Working_paper

Unemployment and Job Creation in the United States and the European Union: Comparing the Effects of the 2008 Global Financial Crisis

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Executive Summary

With unemployment rates soaring to record highs—and then declining, although not to pre-crisis levels—policymakers in the United States and the European Union have scrambled to reverse this trend of joblessness in the years following the Global Financial Crisis of 2008. Overall unemployment in the United States peaked in October 2009 at 10.1%, falling to 6.3% by May 2014—very near to pre-crisis levels. For the European Union, overall unemployment peaked at 10.9% in early 2013, only falling to 10.4% as of April 2014—an indication that the Crisis has had longer-lasting and more drastic effects for the EU, whose pre-crisis unemployment rate was 6.8%. **In both the US and the EU, the unemployment problem has been exacerbated for the youth population: current youth unemployment levels are more than double that of overall unemployment, residing at 13.2% and 22.5%, respectively.**

While unemployment on the whole hurts the economy, youth unemployment is especially troublesome. There is evidence that people who suffer from unemployment at a young age are more likely to make lower lifetime wages than their employed counterparts, and the decreased spending stifles economic growth. **Additionally, the high youth unemployment levels have altered the poverty vulnerability trend, for now it is youths—no longer the elderly—who exhibit the highest risk of poverty.** There exist other negative effects on welfare as well, such as worsening mental health, an increase in male suicide rates, and decreased life satisfaction. To combat both overall and youth unemployment, both the United States and the European Union have proposed job creation policies (though the EU has placed more emphasis on the youth problem than the US has).

Job creation is supported theoretically and empirically. More specifically, *sustainable* job creation is supported. Job generation for the sake of job generation will not help the economy to recover. For example, it is fairly easy to increase the number of jobs simply by opening up more positions in the public sector. But this initiative is about quantity, not quality, and though "useless" jobs fill up space, they do nothing to benefit the economy. Rather, creating more jobs in up-and-coming industries, such as the "green" economy and information technology, and placing individuals who are equipped with the necessary skills to be productive in those industries promotes innovation, thereby enabling growth. In the wake of the Crisis, both the United States government and the European Commission have encouraged investment in these types of industries—automobile, manufacturing, "green", and technology for the US, and healthcare, "green", technology, and social care for the European Union. Reducing taxes, improving worker conditions, and aiding in the flourishing of small businesses are also included in the policy initiatives of the US and the EU.

With respect to worker productivity—particularly for youths—President Barack Obama of the United States has advocated education reform, improving access to and quality of schools, as well as partnerships between employers and community college programs. The European Union has developed job creation strategies for youth to a greater—and more explicit—extent. The European Commission's Youth Guarantee initiative, part of a greater Europe 2020 strategy to have 75% of adults employed by 2020, is devoted to human capital investment, primarily through apprenticeship programs. Apprenticeships allow students to further their education while simultaneously nurturing the specific skills required by the company training them. The largest benefit of apprenticeship programs is that they help counter the problem of a "skills mismatch"—a gap between what workers are able to provide and what employers need that accounts for the persisting unemployment problem. Additionally, the European Commission's Europe 2020 initiative includes improving labor market conditions. It harnesses the idea of "flexicurity," promoting a labor market that provides the flexibility employers require and the security workers require.

This is crucial because there is evidence that the flexibility of a labor market (its ability to easily adjust to competitive equilibrium) explains much of the disparity between the Crisis's effects on employment in the United States versus the European Union. A deregulated labor market allows for a type of transparency—an increase in the access of information for all players in the labor market that enables employers to more easily signal to job-seekers the required skills and the benefit of investing in those skills. Essentially, it provides an environment in which human capital investment can thrive, thereby improving the chances of not only creating more jobs, but also successfully matching productive workers to those jobs. This must also be complemented by labor market security, which can combat the negative social welfare effects of unemployment. **Thus, while job creation is an appropriate policy initiative to boost employment, it must be combined with human capital investment and a flexible and secure labor market in order to achieve the sustainability that will lead to long-term economic growth—the growth necessary to pull the United States and the European Union from the recession entirely.**

The 2008 Global Crisis's Effects on Employment in the United States and the European Union

The Global Financial Crisis of 2008, commonly referred to in the United States as the Great Recession, has been the worst labor market downturn in the postwar era,[1] officially lasting in the United States from December 2007 to June 2009. While the pre-recession minimum overall US unemployment rate was 4.4%, it had risen to its peak of 10.1% by October of 2009. As of May 2014, the overall unemployment rate has fallen to 6.3%,[2] though the labor force participation (LFP) rate—the ratio of the labor force (those who are employed and those who are unemployed but actively searching for work) to the general population—stands at 62.8%, the lowest rate since 1978,[3] indicating that more and more individuals have stopped looking for jobs. The decline in LFP combined with less immigration than projected and more people collecting disability help explain why employment has only slowly risen since the end of the recession, with most states not yet having returned to pre-recession levels of unemployment.[4],[5] Falling birth rates since 2007 also have contributed to the sluggish growth in employment, as they reflect a reduction in the amount of future workers. Another reason for the slow improvement of the labor market, notes the Congressional Budget Office (CBO) in a February 2014 report, is a cyclical weakness in overall demand for goods and services, which have also exhibited very slow growth since the recession. Additional contributions are structural factors such as the stigma of long-term unemployment; a decline in hiring efficiency (a mismatch of skills between employers and job-seekers due to the "erosion" of skills after being out of the workforce for so long); and a disincentive to work due to the 2013 extensions of unemployment insurance benefits.[6]

Compared to the United States, the Global Crisis has impacted the European Union more negatively, as shown in *Figure 1*. January 2008 to April 2009 marked the official duration of this Eurozone Crisis, though it was followed by a longer recession in late 2011 that lasted two years. Prior to the financial crisis, after witnessing both a downward and upward trend in unemployment levels in the early 2000s, the year 2005 marked the beginning of a stable reduction in unemployment—bottoming out at 6.8%—that would last until the onset of the economic downturn in 2008.[7] Unemployment in the EU-28 (the European Union, which consists of 28 member states) peaked in early 2013 at 10.9%, and has since then declined.

