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Inequality of Outcomes and Opportunities Among the Young

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8.1 Introduction

Young people were hit particularly hard by the economic recession of 2008–2009 and have continued to experience difficulties during the period of stagnation which has followed (European Commission 2014). Although the impact of the recent economic crisis on young people appears to have been considerable, it has not been homogeneous (O’Reilly et al. 2015). Countries most affected by the recession in Southern and Eastern European regions showed especially high youth unemployment rates. Difficulties on the labour market during the crisis and subsequent years have multiple consequences for the young population. Youth poverty increased and inequality between younger and older adults has widened. Moreover, increased economic hardship proved to have long-lasting

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effects, for example, by contributing to a delay in the process of transition to adulthood. The aim of this chapter is first to describe the evolution of the labour market situation and poverty among the young since the economic crisis.

Opportunities of young adults to cope with the consequences of the economic recession varied according to family background. The family can play a role in mitigating the adverse consequences of the crisis, by helping youth in trouble with financial and non-financial transfers. But family background also affects the vulnerability of young adults in case of an economic downturn. The experience of the parents shapes the opportunities of their offspring through the transmission of resources and cultural capital. Young people inheriting low amounts of such resources are more likely to enter the labour market with low educational qualifications and low levels of skills, information and contacts that are necessary for success. For them, long-term exposure to unemployment is part of a generational legacy. In this chapter, we will describe inequality of opportunities to cope with the economic crisis among the young, by describing the influence of parental background on education and labour market outcomes during the economic recession.

The age group studied in the following chapter is those between 15 and 29 years of age, which includes those in the process of acquiring educational qualifications and those who are at the beginning of their labour market career. In some cases the age coverage is extended further to age 34 as longer educational careers and more difficult labour market integration of the young often results in vulnerability of those in their early thirties.

8.2 The Situation of Young Adults in the Labour Market

8.2.1 NEET and Unemployment Among the Young

As the young are in a phase of transition from education to the labour market, a useful indicator of their situation would express the relation to both. One such indicator is called 'NEETs', which expresses the percentage

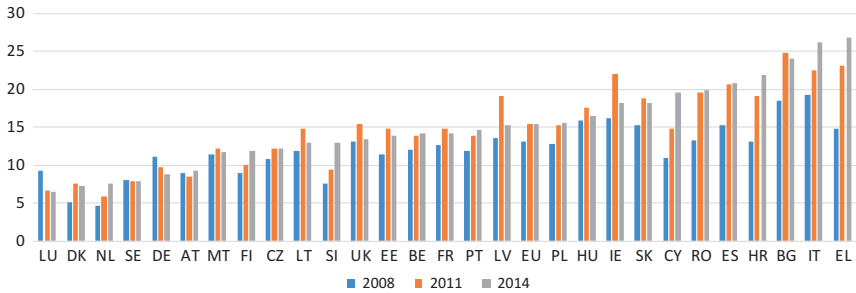


Fig. 8.1 Young people neither in employment nor in education and training (NEET rates), 15–29 years old (%)
 Source: Eurostat database, edat_lfse_20 table, extracted on 02/05/2016

of those neither in employment nor education or training. The value of this indicator increased during the crisis years in most EU Member States (see Fig. 8.1). It increased the most in Greece, from 15% to 27%, and Cyprus, from 11% to 20%. In addition, Spain, Italy and the South-Eastern EU Member States (Bulgaria, Romania, Croatia) have also seen a rising percentage of those neither in employment nor in education or training. The only countries where this indicator did not increase between 2008 and 2014 are Luxembourg, Germany and Sweden. In countries like Ireland or Latvia, the increase in NEETs during the crisis years (2008 and 2011) was followed by a decline in the subsequent period (between 2011 and 2014).

