. Directorate General for Employment, Social Affairs and Equal Opportunities*. Luxemburg: Office for Official Publication of European Communities.
- Ferrera, M. (1996), "The 'southern model' of welfare in social Europe", *Journal of European Social Policy*, 6(1): 17-37.
- Giuliano, P. (2007), "Living Arrangements in Western Europe: Does Cultural Origin Matter?" *Journal of the European Economic Association*, 5(5): 927-952.
- Kalleberg, A. and Sorensen, A. (1979), "The Sociology of Labor Markets", *Annual Review of Sociology*, 5, 351-379.
- Kahn, L. (2010), "Employment protection reforms, employment and the incidence of temporary jobs in Europe: 1996-2001", *Labour Economics*, 17: 1-15.
- Karamesini M. (2006), "Apo tin ekpedefsi stin amivomeni Ergasia: Empiriki dierevnisi tis ergasiakis entaxis ton neon stin Ellada" (From education to paid employment: Empirical investigation of the labour integration of youth in Greece), *Social Cohesion and Development*, 1(1), 67-84 [in Greek].
- Karamesini, M. (2008), "Still a distinctive south European employment model?" *Industrial Relations Journal*, 39(6): 510-531.
- Karamesini, M. (2010), "Transition Strategies and Labour Market Integration of Greek University Graduates", LSE Hellenic Observatory Papers on Greece and Southeast Europe, *GreeSE Paper No 32*.
- Kawaguchi, D., Tetsushi, M. (2012), "Who bears the cost of the business cycle? Labor market institutions and volatility of the youth unemployment rate", *IZA Journal of Labor Policy*, 1:10.
- Lindbeck, A. and Snower D. (1989), *The Insider-Outsider Theory of Unemployment*, MIT Press Cambridge Mass.
- Lyberaki, A. and Tinios, P. (2012), "Labour and pensions in the Greek crisis: The Microfoundations of Disaster", *Südosteuropa, Zeitschrift für Politik and Geselaschaft*, 60(3): 363-386.
- Mihail, D. and Karaliopoulou, K. (2005), "Greek university students: a discouraged workforce", *Education + Training*, 47(1): 31-39.
- Mitragos, T., Tsakloglou, P. and Cholezas, I. (2010), "Determinants of youth unemployment in Greece with and emphasis on tertiary education graduates", Bank of Greece, *Economic Bulletin*, 33: 23-68.
- Mitsopoulos, M. and Pelagidis, T. (2011), *Understanding the Crisis in Greece. From Boom to Bust*. London: Palgrave Macmillan.
- Mueller, W. (2005), "Education and Youth Integration into European Labour Markets", *International Journal of Comparative Sociology*, 46(5-6): 461-485.
- Mueller, W. and Gangl, M. (2003) (eds.), *Transitions from Education to Work in Europe. The Integration of Youth into EU Labour Markets*. Oxford: Oxford University Press.

- Neugart, M. (2008), "The Choice of Insurance in the Labor Market", *Public Choice*, 134(3-4): 445-462.
- Neumark, D. and Wascher, W. (2004), "Minimum Wages, Labor Market Institutions, and Youth Employment: A Cross-National Analysis", *Industrial and Labor Relations Review*, 57(2): 223-248.
- Nickell, S. and Layard, R. (1999), "Labor Market Institutions and Economic Performance". In Ashenfelter O., Card D. (eds.): *Handbook of Labor Economics* Vol.3, Amsterdam: Elsevier.
- Nicolitsas, D. (2007), "Youth participation in the Greek labour market: developments and obstacles", Bank of Greece, *Economic Bulletin*, 29:38-89.
- OECD, (2008), *Off to a Good Start? Youth Labour Market Transitions in OECD Countries*, 1st chapter in Employment Outlook 2008. Paris: OECD.
- OECD, (2010), *Jobs for Youth – Greece 2010*. Paris: OECD.
- Papapetrou, E. (2006), "The Public-Private Sector Pay Differential in Greece", *Public Finance Review*, 34(4): 450-473.
- Quintini, G. and Manfredi, T. (2009), "Going Separate Ways? School-to-Work Transitions in the United States and Europe", OECD, Social, Employment and Migration *Working Papers No. 90*, OECD Paris.
- Scarpetta, S., Sonnet, A. and Manfredi T. (2010), "Rising youth unemployment during the crisis: How to prevent negative long-term consequences on a generation?" OECD Social, *Employment and Migration Papers No. 106*.
- Scherer, S. (2005), "Patterns of Labor Market Entry – Long Wait or Career Instability? An Empirical Comparison of Italy, Great Britain and West Germany", *European Sociological Review*, 21(5): 427-440.
- Skedinger, P. (2010), *Employment Protection Legislation. Evolution, Effects, Winners and Losers*. Cheltenham UK: Edward Elgar Publishing.
- Smith, V. (2010), "Enhancing employability: Human, cultural, and social capital in an era of turbulent unpredictability", *Human Relations*, 63(2): 279-303.
- Tsoukalas, K. (1986), *Kratos, koinonia kai Ergasia sti metapolemiki Ellada* (State, Society and Labour in the post-war Greece), Athens: Themelio [in Greek].
- Wolbers, M. (2007), "Patterns of Labour Market Entry. A Comparative Perspective on School-to-Work Transitions in 11 European Countries", *Acta Sociologica*, 50(3): 189-210.
- Zografakis, S., Spathis, P. (2011), "The Economic Crisis and the Labour Market", in Balfoussias, S., Hatzipanayotou, P. and Kanellopoulos, K. (eds.): *Essays in Economics. Applied Studies of the Greek Economy*. Athens: Centre of Planning and Economic Research.

## Biographical Notes

**Ioannis Dendrinis** holds a PhD in labour relations from the Panteion University and degrees in economics and chemical engineering. He is a tutor at Greek National School of Public Administration and his research interests include labour market policies and industrial relations. E-mail: gdendrinos@gmail.com.