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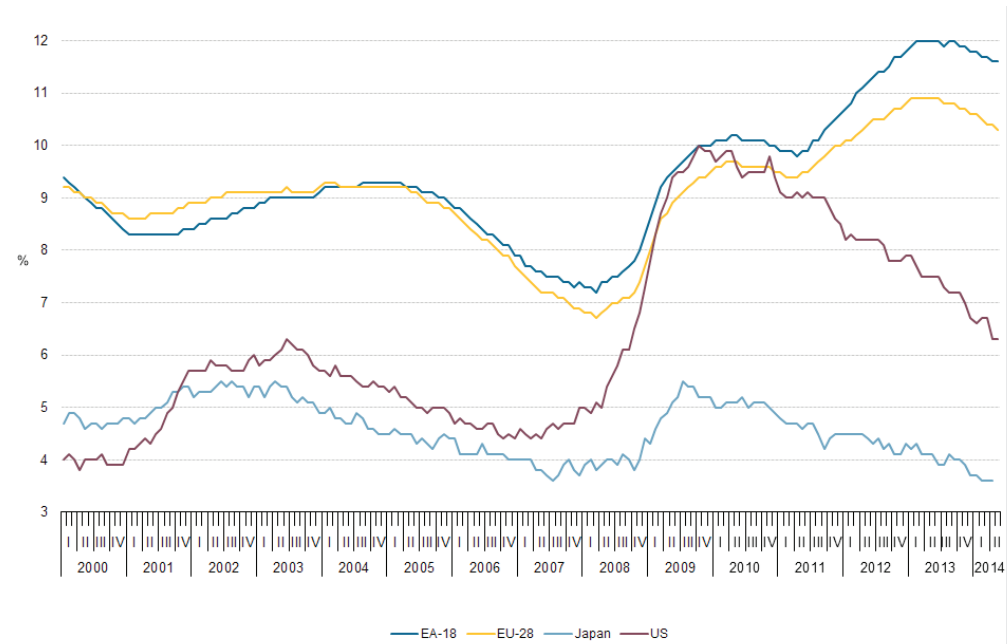
1 Elsby, M.W., Hobijn, B., & Sahin, A. (2010). *The Labor Market in the Great Recession* (Working Paper No. 15979). Retrieved from National Bureau of Economic Research website: http://www.nber.org/papers/w15979
2 Bureau of Labor Statistics. (2014). *The Employment Situation – June 2014*. Retrieved from http://www.bls.gov/news.release/pdf/empsit.pdf
3 United States. Congressional Budget Office. (2014). *The Slow Recovery of the Labor Market*. Retrieved from http://www.bls.gov/news.release/pdf/empsit.pdf
4 Appelbaum, B. (2014) U.S. Economic Recovery Looks Distant as Growth Stalls. *The New York Times*. Retrieved from http://www.nytimes.com/2014/06/12/business/economy/us-economic-recovery-looks-distant-as-growth-lingers.html?_r=0
5 (2014) In Most States, Unemployment Rates Haven't Bounced Back. *The New York Times*. Retrieved from http://www.nytimes.com/interactive/2014/06/11/business/unemployment-rates-in-states.html
6 United States. Congressional Budget Office. (2014). *The Slow Recovery of the Labor Market*. Retrieved from http://www.bls.gov/news.release/pdf/empsit.pdf
7 Eurostat. (2014). *Unemployment Statistics—Statistics Explained*. Retrieved from http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics

Figure 1: **Unemployment rates in EU-28, EA-17, US, and Japan, January 2000 – May 2014**



Source: Eurostat

The April 2014 level of overall unemployment for the European Union is 10.4% for the EU-28, while sitting at a higher 11.7% for the EA-18 (the 18 member states of the European Union that use the euro as their form of currency). These rates leave approximately 25.471 million without jobs.[8] Of the European Union, Greece and Spain have the highest unemployment rates (26.5% and 25.1% respectively), while Austria, Germany, and Luxembourg have the lowest. The International Labour Organization attributes the slow recovery of employment partly to the overall decline in output growth, but also to a disconnect in the labor market with respect to the skills required by employers and the skills exhibited by job-seekers. Additionally, the unstable financial sector and a hesitancy to invest have resulted in a contraction in job creation rates,[9] enabling the high magnitude of unemployment to persist while simultaneously increasing the duration of joblessness.

The youth population, however, has more heavily absorbed these effects of the Crisis. As of May 2014, 13.2% of Americans 16-24 years are unemployed,[10] more than twice the overall unemployment rate. This is four percentage points lower than the peak of 17.2% in 2010.[11] Consistent with the United States, the youth unemployment level from April 2014 is 22.5% in EU-28 and 23.5% in the EA-18—[12]also more than double the overall unemployment rate of these areas. In both the United States and the European Union, these rates have fallen since the end of the Crisis, but not yet back to pre-crisis levels. For the European Union, the minimum value was 15.1% in the first quarter of 2008, while youth unemployment peaked at 23.6% in the first quarter of 2013.[13] Again, Greece and Spain exhibit the worst youth unemployment rates (56.9% and 53.5% respectively) with Croatia close by at 49%.[14] The lowest rates are found in Austria, Germany, and the Netherlands.

8 Eurostat. (2014). *Unemployment Statistics—Statistics Explained*. Retrieved from http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics
9 International Labour Organization. (2013). *Global Employment Trends 2013: Recovering from a second jobs dip*, 49-54. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf
10 Statista. (2014). *U.S. youth unemployment rate: June 2014*. Retrieved from http://www.statista.com/statistics/217448/seasonally-adjusted-monthly-youth-unemployment-rate-in-the-us/
11 Ibid.
12 Eurostat. (2014). *Unemployment Statistics—Statistics Explained*. Retrieved from http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/Unemployment_statistics
13 Ibid.
14 Ibid.

Table 1: **Youth Unemployment 2013**

	Youth unemployment rate				Youth unemployment ratio		
	2011	2012	2013	2013Q4*	2011	2012	2013
EU-28	21.4	23.0	23.4	23.1	9.1	9.7	9.8
Euro area	20.8	23.1	24.0	23.8	8.7	9.5	9.8
Belgium	18.7	19.8	23.7	23.9	6.0	6.2	7.3
Bulgaria	25.0	28.1	28.4	28.1	7.4	8.5	8.4
Czech Republic	18.1	19.5	18.9	18.9	5.4	6.1	6.0
Denmark	14.3	14.0	13.0	12.8	9.6	9.1	8.1
Germany	8.6	8.1	7.9	7.9	4.5	4.1	4.0
Estonia	22.4	20.9	18.7	19.1	9.1	8.7	7.4
Ireland	29.1	30.4	26.8	25.5	12.1	12.3	10.6
Greece	44.4	55.3	58.3	57.3	13.0	16.1	16.6
Spain	46.2	52.9	55.5	54.9	19.0	20.6	20.8
France	22.6	24.4	24.8	23.7	8.4	8.9	9.0
Croatia	36.1	43.0	49.7	48.6	11.3	12.7	14.4
Italy	29.1	35.3	40.0	41.8	8.0	10.1	10.9
Cyprus	22.4	27.8	38.9	40.8	8.7	10.8	15.0
Latvia	31.0	28.5	23.2	23.9	11.6	11.5	9.1
Lithuania	32.6	26.7	21.9	20.6	9.2	7.8	6.9
Luxembourg	16.4	18.0	17.4	17.2	4.2	5.0	4.0
Hungary	26.1	28.1	27.2	24.8	6.4	7.3	7.4
Malta	13.8	14.2	13.5	13.5	7.1	7.2	7.0
Netherlands	7.6	9.5	11.0	11.4	5.3	6.6	7.7
Austria	8.3	8.7	9.2	9.9	5.0	5.2	5.4
Poland	25.8	26.5	27.3	27.2	8.6	8.9	9.1
Portugal	30.1	37.7	37.7	34.8	11.7	14.3	13.5
Romania	23.7	22.7	23.6	:	7.4	7.0	7.3
Slovenia	15.7	20.6	21.6	19.9	5.9	7.1	7.3
Slovakia	33.7	34.0	33.7	33.5	10.1	10.4	10.4
Finland	20.1	19.0	19.9	20.0	10.1	9.8	10.3
Sweden	22.8	23.7	23.4	22.6	12.1	12.4	12.8
United Kingdom	21.1	21.0	20.5	19.7	12.4	12.4	12.0

: data not available

* The quarterly youth unemployment rate is seasonally adjusted.