One category of the NEETs that are particularly affected by social exclusion is the unemployed. The economic crisis has brought about an above-average increase in youth unemployment in the EU, but the effect was different in the various Member States. Countries with the greatest increase in youth unemployment between 2008 and 2011 were partly those countries that were most affected by the crisis in general, such as Greece, Spain, Latvia, Lithuania and Ireland. In these countries the overall unemployment rate increased by 8–10 percentage points, while the unemployment rate among those between 15 and 24 increased by between 15 points (Ireland) and 23 points (Greece). Some other countries with a more moderate increase in overall unemployment (4–5 points) also had relatively high increase in youth unemployment (13–14 points), like Slovakia, Croatia, Cyprus and Portugal. Poland, the Czech

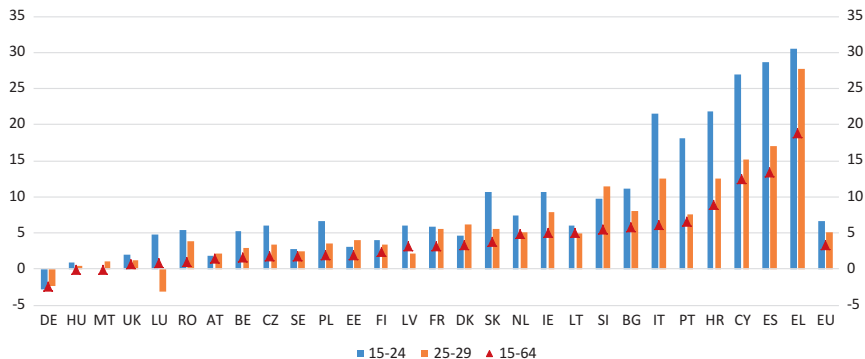


Fig. 8.2 Evolution of the unemployment rate in different age groups (percent-age point change, 2008–2014)

Source: Eurostat database, lfsa_urgaed table, extracted on 07/03/2016

Republic and Italy were characterised by a relatively low increase in the overall unemployment rate (2–3 points), but the increase in the unemployment rate among 15- to 24-year-olds was more significant (8 points). In summary, the Southern European countries and the EU13 countries were most affected by the rise in youth unemployment (Fig. 8.2).

During the period between 2011 and 2014, unemployment and youth unemployment continued to increase in the Southern European countries. In Greece, Italy, Spain, Croatia and Cyprus, the total unemployment rate increased by 4–9 points and unemployment in the 15–24 age group increased at a higher rate (by 7–14 points). In the Baltic States, Ireland, the UK and Hungary on the other hand, employment recovered and youth unemployment declined as well. In these countries the total unemployment rate decreased by 2–5 points and the decline in the youth unemployment rate was even more significant in all of the countries. Youth unemployment rates declined especially in the Baltic States, where the unemployment rate in the 15–24 age group was 8–14 points lower in 2014.

According to the Eurofound (2012) study, apart from the unemployed there are two other categories of NEETs who are most at risk of social exclusion: the unavailable—which includes young carers, young people with family responsibilities and young people who are sick or disabled—

and the disengaged, which can be those young people who are not seeking jobs or education and are not constrained from doing so by other obligations or incapacities.

8.2.2 Precarious Employment Among the Young

NEET and unemployment are not, however, the only indicators of problematic integration in the labour market of young adults in Europe. The labour markets of some EU countries have become more segmented, with the burden of flexibility falling on workers with ‘atypical’ contracts—those with fixed-term contracts and part-time work. Youth employment is characterised by high shares of temporary and part-time work (European Commission 2014). Temporary work means less secure employment, since most often it goes together with less strict dismissal rules. In addition, temporary workers have less access to training, paid sick leave, unemployment insurance and pensions, as well as lower salaries. Working part-time is also associated with lower hourly wages, poorer training and career opportunities, and, in the long run, lower pension entitlements.

As Fig. 8.3 shows, the share of young employees under limited-duration contracts, as a percentage of the total number of young employees increased in most EU countries between 2008 and 2014. The only

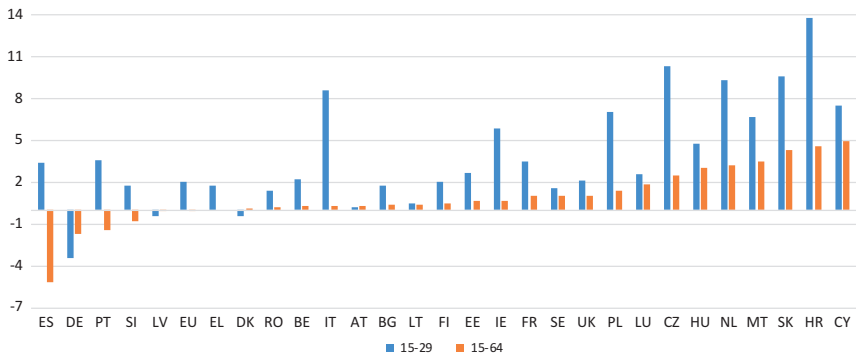


Fig. 8.3 Change in prevalence of temporary work among those in employment (percentage point change, 2008–2014)

Source: Eurostat database, lfsa_etpga table, extracted on 08/03/2016

exception is Germany, where the percentage of young employees under temporary contracts declined. It is also apparent that temporary work increased more among the young compared to the working population as a whole, the only exception once again being Germany. Countries where temporary employment increased most relative to the overall figure are some of the Southern European countries (Spain, Italy, Malta) and some of the Eastern European countries: Poland, the Czech Republic, Slovakia and the Netherlands.

Part-time work is also often used as an indicator of labour market precariousness. But the increase in part-time work can be a positive development if it means that people can more freely choose the balance between work and other objectives. It is consequently more appropriate to use involuntary part-time work as a measure of vulnerability on the labour market. In case of involuntary part-time work, this is the only available option for the individual on the labour market or the only one that allows a reconciling of work with private life and family responsibilities. Figure 8.4 shows the evolution of involuntary part-time work in EU countries. It can be seen from the figure that in most EU countries the share of involuntary part-time work has increased among those working part-time. The exceptions are Germany, Belgium and Malta. The increase among those in active age (15–64 years old) has been most important in

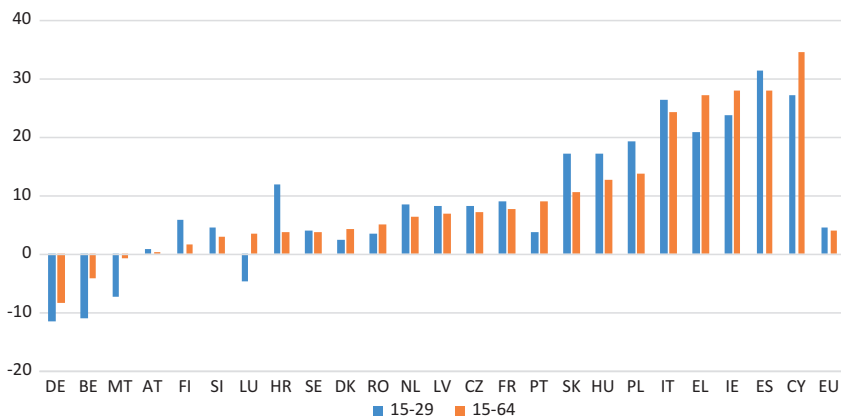


Fig. 8.4 Change in involuntary part-time work among those working part-time (percentage point change, 2008–2014)

Source: Eurostat database, lfsa_eppgai table, extracted on 12/09/2016

the countries most affected by the crisis, Cyprus, Spain, Ireland, Greece and Italy. In some of these countries, like Spain and Italy (but also in Poland, Hungary Slovakia and Croatia), the increase in involuntary part-time employment was more pronounced for the young.

As the data have shown, many of the young who managed to gain a foothold on the labour market are in marginalised situations, with jobs offering low employment security, relatively low wages and few possibilities for advancement. The question is whether precarious work is a stepping stone to more stable and well-paid employment or whether the young in these jobs are more likely to experience a difficult integration in the labour market throughout their working career. Some of the literature (e.g. Chung et al. 2012) argues that transition rates from temporary work to stable employment are low and decreasing, thereby creating a persistent disadvantage for those entering the labour market during the recession years.

8.2.3 Long-Term Consequences of Youth Unemployment

According to research, youth unemployment has long-term consequences on labour market prospects and individual well-being. This so-called scarring effect means that the experience of unemployment will increase likelihood of future unemployment and reduce future earnings. This is likely to happen because of deterioration of skills during periods of unemployment, foregone work experience and also because periods of unemployment might be interpreted as a sign of low productivity by potential employers (Scarpetta et al. 2010). Longer periods of unemployment increase the likelihood that individual productivity will be affected, and the scarring effects are likely to last longer for those with low level of education.

According to research results, experiencing a spell of unemployment at an early stage of the labour market career has a detrimental effect on employment well after the event (Bell and Blanchflower 2011), and this experience is found in countries with different labour markets and welfare systems such as Germany, Sweden, Italy or the UK. It has also been shown by the literature that lost work experience has a sizeable effect on

the wages that young people can earn after being unemployed. The size of the income penalty associated with the experience of unemployment varies between countries. For example, studies in Nordic countries estimate an earnings penalty 5–6 years after unemployment ranging between 17% in Sweden (Nordström Skans 2011, for vocational education) and 25% in Finland (Verho 2008).