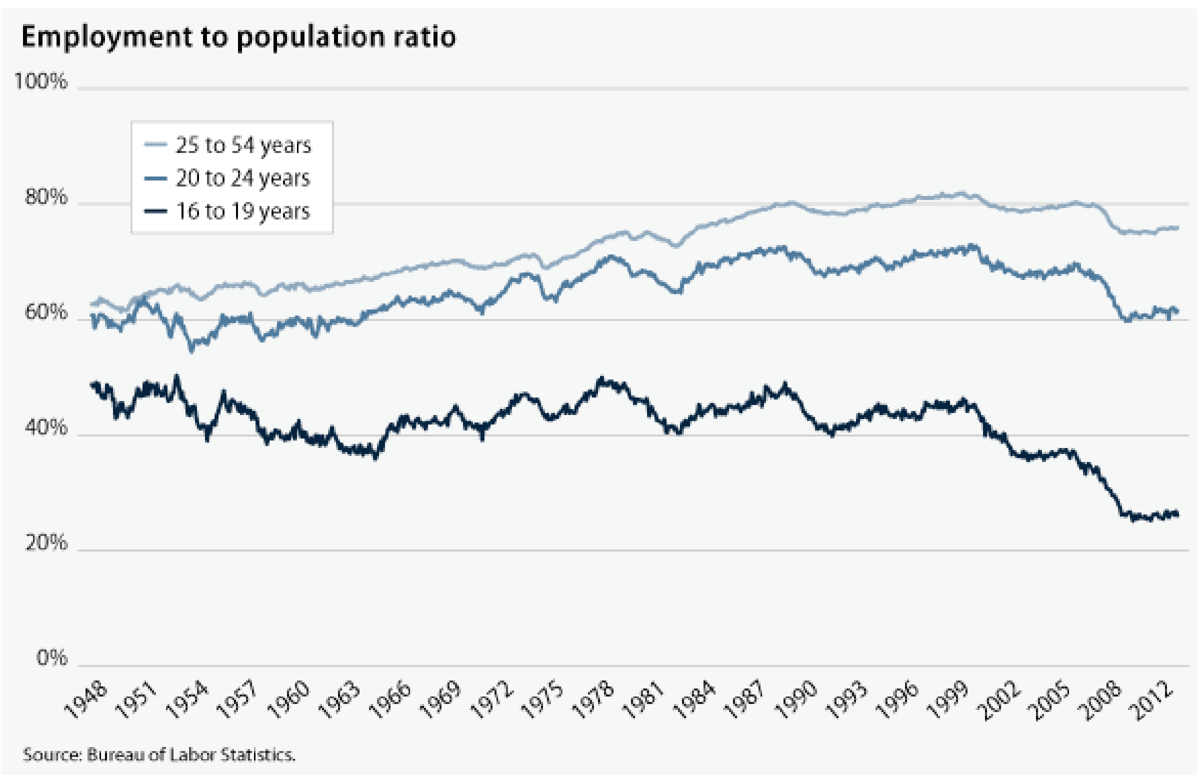
Source: Eurostat

Because many young people are studying full-time and thus not working or searching for work, youth unemployment ratios are also calculated as the share of unemployed for the whole population (see *Table 1*);[15] *Figure 2* shows the inverse for the United States: the employment to population ratio. This measurement of youth unemployment is a good alternative to the traditional calculation, which does not include—and thus does not account for—full-time students. This alternative ratio is much lower in magnitude than the youth unemployment rates, but it still holds true that the number of unemployed youth has risen since the beginning of the Global Financial Crisis. Additionally, the amount of NEETs—youths neither in employment nor in education or training—has increased. The global NEET rate had been declining prior to the Crisis, but rose between 2008-2010 by 2.1 percentage points to reach a staggering 15.8%, or 1 in 6.[16] On par with the youth unemployment rates, the NEET rate is more pronounced in European countries versus the United States.

15 Ibid.
16 International Labour Organization. (2013). *Global Employment Trends for Youth 2013: Executive Summary*. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212899.pdf

These harsh youth unemployment figures are especially worrisome because upon finally securing a job, youth tend to accrue lower wages due to foregone work experience and missed opportunities to develop skills. Says Sarah Ayres of the Center for American Progress (CAP) in her report on the subject, "a young person who has been unemployed for six months can expect to earn about $22,000 less over the next 10 years than they could have expected to earn had they not experienced a lengthy period of unemployment."[17] She notes that in 2010 the number of people ages 20-24 that had been unemployed for six or more months totaled 967,000; CAP estimates that they will lose a combined $21.4 billion in earnings throughout the next ten years.[18] In fact, an OECD report from June 2014 reveals that during the period of 2008 to 2012, youths (ages 18-25) have suffered the most severe income losses.[19] On a much grander scale, the economy as a whole will suffer too. Less income means less consumption and this lack of spending decreases the number of jobs available and hinders economic growth: says Ayres of the CAP, "existing evidence already points to a loss of at least 1 per cent of GDP among European countries due to higher youth unemployment in the European Union."[20]

Figure 2: **US Employment to Population Ratio**

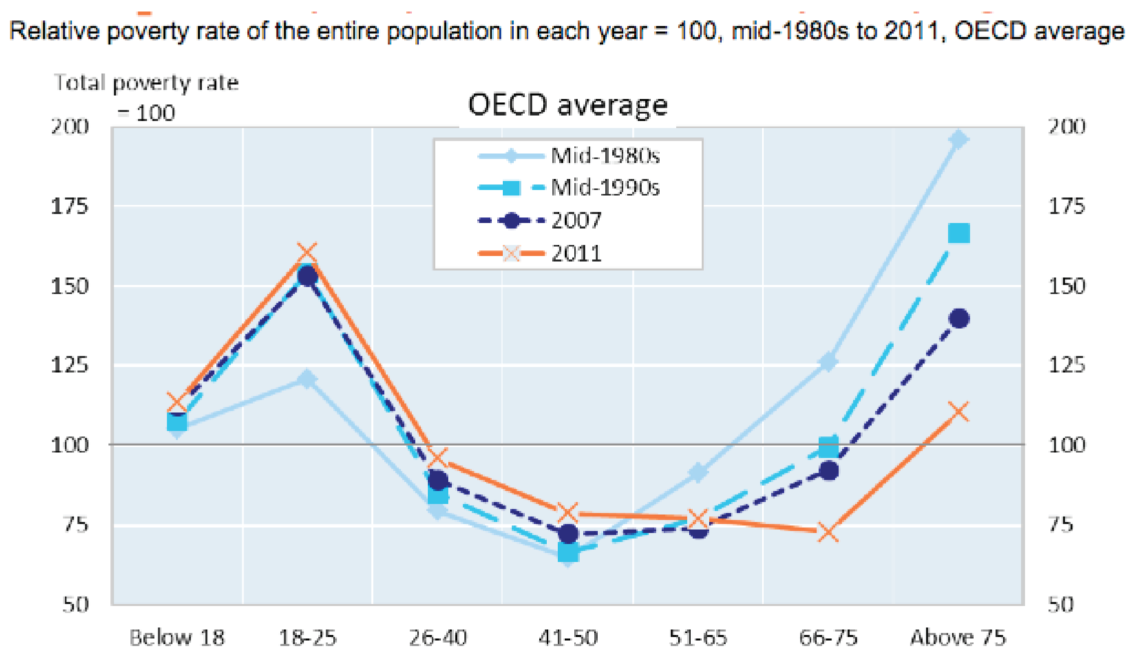


Source: Center for American Progress

In addition to stifling economic growth, youth unemployment has dire effects on individuals' welfare. As *Figure 3* shows, the extreme income loss of youths reflects a shift in the international

17 Ayres, S. (2013). The High Cost of Youth Unemployment. *Center for American Progress*. Retrieved from http://americanprogress.org/issues/labor/report/2013/04/05/59428/the-high-cost-of-youth-unemployment/
18 Ibid.
19 The Organisation for Economic Co-Operation and Development (OECD). (2014, June). *Rising inequality: youth and poor fall further behind*, 5. Retrieved from http://www.oecd.org/social/OECD2014-Income-Inequality-Update.pdf
20 International Labour Organization. (2013). *Global Employment Trends 2013: Recovering from a second jobs dip*, 47. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_202326.pdf

Figure 3: **Poverty Trend for Entire Population from 1980-2011**



Source: OECD

poverty trend.[21] Though this trend began to change in the last twenty years, observes OECD, the Global Financial Crisis expedited it; **prior to 2007, the elderly were much more at risk for poverty, while post-2007 we see the reverse: "by 2011, people aged 66 to 75 faced a risk of poverty that was 25% lower than the population average, and which was (for the first time since OECD data are collected) the lowest among all population groups".**[22] And, now, it is the youth population that exhibits the highest risk of poverty. Along with the increase in poverty vulnerability, youth unemployment has social and health-related consequences. Joblessness deprives youths of the "structure" of having an occupation; of engaging in meaningful social activity and networking; and of securing the respect from others that accompanies a first job or an established career.[23] This social exclusion leads to feelings of isolation and depression. Not surprisingly, OECD reports that Europeans have expressed feeling "more negative" in 2010 than they did in 2006.[24] In the year following the beginning of the Crisis, the overall male suicide rate rose by 3.3%, a rise positively correlated with greater job loss (countries that exhibited more job loss also exhibited higher suicide rates).[25] In Europe, male suicides increased in the 15-24 year old age group, while in America, the increase occurred for men aged 45-64 (women were unaffected in Europe and only had a slight increase in the United States)—[26]perhaps a testament to the much more drastic youth unemployment levels in Europe. Particularly for youth, increases in anxiety, eating disorders, and self-harm have accompanied

21 The Organisation for Economic Co-Operation and Development (OECD). (2014, June). *Rising inequality: youth and poor fall further behind*, 6. Retrieved from http://www.oecd.org/social/OECD2014-Income-Inequality-Update.pdf

22 The Organisation for Economic Co-Operation and Development (OECD). (2014, June). *Rising inequality: youth and poor fall further behind*, 5. Retrieved from http://www.oecd.org/social/OECD2014-Income-Inequality-Update.pdf

23 International Labour Organization. (2010, August). *Global Employment Trends for Youth: Special issue on the impact of the global economic crisis on youth.* Retrieved from http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_elm/---trends/documents/publication/wcms_143349.pdf

24 Dupre-Harbord, J. (2014, July 10). Depressing depression: mental illness and work. *OECD Insights Blog*. Retrieved from http://insightsblog.oecdcode.org/?p=6897

25 (2013, September 18). Global economic crisis 'linked to suicide rise.' *BBC News*. Retrieved from http://www.bbc.com/news/health-24123677

26 Ibid.

the climbing levels of depression.[27] This is important because mental health largely determines the level of satisfaction with life: from 2008 to 2012, average life satisfaction (as measured by the OECD Better Life Index) declined by more than 20% in Greece, 12% in Italy, and 10% in Spain—all countries that have had the highest levels of unemployment.[28] **The effects of unemployment on mental health are a vicious cycle, for joblessness leads to mental illness and decreased life satisfaction, and, in turn, mental illness and decreased life satisfaction lead to joblessness**: "mental health has a huge impact on economic productivity. Not only are people with severe mental illnesses more likely to die younger (up to 20 years), but they are more likely to be unemployed and poor."[29]

To combat these high levels of youth unemployment, both the United States and the European Union have focused on policies that will produce more jobs. Rather than the simple focus of job generation, however, the initiatives simultaneously emphasize pairing job *creation* with adequate job *preparation*.

Why Job Creation?

A recession, or economic contraction, reflects negative growth in an economy. This negative growth limits people's ability to consume as they would prefer. Put simply, less consumption leads to less demand for a product; so, less of the product is produced, which thus lowers firms' demand for workers (with less consumption firms are not as profitable, and hiring less workers allows them to cut their production costs). This creates a large pool of workers competing to obtain the few jobs available, for the supply of labor now outweighs the demand for it; this increased competition between workers drives down wages. Herein lies the role of job creation: with an influx of positions, employers will need workers to fill them, resulting in the rise in labor demand necessary to counter the process of decreased wages. The increase in labor demand causes more competition between firms to hire employees (demand for labor now begins to triumph supply for labor), which puts upward pressure on wages. Higher wages imply higher incomes, allowing people to increase their demand for, and thereby consumption of, goods and services, which helps to expand the economy. In order for this process to persist towards long run economic growth, the types of jobs created must be sustainable rather than temporary.

Sustainable jobs arise from matching quality jobs with quality workers—making sure that employees exhibit the necessary skills to perform their jobs well. Quality jobs can arise, in part, from investment in growing sectors. These sectors of the economy need creative and productive workers to help continue growth via innovation. Positive job performance—succeeding in their field—increases employee utility; and with higher satisfaction, employees are more likely to continue working. One of the basic foundations of labor economics is that the "marketable skills of workers [are] a form of capital in which workers make a variety of investments...[and] human capital corresponds to any stock of knowledge or characteristics the worker has (either innate or acquired) that contributes to his or her 'productivity.'"[30] Improving a worker's marginal productivity of labor (MPL) means workers are more valuable: they can create more goods and services, which citizens can then consume, thus increasing firms' profits. In order to improve MPL, people must invest in human capital. There are multiple ways to do this, as "one need not to rely only on life-cycle effects on capabilities, responsibilities, or attitudes as soon as one recognizes that schooling, training, mobility, and the like" are also methods of investment.[31] Gary Becker models the present value of the marginal cost of investment in human capital as equal to the present value of future returns. This return

27 (2011). Youth Employment in Europe: A Call for Change. *European Youth Forum*. Retrieved from http://issuu.com/yomag/docs/a_call_for_change
28 Dupre-Harbord, J. (2014, July 10). Depressing depression: mental illness and work. *OECD Insights Blog*. Retrieved from http://insightsblog.oecdcode.org/?p=6897
29 Ibid.
30 Acemoglu, D., & Autor, D. (2011). The Basic Theory of Human Capital. *Lectures in Labor Economics*, 3-24. Retrieved from http://economics.mit.edu/files/4689
31 Becker, G. (1993). *Human Capital: A Theoretical and Empirical Analysis, with Special References to Education*, 86. Available from http://books.google.es/books/about/Human_Capital.html?id=9t69iICmrZ0C&redir_esc=y

on investment of human capital tends to decline with age because 1) the present value of future returns declines with age, and 2) the cost of investment rises with age due to the simultaneous rise in foregone earnings.[32] It makes sense, then, to place more focus on investing in the human capital of young people simply because they can collect a greater return over a longer period of time.[33]

In a paper published by the International Monetary Fund (IMF), authors Pietro Garibaldi and Paolo Mauro discuss the advantages of focusing on job creation. First, the speed of job creation correlates with the increase in a country's output. Too, by raising the proportion of workers to beneficiaries, the cost of social security lessens. Secondly, laws, programs, or labor agreements that make it both difficult and expensive to fire workers do not affect the unemployment rate. Finally, more useful results arise from studies on employment growth versus studies of the experience of unemployment, as they allow for an examination of factors such as types of jobs available and terms of employment. This makes possible the formation of comparisons between different economies and solutions to policy questions.[34]

The data from Garibaldi and Mauro's sample of 21 countries between 1980-1997 reveals important information regarding the logistics of job creation. Job creation must grow at the same rate of the working-age population in order to keep unemployment at a decline. They note that for job creation to thrive, flexible labor market institutions—institutions that are fairly deregulated, allowing the market to adjust to competitive equilibrium—are necessary, as they "meet rising demand through hiring as well as through additional capital investment."[35] An abundance of employment protection and higher overall taxation leads to weaker job creation partly because it induces employers to substitute capital for labor. Thus, according to the Garibaldi and Mauro, job creation policy should exhibit low worker dismissal costs and low taxation in order to be successful.[36]