8.3 Income Poverty Among the Young

The worsening labour market situation of the young also resulted in higher risk of falling into poverty. Income poverty among the youth increased in almost all EU Member States between 2008 and 2012. As shown by Fig. 8.5, the most important increase has been recorded in Greece where the poverty rate increased from 22% to 32%. Spain (increase from 19% to 28%) and Ireland (increase from 13% to 21%) have also recorded a considerable increase in the youth poverty rate. Austria, Denmark, Estonia and Romania have also seen poverty increase by 5 percentage points among those aged 15–29. Countries where the youth poverty rate remained unchanged during this period are Germany, Finland, Cyprus and Bulgaria. In most EU countries, the youth suffer from an above-average poverty rate. The difference is high in countries where the youth have been hit hard by the crisis, like Greece, Spain or

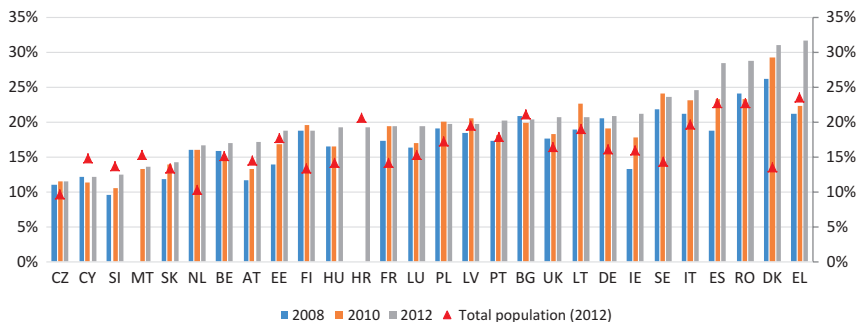


Fig. 8.5 Relative income poverty among the 15–29 age group
 Source: Own calculation based on EU-SILC UDB 2009, 2011, 2013.
 Note: poverty threshold is 60% of median equivalised household income

Ireland, but it is also high in case of the Northern European countries where the young have an above-average poverty risk due to early emancipation from the parental home.

8.4 Family Background and Youth Outcomes During the Crisis

For some young people, low education, unemployment and poverty are partly inherited from their parents' generation. Studies of inequality of opportunity and intergenerational social mobility analyse the strength of the relationship between individual's status and the status of their parents. This perspective is important, because inequalities in incomes and other outcomes might be more readily accepted by the population if the society is mobile, if it offers ample opportunities for those from deprived social backgrounds to get ahead.

Studies show that parental and child income status is positively correlated (Becker and Tomes 1986; Blanden 2013), and the likelihood of becoming poor is higher among those with parents from lower social classes (Whelan et al. 2013). There are various mechanisms that might explain the intergenerational correlation of social status and incomes. Education is a key determinant of success in the labour market; thus, the effect of parental social status (education, employment, income) on child educational achievement (see Haveman and Wolfe 1995; d'Addio 2007; Blanden 2013) is an important channel of status transmission between generations. But even with similar educational backgrounds, children of low-income families might be less successful on the labour market and might have higher chances of becoming poor during the economic crisis.

The following sections summarise results regarding the effect of parental background on youth outcomes during the economic crisis. First, we describe patterns of parental background effect on education. Then we describe how differences in parental background can have an effect on labour market chances and poverty even for young adults of similar education levels. Comparative studies on changes in intergenerational mobility and inequality of opportunity over the economic crisis are scarce.

As underlined by Feigenbaum (2016), the impact of an economic recession on social mobility can be positive or negative. Social mobility could increase in economic downturns, as a recession may disrupt mechanisms of the intergenerational transmission of inequalities that link the outcomes of children with those of their parents. Alternatively, if poorer families are less able to cope with the recession, children who might have climbed the income ladder in normal times would instead end up with similar social status as their parents.