While expanding the number of jobs available is important, making sure that they are the "right" type of jobs—matched with the "right" type of workers—is equally as crucial. Daniel Gros and Cinzia Alcidi of The Centre for European Policy Studies (CEPS) emphasize the importance of productivity and innovation in increasing an economy's competitiveness. They note that studies have shown that the quality of workers matters, not just the extent of the labor force. Citing Aghion et al. (2006):

> "A highly skilled labour force (meaning with tertiary education attainment) enhances productivity growth more significantly for countries that are closer to the technological frontier. This happens because high-skilled labour is better equipped to generate innovation at the frontier, whereas lower-skilled labour is better suited to imitation'".[37]

Rafael Muñoz de Bustillo, et al. (2009) of the European Parliament's Policy Department of Economic and Scientific Policy note that jobs themselves, in addition to the people that perform them, are a "heterogeneous category"—meaning there is no worker nor job exactly identical to another—and that assessment of job quality can aid us in gauging the economy's ability to function.[38] In order for the economy to function well in the long-term, high job quality must be paired with high worker productivity.

32 Ibid., 78.
33 Ibid., 86.
34 Ibid.
35 Ibid.
36 Ibid.
37 Gros, D. , & Alcidi, C. (2014). The Global Economy in 2030: Trends and Strategies for Europe. *The Centre for European Policy Studies*, 14. Retrieved from http://www.ceps.eu/book/global-economy-2030-trends-and-strategies-europe-0
38 European Union. European Parliament. Policy Department A: Economics and Scientific Policy of the European Parliament. (2009). *Indicators of Job Quality in the European Union*, 22. Retrieved from http://www.europarl.europa.eu/document/activities/cont/201107/20110718ATT24284/20110718ATT24284EN.pdf

Job Creation Policies: The Responses of the European Union and the United States

Entering the White House in the wake of the 2008 Global Financial Crisis, American President Barack Obama urged Congress to pass the American Recovery and Reinvestment Act of 2009 (ARRA, or the "stimulus package") immediately after taking office. One of its three pillars tackles job creation and preservation—primarily to be attained by hiring credits and/or worker subsidies. Hiring credits, subsidies for employers to hire workers (essentially subsidized wages), help reduce the cost of labor to employers, which then sparks labor demand. Worker subsidies subsidize individuals to enter the labor market by increasing worker earnings, thus incentivizing people to work more.[39] In 2010, President Obama signed the Hiring Incentives to Restore Employment (HIRE) Act with the purpose of motivating businesses to hire unemployed workers rather than outsourcing. The HIRE Act enables employers to avoid paying their portion of the social security tax on wages paid to those previously-unemployed and now-hired workers, as well as awarding an employer tax credit up to $1000 per worker if those workers remain on the payroll for one year.[40] In 2011, the American Jobs Act was passed. Included in this was 1) cutting half the taxes paid by businesses on their first $5 million in payroll; 2) eliminating payroll taxes for firms that either increase payroll by hiring additional workers or increase wages of current employees; 3) a "returning heroes" tax credit for unemployed veterans; and 4) a $4000 tax credit for employers to provide jobs for low-earning youth and adults.[41] In addition to incentivizing job creation, the American Jobs Act aims to preserve the jobs of teachers, police officers, and firefighters. Moreover, to induce job creation President Obama has pushed for investment in the auto and manufacturing industries and in research for technological innovation; he has also promoted the expansion of small businesses and modernization of infrastructure. In spite of the blatant disagreements between US political parties on the success of the stimulus, overall, economists agree that it worked, or—at the very least—that it was somewhat successful. Many studies found statistically significant positive effects of President Obama's stimulus package, particularly regarding aid to low-income families and investment in infrastructure.[42] Additionally, the studies state that by 2011 it had reduced unemployment and led to economic growth, creating between 3 and 4 million jobs, and increasing real GDP between 1.1 and 3.4%.[43] These impacts were relative, however, their success largely determined by the "spread" of funding: if money was too spread out, it was absorbed into existing budgets, thus diluting its effect.[44] Despite President Obama's efforts, as of January 2014, 7.9 million jobs are still needed for a full recovery.[45]

While many of the aforementioned US Government policies focus more generally on overall employment or on the long-term unemployed, the White House has somewhat expressed an explicit concern with youth unemployment by advocating education reform—improving access to schooling as well as schools themselves—to strengthen the graduate's rate of success in the working environment. By 2020, the President hopes for the United States to have the highest rate of college

39 Neumark, D. (2012). Job Creation Policies and the Great Recession. *Federal Reserve Bank of San Francisco*. Retrieved from http://www.frbsf.org/economic-research/publications/economic-letter/2012/march/job-creation-policy-great-recession/
40 (2010). 2010 HIRE Act: Tax Breaks for Small Businesses. Retrieved from http://hireact.org
41 United States. Office of the Press Secretary. (2011). *Fact Sheet: The American Jobs Act*. Retrieved from http://www.whitehouse.gov/the-press-office/2011/09/08/fact-sheet-american-jobs-act
42 Matthews, D. (2011, August 24). Did the stimulus work? A review of the nine best studies on the subject. *Washington Post*. Retrieved from http://www.washingtonpost.com/blogs/wonkblog/post/did-the-stimulus-work-a-review-of-the-nine-best-studies-on-the-subject/2011/08/16/gIQAThbibJ_blog.html
43 Ibid.
44 Rosenberg, Y. (2012, February 21). Obama's Stimulus Plan: What Worked, What Didn't. *The Fiscal Times*. Retrieved from http://www.thefiscaltimes.com/Articles/2012/02/21/Obamas-Stimulus-Plan-What-Worked-What-Didnt?page=0%2C1
45 Shierholz, H. (2014). Six Years from Its Beginning, the Great Recession's Shadow Looms Over the Labor Market. *Economic Policy Institute*. Retrieved from http://www.epi.org/publication/years-beginning-great-recessions-shadow/

graduation. A Community College to Career Fund has also been established, connecting businesses in growing industries (such as renewable energy, high-tech manufacturing, and information technology) with two-year colleges so that students can learn in the classroom while simultaneously receiving training to develop the necessary skills for a future job.[46] The $8 billion fund aims to train two million workers.

It seems that some of these US ideas and strategies have seeped into Europe. Says New Deal 4 Europe, a European citizens' initiative: "we want the United States of Europe: not only a common market, but a truly common government with shared responsibilities and powers, able to speak 'with a single voice' in the world."[47] The initiative reiterates the need for "a sustainable development, based on the realization of European infrastructures, on new technologies, on new energy sources, on the protection of the environment and cultural heritage, on cutting-edge research, [and] on advanced education and professional training."[48] It promotes such a development by changing European Union policies, keeping with four key concepts: 1) *European*—managed by the European Commission directly; 2) *Extraordinary*—managed outside of the EU budget; 3) *Large Public Investments*—in research and development, technological innovation, environment and alternative energy sources, social cohesion, and youth unemployment; and 4) *Financed by own resources*—via a financial transactions tax and a carbon tax.[49]

Prior to, and regardless of, the birth of New Deal 4 Europe, the European Commission has been hard at work. Proposed in March 2010, the Europe 2020 Strategy promotes increased growth and the ensuing strengthening of Europe's economy so as to achieve a full recovery from the 2008 Global Financial Crisis. **Specifically regarding employment, Europe 2020's target is for 75% of 20-64 year olds to be employed by the year 2020; as of April 2012, 17.6 million additional jobs are needed to attain this.**[50] To accomplish this, Europe 2020 has established an initiative titled the "Agenda for New Skills and Jobs." The first goal is to improve "flexicurity" in the labor market. The EC uses "flexicurity" to promote its strategy of simultaneously enhancing the flexibility and security in the labor market: employers need a flexible workforce, while workers need security.[51] Channels through which this can occur include contractual arrangements, labor market policies, social security, and lifelong learning strategies.[52] The other three goals in the Agenda are to provide citizens with suitable skills to secure a job, to enhance job quality and working conditions, and to ameliorate the conditions for job creation.[53]

Europe 2020 supports sustainable job creation by increasing labor demand. One way to do this is for member states to use hiring subsidies that target disadvantaged groups, such as young people and the long-term unemployed. Reducing taxes on labor—especially for lower wage earners (which typically include younger workers)—and replacing them with environmental, consumption, and property taxes also stimulates labor demand. Other motivators include promoting self-employment, sole enterprises and business start-ups; moving workers from the informal market to the formal market; increasing in-work benefits as an employment incentive; and ensuring that wages reflect the

46 United States. Senate (2013). *Community College to Career Fund Act—Summary* by Senator Al Franken of Minnesota. Retrieved from http://www.franken.senate.gov/files/documents/130627CommunityCollegeToCareer.pdf
47 *New Deal 4 Europe*. Retrieved from http://www.newdeal4europe.eu/en/
48 Manifesto for a European Plan for Sustainable Development and Employment. *New Deal for Europe*. Retrieved from http://www.newdeal4europe.eu/download/Manifesto_EN.pdf
49 (2013). Newsletter of European Citizens' Initiative for a European Special Plan for Sustainable Development and Employment. *New Deal for Europe*. Retrieved from http://www.newdeal4europe.eu/newsletter/NewsletterNewDeal4EuropeN012013_EN.pdf
50 European Union. European Commission. (2012, April 18). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Towards a job-rich recovery*, 2. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0173&from=EN
51 European Union. European Commission. (2014). *Flexicurity*. Retrieved from http://ec.europa.eu/social/main.jsp?catId=102&langId=en
52 Ibid.
53 European Union. European Commission. (2014). *Agenda for new skills and new jobs*. Retrieved from http://ec.europa.eu/social/main.jsp?catId=958&langId=en

true marginal productivity of labor.[54] The European Commission (EC) has identified certain sectors that have the most potential for significant job creation.[55] By 2020, the EC aims for the creation of 5 million jobs in the "green" economy—more specifically in the energy efficiency and renewable energy sectors; this would most likely provide jobs for high- and medium-skilled workers. The health and social care sectors also seem viable, for they have grown substantially due to the aging population and expansion of services; the EC notes, however, that there are many challenges that would need to be overcome in order for job creation here to be successful. Lastly, the information and community technologies (ICT) sector has experienced a continued increase in demand, and the expansion of ICT could greatly increase Europe's economic competitiveness.

The European Commission combines this job creation effort with other initiatives in the Employment Package,[56] a set of policy documents launched in April 2012 that promotes sustainable growth. One such initiative is to reform labor markets by improving wages, increasing flexibility, and developing youth opportunities, including a youth employment package. Additionally, the Employment Package proposes investing in workers' skills, as well as moving towards a European labor market by allowing for the free mobility of workers and enhancing jobs and job-seeker interactions. Adjunct to the Employment Package is a Youth Guarantee, as the European Commission both acknowledges and provides solutions to the substantial youth unemployment crisis in the European Union. In a press release from May 2014, the EC notes that in the EU-28 nearly 5.4 million people under the age of 25 are unemployed (22.8%), and that 7.5 million people ages 15-24 are neither employed, in education, nor in training (the NEET rate).[57] The goal of the Youth Guarantee is to invest in youth's human capital "[ensuring] that young people are actively helped by public employment services to either find a job suited to their education, skills and experience or to acquire the education, skills and experience that employers are looking for and so are directly relevant to increasing their chances of finding a job in the future."[58]

This recommendation is not an original concoction; it was modeled after Austria and Finland's programs, which were successful. This result reiterates the EC's expectation of positive returns on investment, for providing youth with these opportunities allows them to 1) avoid the long and harmful absence from the labor market, 2) preserve and better their human capital, 3) attain employment stability, and 4) increase their wage potential.[59]

Although apprenticeships are not as popular in the United States—they only account for 0.2% of the labor force—, there are pushes to incorporate such programs to bolster employment and economic growth. Robert I. Lerman, an economist at the American University and Urban Institute, states the potential benefits of apprenticeships: increasing youth employment; improving the transition from school to careers; developing new, relevant skills; leading to higher wages for young adults (one study found that, compared with a control group, apprenticeship participants increased their earnings by an average of $78,000 over a two and a half year period post-program); fostering a stronger sense of identity for youths; increasing U.S. productivity; and the more efficient use of the limited federal resources.[60] Lerman also notes that apprenticeships aid both the worker supply side

54 European Union. European Commission. (2012). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Towards a job-rich recovery*, 4-5. Retrieved from http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52012DC0173&from=EN
55 Ibid., 5-6.
56 European Union. European Commission. (2014). *Employment Package*. Retrieved from http://ec.europa.eu/social/main.jsp?catId=1039&langId=en
57 European Union. European Commission. (2014, May 8). *Youth employment: overview of EU measures*. Retrieved from http://europa.eu/rapid/press-release_MEMO-14-338_en.htm?locale=en
58 Ibid.
59 European Union. European Commission. (2012, December 5). *Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions: Moving Youth into Employment*, 11. Retrieved from http://ec.europa.eu/social/keyDocuments.jsp?advSearchKey=moving+youth+to+employment&mode=advancedSubmit&langId=en&search.x=20&search.y=7
60 Lerman, R. I. (2014, June). Proposal 7: Expanding Apprenticeship Opportunities in the United States. *The*

and the employer demand side of the labor market. On the supply side, workers benefit from huge financial gains because they do not have to sacrifice earnings during education and/or training. Since they are getting paid simultaneously while learning and developing skills, they will have earned larger incomes in the long run. On the demand side, employers have a sense of security in giving jobs to apprentices because they have been adequately trained for them. And with the necessary skills at hand, worker productivity increases. Furthermore:

> "one benefit to firms that is rarely captured in studies is the positive impact of apprenticeship on innovation. Well-trained workers are more likely to understand the complexities of a firm's production processes and therefore to identify and implement technological improvements, especially incremental innovations to improve existing products and processes."[61]

Even though most of the focus in preparing youths for careers is on education since college has such high returns on investment, Lerman suggests that apprenticeships can serve as an additional route to secure a job. Having the option of an academic path and a path more heavily focused on manual training to develop specific skills for an occupation can better encompass *all* youths—and thus achieve a higher level of youth employment. In their publication "300 Million Engines of Growth," the Center for American Progress also proposes the expansion of apprenticeships, indicating the same benefits offered by Lerman: boosting workers' earnings and raising company productivity.[62] **Apprenticeships serve as a method of investment in both human capital and a competitive environment for workers and businesses, and, notes CAP, in order to accomplish long run job creation, investing in people and innovation is crucial.**

Conclusion: Why the Differences?

Two questions now arise. First, why is the unemployment level—particularly the youth unemployment level—so high? And second, since both the United States and the European Union were hit with the same Global Financial Crisis, what accounts for the differences in unemployment between the two regions?