8.4.1 Family Background and Vulnerability to Crisis Among the Youth: Family Influence on Educational Levels

Earlier, it was argued that education is a key determinant of success on the labour market and the effect of the economic crisis was more pronounced for young adults with low education levels. Family background might have an effect on children's outcomes at school for various reasons. According to the human capital theory, educational choices are governed by returns and costs of schooling (Becker and Tomes 1986). Lower educational investment among low-income families might thus be explained by lower returns or higher costs of pursuing education. Lower returns for children from disadvantaged families might arise if these children typically access lower-quality educational institutions, or if they have lower average ability due to effects of poverty on childhood development, or if the family networks of low-income families are less capable of helping children on the labour market (Behrman and Knowles 1997). Higher costs of schooling among low-income families might arise in case of credit constraints because parents in low-income families have to accept a trade-off in consumption to meet education expenditures (Becker and Tomes 1986).

Comparative studies of educational mobility measure how strongly parental and child education is correlated in countries with different educational systems and welfare systems. Studies in EU countries generally show that in Mediterranean countries and Eastern European countries, educational mobility is relatively low, while the Nordic countries are characterised by high mobility and less persistence of educational levels

(e.g. Hertz et al. 2007; Di Paolo et al. 2013; Schneebaum et al. 2015). Western European countries are characterised by a middle level of social mobility. This pattern is also confirmed by recent data by Grundiza and Lopez Vilaplana (2013), who describe the intergenerational transmission of low education based on the European Union Study of Incomes and Living Conditions (EU-SILC) 2011. According to their results (see Fig. 8.6), the value of the odds ratio, which expresses the strength of the association between parental and child education, is 14.7 in the EU overall, but significant differences exist between countries. In Bulgaria and Croatia, the association index was much higher (more than 40), meaning a stronger association between parental and child education, while in Norway, Estonia, Denmark and Finland, it was less than 5.

Changes in social mobility are often described by comparing the correlation of parental and child status across cohorts. In most of the countries studied by Grundiza and Lopez Vilaplana (2013), the persistence of a low education level is higher for those aged 45–59 than for those aged 25–34, which means that social mobility is increasing. However, the largest differences between age groups are to be found in the countries where the persistence of low educational attainment is higher in the younger age group, for example, in Bulgaria, Lithuania and Latvia. Other countries where persistence of low educational attainment is higher among the younger age group are Estonia, Romania, Austria and Germany.

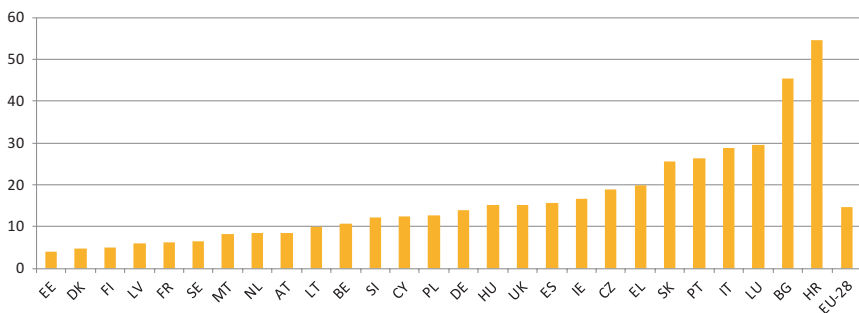


Fig. 8.6 The association index (odds ratio) of being low educated when having low-educated parents compared to high-educated parents, 25–59 age group, 2011

Source: Grundiza and Lopez Vilaplana (2013)

8.4.2 Family Help to Cope with Labour Market Adversity

Having parents with high social status not only benefits children while in education, but family background impacts labour market outcomes even after leaving school. Families can help young adults with direct transfers of money, contacts and information and also by transmitting values and attitudes that can contribute to success on the labour market. Direct parental transfers in terms of money or co-residence to young adults searching for a job might have effects similar to unemployment benefits. By lowering costs of searching for a suitable job, parental transfers might allow young adults to persist in searching, which can improve search outcomes (Jacob 2008). Direct family transfers of wealth might also help young adults to start entrepreneurial activity in case of unemployment.

Families can also help young adults facing difficulties with labour market insertion with information and contacts. Young adults from high status family might rely on the social contacts of relatives (and also friends) when searching for a job (Montgomery 1991; Bartus 2001). Moreover, higher-status parents are also more likely to be better informed about labour market vacancies and opportunities that are open to young adults on the labour market. More indirect effects of parental status on young adults' labour market prospects operate through the transmission of cognitive traits and soft-skills that may influence career advancements (Bowles and Gintis 2002). Parents might also transmit values and attitudes that influence how young adults cope with difficulties on the labour market: for example, parental work experience can modify young adults' aspirations and attitudes towards education and labour market participation, that is, their evaluation of paid work, their attitudes towards relying on welfare benefits, gender roles and so on.