A January 2014 McKinsey & Company Report, "Education to Employment: Getting Europe's Youth Into Work," helps enlighten us as it addresses two related questions: 1) is the scale of the youth-unemployment problem in Europe a result of lack of jobs, lack of skills, or lack of coordination? And 2) what are the obstacles that youth face on their journey from education to employment?[63] The firm surveyed 5300 youth, 2600 employers, and 700 postsecondary-education providers in 8 countries to obtain their results. They found that one reason for the "paradox"—the paradox being that though more people are looking for work, employers are unable to find workers with the necessary caliber of skills—is simply more participation in the labor market; more participation means more competition. For example, older people are working longer, and the number of women with children in the labor force has increased.[64] Additionally, hiring and firing regulations are common in Europe, and such regulations hurt youths because they are the last to be hired and the first to be fired. Finally, employers are outright reporting that they are not satisfied with applicants' skills. Oddly enough, the countries whose employers are expressing this complaint the most are the ones in which youth

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Hamilton Project: Policies to Address Poverty in America, 1. Retrieved from http://www.brookings.edu/~/media/research/files/papers/2014/06/19_hamilton_policies_addressing_poverty/expand_apprenticeships_united_states_lerman.pdf

61 Ibid., 3.

62 Erickson, J., & Ettlinger, M. (2013, June 13). Introduction and Summary. *300 Million Engines of Growth: A Middle-Out Plan for Jobs, Business, and a Growing Economy.* Retrieved from http://americanprogress.org/issues/economy/report/2013/06/13/66204/300-million-engines-of-growth/

63 Mourshed, M., & Patel, J., & Suder, K. (2014, January). *Education to employment: Getting Europe's youth into work.* Retrieved from http://www.mckinsey.com/insights/social_sector/converting_education_to_employment_in_europe

64 Note: Historically, in the United States, women have had to make a choice between either having a career or having a child (this is a reflection of the social expectations of women, as well as the value of children). It was not until the 1970s that we saw a significant increase in the number of women participating in the labor market.

unemployment levels are the highest. (One possible reason for this, says McKinsey & Company, is a lack of communication between employers, education providers, and youth.)

What Kinsey & Company calls the "education-to-employment (E2E) path"[65] (attending postsecondary education to develop skills to attain a job) is often a struggle for youths. Further education is very costly. In the United States in 2012, students with bachelor's degrees graduated with an on average debt of $29,400.[66] While in Europe tuition fees are highly subsidized, the cost of living still remains a factor. The lack of funding available for nonacademic, vocational courses makes those an expensive option as well. Those who are able to attend university are obtaining strong textbook knowledge; nevertheless, say McKinsey & Company, "employers [are] reporting a particular shortage of soft skills such as spoken communication and work ethic."[67] Lastly, once graduated, youths have a hard time during the transition from school to work.[68]

These initiatives to combine education with training are thus especially important because they help diminish some of the obstacles along the pathway from schooling to employment. Apprenticeships provide an income while students are learning, which helps ease the cost. They also go above and beyond general knowledge and offer students the opportunity to gain the capacity to successfully apply that knowledge in the real working environment. Less debt and more confidence in ability alleviate some of the harshness of transitioning to the "real world." Moreover, **apprenticeships fight this recurring "skills mismatch" between workers and employers. By merging the schooling and training realms, communication between the worker and the employer improves: workers can figure out firsthand what skills employers require, and employers can witness workers' abilities to perform the job duties.** From these findings we see that, yes, increasing the number of jobs is crucial, but even more vital is creating more jobs that have productive workers matched to them.

To address our second question—what could explain the differences in the Crisis's employment effects between the United States and the European Union—we must take a look at the economic environment in which workers operate. One barrier to employment is the size of the government. A "larger" government implies a larger share of public employment, which leads to higher unemployment levels, particularly with women and lower-skilled workers.[69] This arises because the public sector crowds out the private sector, making it difficult to absorb new workers. Moreover, a larger government leads to reductions in private investment (often due to higher taxes) which decreases technological progress, productivity growth, and economic competitiveness—all of which result in rises in unemployment.[70] A smaller government, however, does not mean zero government, for its revenues can be used to invest in infrastructure and education, which has shown to increase both economic growth and employment in the long run.[71] Yet, the government can also hinder employment by enacting a multitude of labor market regulations. By investing and spending, the government guides job creation from the sidelines; it provides the economy with the tools, and then lets the economy do the work. When the government tries to take complete control, though, it tends to get in the way, clogging the labor market. An additional finding is that employment levels highly depend on the flexibility of the labor market. **"Flexibility" with respect to labor markets refers to the speed with which labor markets adapt to fluctuations and changes in society, the economy,**

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65 Mourshed, M., & Patel, J., & Suder, K. (2014, January). *Education to employment: Getting Europe's youth into work.* Retrieved from http://www.mckinsey.com/insights/social_sector/converting_education_to_employment_in_europe
66 (2014, April 5). Higher Education: Is college worth it? *The Economist*. Retrieved from http://www.economist.com/news/united-states/21600131-too-many-degrees-are-waste-money-return-higher-education-would-be-much-better
67 Mourshed, M., & Patel, J., & Suder, K. (2014, January). *Education to employment: Getting Europe's youth into work.* Retrieved from http://www.mckinsey.com/insights/social_sector/converting_education_to_employment_in_europe
68 Mourshed, M., & Patel, J., & Suder, K. (2014, January). *Education to employment: Getting Europe's youth into work.* Retrieved from http://www.mckinsey.com/insights/social_sector/converting_education_to_employment_in_europe
69 Feldmann, H. (2006). Government Size and Unemployment: Evidence from Industrial Countries, *Public Choice*, Vol. 127, Nos. 3-4. Retrieved from http://congress.utu.fi/epcs2006/docs/E2_feldmann.pdf
70 Ibid.
71 Ibid., 4.

or production.[72] A flexible labor market is one that can more easily adjust to competitive equilibrium, as it is free from stifling regulations, such as minimum wage requirements or rules regarding hiring and firing.

A study published by the International Monetary Fund (IMF) in 2012 acquired data on 97 countries from 1985-2008. These countries fell in one of two categories: OECD (Organization of Economic Cooperation and Development) and non-OECD. The IMF found a very strong and significant negative effect of labor market flexibility on overall unemployment for both groups, though non-OECD countries showed bigger effects.[73] This is consistent with other studies that have found that more rigid labor markets can choke job creation and are accompanied by high unemployment. The IMF also found that labor market flexibility effects on youth and long-term unemployment are consistent with that for overall unemployment. However, the effect on youth unemployment is larger in magnitude than for overall employment, suggesting that youths have larger gains from a more flexible labor market. Hiring and firing regulations are especially unfavorable, as they act as barriers to entry into the labor market since youths are the last to hire and the first to fire.[74] More military conscription also leads to an increase in youth unemployment: "this may be interpreted as evidence that employers would rather not hire young workers who have a higher probability of being recruited for the military service and thus reduce the fixed costs associated with hiring new personnel."[75] IMF concludes stating that unemployment can be reduced by policies that encourage more flexible labor markets—with the assumption that these policies are of quality design, aiming to improve employment conditions and quelling any potential negative short-term effects.

An OECD working paper by Tor Eriksson, a professor of economics in Denmark, supports IMF's conclusions about labor market flexibility in its discussion about the Danish labor market's *flexicurity*, "the coexistence of flexibility (low adjustment costs for both employers and employees) and security (owing to a developed social safety net with high coverage and high replacement ratios."[76] Eriksson cites Denmark's stronger re-employment incentives and abundant active labor market policies as contributing to its low unemployment rate before, during, and after the global Crisis. Regarding re-employment initiatives, Denmark shortened the period of access to unemployment benefits, especially for youths.[77] Its labor market activation included the improvement of the interactions between job-seekers and firms, as well as labor market training.[78] This positive correlation between Denmark's consistent flexicurity and its low unemployment rates offer evidence of the importance of labor market flexibility with regards to employment levels.