Recent examples of studies on the effect of parental background on young adults' labour market advancement were produced by the Strategic Transitions of Youth labour in Europe (STYLE) project. Berloff et al. (2015), among others, analyse how parental employment status affects young adults' insertion into the labour market after leaving school. The authors have found that the employment structure of the families of origin is of crucial importance in explaining youth school-to-work trajectories in

EU countries. Having at least one parent in stable employment is associated with more favourable entry trajectories for both male and female school-leavers, as this significantly increases the probability of a speedy transition to stable employment and significantly decreases the probability of being continuously unemployed/inactive. Regarding the effect of the crisis, the authors find that those who entered the labour market during the crisis (2008–2011) generally had more difficulty transitioning to employment, but young individuals living in work-rich households were more protected from the increasing difficulties of the school-to-work transition than their peers living in work-poor families.

Another study by Filandri et al. (2018) examines how family background impacts labour market success five years after finishing studies. They use data from EU-SILC 2011 and study labour market success of young people under the age of 34 who obtained a secondary or tertiary educational qualification over the 5 preceding years. They estimated the impact of parental education on labour market success in terms of employment, skills and wages. Among those who left the parental household, children of parents with a high- or middle-level education exhibit greater likelihood of success on the labour market (having skilled employment with high wages) compared to children with low-educated parents. Among those still living in the parental household, children with high-educated parents are less likely to be in ‘investment’ jobs (skilled jobs with low pay) but significantly more likely to be in education. Children with high-educated parents have a lower probability of being unemployed five years after finishing school regardless of living arrangements.

Berloffa et al. (2015) use EU-SILC data from 2005 to 2011 to study the long-term persistence of employment status. The authors have found intergenerational persistence of employment in all regions of Europe: having had a working mother at the age of 14 increased the probability of young people (25–34 age group) being employed and reduced that of being inactive. Relatively large effects were found in Nordic and in Anglo-Saxon countries. By contrast, fathers’ labour market status appears to play a role mainly in Mediterranean and Continental countries. Comparing the effect of parental employment between 2005 and 2011 sheds light on the effect of the economic crisis. During the crisis, the effect of parental

background (both of maternal and paternal employment) increased in Mediterranean countries and the Anglo-Saxon countries (paternal employment). On the other hand, in the Continental countries the effect of fathers' employment vanished.

8.4.3 Family Background and Youth Poverty

Family help to improve education or labour market outcomes will of course diminish the likelihood of falling into poverty, but families can also protect young adults with direct transfers of money, as well as by offering shelter in the parental home (Swartz et al. 2011).

The share of young adults living at their parents' home varies to a great extent across countries in the EU. The proportion of young adults aged 25–34 residing with their parents is much higher in the Southern European, Central European and South-Eastern European countries compared to Western or Northern European countries. In the groups characterised by higher rates of co-residence with parents, the percentage of young adults living in the parental home is between 37% (Cyprus, Czech Republic) and 56% (Slovakia), while in Belgium and Germany the corresponding figure is 14–17%. The Baltic States show more similarity to the Western pattern, except Lithuania.

Co-residence with parents might be increased by young adults delaying departure from the parental home or moving back with their parents in case of financial difficulties. Although we are not able to differentiate between these, both are signs of a delayed transition to adulthood. According to data from EU-SILC, the percentage of young people aged 18–24 and 25–34 living with parents increased in 6 and 13 countries respectively between 2006 and 2010. The highest growth rates among 18- to 24-year-olds are recorded in Hungary (7 percentage points). In the case of Hungary, the increase took place during the crisis years, that is, between 2008 and 2010. In the older age group, Slovakia and Hungary take the lead with 8 percentage points, followed by Portugal with a 6-point growth rate. The increase in the percentage of those living with parents might be related to the economic crisis. As a consequence of financial hardship (inability to finance studies and/or unemployment,

etc.), young adults may postpone the establishment of a separate household or might decide to move back in with their parents.