Russell D. Murphy, Jr. confirms the importance of labor market flexibility with relation to investment in human capital. He states:

> "Flexibility matters for economic performance, and growth in particular, because it promotes efficient accumulation of human capital. It is the means to an end, to achieve transparency, by which we mean the ability of employers (or the labor market) to signal to future job seekers and their parents the true return from investment in different attributes."[79]

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72 Labour Market Flexibility. (n.d.). In *Economics Online*. Retrieved from http://www.economicsonline.co.uk/Global_economics/Labour_market_flexibility.html

73 Bernal-Verdugo, L. E., Furceri, D., & Guillaume, D. (2012). *IMF Working Paper: Labor Market Flexibility and Unemployment: New Empirical Evidence of Static and Dynamic Effects*, 8. Retrieved from International Monetary Fund Website: https://www.imf.org/external/pubs/ft/wp/2012/wp1264.pdf

74 Ibid., 9.

75 Ibid.

76 Eriksson, T. (2012). Flexicurity and the Economic Crisis of 2008-2009: Evidence from Denmark. *OECD Social, Employment and Migration Working Papers,* No. 139, 4. Retrieved from http://www.oecd-ilibrary.org/docserver/download/5k8x7gw8btq6.pdf?expires=1405935505&id=id&accname=guest&checksum=97A3366043E4B94498AE40D7C867FCA6

77 Eriksson, T. (2012). Flexicurity and the Economic Crisis of 2008-2009: Evidence from Denmark. *OECD Social, Employment and Migration Working Papers,* No. 139. Retrieved from http://www.oecd-ilibrary.org/docserver/download/5k8x7gw8btq6.pdf?expires=1405935505&id=id&accname=guest&checksum=97A3366043E4B94498AE40D7C867FCA6

78 Ibid.

79 Murphy, R.D., & Salehi-Isfahani, D. (2003, December 4). *Labor market flexibility and investment in human capital*, 12. Retrieved from the Economic Research Forum: http://www.erf.org.eg/CMS/uploads/pdf/1184758225_Murphy_

Murphy found that quality education (defining "quality" as a combination of both factual knowledge and original creativity), in addition to economic growth, is positively correlated with labor market flexibility. He supports reforming education to hone skills that increase productivity, rather than simply memorizing terms and theories; creativity (only observed by employers) should be emphasized, not just knowledge (testable and observable by educators). One method in achieving this, notes Murphy, would be for the labor market to reward productivity on the job, not performance on tests, acknowledging that people continue with education for a reward. Like the IMF, Murphy points out that the public sector is the most rigid, and since the goal is a transparent labor market, either the public sector must be decreased or there must be increased flexibility in their employment policies.[80]

As shown in *Table 2*, from the start of the Crisis onward, the European Union member states have exhibited significantly more rigid labor markets than the United States (an average of 2.36 versus 0.26, respectively). Although the job creation policies are present in both regions, these findings suggest that the environment of the labor market determines whether these initiatives will thrive and become successful, or wither in their attempt. A more flexible labor market 1) enables a smoother allocation of individuals to jobs, and 2) allows for a transparency between employers and workers that improves human capital accumulation—employers can more easily signal to workers what abilities they require, thereby granting workers knowledge regarding investment in those necessary skills. With respect to the unemployed youth, access to more "perfect" information will enhance their apprenticeship experience, thus increasing their productivity and improving their chances of securing a well-fitting job. **To put it simply, flexible labor markets do not only help to place more people in more jobs, but they also facilitate the process of matching productive workers—both adults and youths—to the companies that need them.** Productivity fosters innovation and economic competitiveness, stimulating growth so that the economy can expand.

Table 2: **Strictness of Employment Protection: Labor Market Flexibility***

Series	(2007-2013)						
Time	2007	2008	2009	2010	2011	2012	2013
Country							
Austria	2.37	2.37	2.37	2.37	2.37	2.37	2.37
Belgium	1.81	1.81	1.81	2.00	2.00	1.81	1.81
Czech Republic	3.05	3.05	3.05	3.05	3.05	2.92	2.92
Denmark	2.13	2.13	2.13	2.13	2.20	2.20	2.20
Estonia	..	2.74	2.74	1.81	1.81	1.81	1.81
Finland	2.17	2.17	2.17	2.17	2.17	2.17	2.17
France	2.47	2.47	2.38	2.38	2.38	2.38	2.38
Germany	2.87	2.87	2.87	2.87	2.87	2.87	2.87
Greece	2.80	2.80	2.80	2.80	2.17	2.17	2.12
Hungary	2.00	2.00	2.00	2.00	2.00	2.00	1.59
Ireland	1.27	1.27	1.27	1.27	1.27	1.40	1.40
Italy	2.76	2.76	2.76	2.76	2.76	2.76	2.51
Luxembourg	..	2.25	2.25	2.25	2.25	2.25	2.25
Netherlands	2.88	2.88	2.82	2.82	2.82	2.82	2.82
Poland	2.23	2.23	2.23	2.23	2.23	2.23	2.23
Portugal	4.42	4.42	4.42	4.13	4.13	3.56	3.18
Slovak Republic	2.22	2.22	2.22	2.22	2.22	1.71	1.84
Slovenia	..	2.65	2.65	2.65	2.60	2.60	2.60
Spain	2.36	2.36	2.36	2.36	2.21	2.21	2.05
Sweden	2.61	2.61	2.61	2.61	2.61	2.61	2.61
United Kingdom	1.20	1.20	1.20	1.20	1.20	1.20	1.03
United States	0.26	0.26	0.26	0.26	0.26	0.26	0.26
Latvia	..	..	..	..	..	2.69	2.69
OECD countries	..	2.17	2.16	2.15	2.13	2.08	2.04

Source: OECD Statistics

Salehi.pdf
80 Ibid.

As demonstrated by Denmark's resilience during the Global Financial Crisis, labor market security must complement labor market flexibility. **Establishing the "right" amount of security—enough to enable workers to take risks, but not so much that it discourages employment—can greatly benefit the economy as a whole by triggering growth.** More importantly, security benefits the individuals that contribute to that growth. With the presence of security, job-seekers can be riskier in their pursuits of work. Rather than settling for the first paid job that is available, they can continue their search until they find a proper match. In addition to increasing overall worker productivity—as they are equipped with the necessary skills to perform their job well—finding a career that truly suits them as an individual (about which they are passionate and at which they are successful) increases worker utility, or satisfaction/happiness. This is especially important for youth workers, as they are the demographic exhibiting the most suffering with regards to social and mental health. Securing a job that they enjoy leads to a greater likelihood of remaining employed, and more workers with a consistent income helps to combat the youth poverty trend. Too, gaining more skills and experience enhances performance; in performing well, confidence is gained. Furthermore, remaining in the same working environment allows for the establishment of meaningful social connection and networking. Instead of social exclusion, the worker thrives in social inclusion—a positive that can thwart the mental health problems so prevalent (particularly in youths) today: anxiety, isolation, and depression.

Thus, if the United States and the European Union want to achieve a full recovery—one that consists of both economic growth and an improvement in the welfare of its citizens—they must incorporate human capital investment, labor market flexibility, and labor market security strategies into their job creation initiatives.

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