Mazzotta and Parisi (2018) analyse transitions into independence and returning to the parental home based on EU-SILC longitudinal data. They do not find changes in rates of home-leaving between the pre-crisis and post-crisis years except for Continental countries, where the probability of leaving during the period under consideration declined. Continental European countries continue to be characterised by higher levels of home-leaving compared to Southern European or Eastern European countries, but the fragility of school-to-work transitions, as well as unemployment and financial hardship may have increased the uncertainty of the economic situation, thus lowering the probability of leaving in 2009. All EU countries experienced an increase in the percentage of people returning home, apart from the Eastern countries and with some exceptions, regarding timing: Southern European countries registered an increase throughout the entire period; Continental countries showed an increase in the very first period after the onset of the crisis; and in the Baltic countries, the effect came earlier (in 2008–2009), but lasted longer.

According to the literature, young adults most often benefit financially from staying in the parental house (saving on rent, bills, etc.), and co-residence with parents can protect young adults from falling into poverty (Aassve et al. 2007; Gáti et al. 2012; Özdemir et al. 2014). However, most of the literature assumes equal sharing of resources in co-residential households and actual exchanges between parents and adult children are rarely studied. In their study of income-sharing patterns in households where young adults reside with parents, Medgyesi and Nagy (2018) confirm that young adults most often benefit from income-sharing in the household. At the same time, they find a non-negligible minority of young adults (between 11% in Spain and 33% in Malta) whose contribution to the household budget is so important that they actually support their parents.

Parents can also help to mitigate the consequences of youth unemployment by financial transfers. Previous research shows that parental transfers act as a ‘safety net’ for young adults. Youth experiencing crisis are more likely to receive financial transfers (Swartz et al. 2011), which might help them to smooth labour market transitions (Jacob 2008). It has also been demonstrated, however, that financial transfers in the family are also

very much related to parental income and wealth. Children from high-income/wealth families are much more likely to receive transfers when they need them. Papuchon (2014) asserts that while co-residence of young adults with their parents has been increasing during the crisis years, the occurrence of financial transfers from parents to adult children has not increased. One possible reason for this is precisely the strong link between transfers and parental income/wealth: parents of young adults in need are often not capable of providing financial support.

8.5 Conclusion

Youth unemployment rates tend to be higher compared to adult rates for various reasons. Reasons are partly related to decisions of firms, who most often seek to hire experienced workers, and tend to dismiss those first who spent less time at the firm. The labour supply of young adults also tends to contribute to higher unemployment rates: labour turnover tends to be higher in this age group because the young are in search for a job that matches their preferences and skills.

The economic crisis has exacerbated this difference as youth unemployment rates have increased to a greater extent than adult unemployment rates. Countries with the most important increase in youth unemployment between 2008 and 2011 were partly those countries that were most affected by the crisis in general. During the period between 2011 and 2014, unemployment and youth unemployment continued to increase in the Southern European countries, but in countries like the Baltic States, Ireland, the UK and Hungary, on the other hand, employment recovered and youth unemployment declined as well. Research warns that youth unemployment not only has immediate effects on poverty among the young but can have long-term negative effects on labour market prospects of persons affected and other long-term social effects. For example, research shows that unemployment leads to increased reliance on the family and the delay of transition to adulthood, which potentially has a negative effect on fertility and might fuel migration plans.

Youth experience during the crisis is far from being uniform across social classes. Studies show that young adults from low-status family backgrounds were hit more severely during the crisis. The family back-

ground is important firstly in determining opportunities for achieving high levels of education, which is of prime importance for the labour market success of young adults. Studies in EU countries generally show that in Mediterranean countries and Eastern European, inequality of opportunity in education is relatively high, while the Nordic countries are characterised by less intergenerational persistence of educational levels.

High-status families might also help their children succeed on the labour market by transmitting skills, contacts, information and values that make offspring less vulnerable in times of crisis. Studies show that young adults with parents in employment are able to integrate the labour market more rapidly. Higher parental education can increase the likelihood that young adults become successful on the labour market (have skilled employment with high wages) compared to children with low-educated parents. During the crisis, the effect of parental work intensity on youth employment seems to have increased in Mediterranean countries, while in Continental countries, this effect of paternal employment vanished. The family can also help young adults by protecting them from the consequences of the crisis with transfers of money and shelter in the parental home. Co-residence with parents increased in many EU countries during the crisis years. Postponement of leaving the parental home has been important in Western European countries, while all EU countries experienced an increase in the percentage of people returning home, apart from the Eastern countries. Children from high-income/wealth families are also much more likely to receive monetary transfers when they need them.

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