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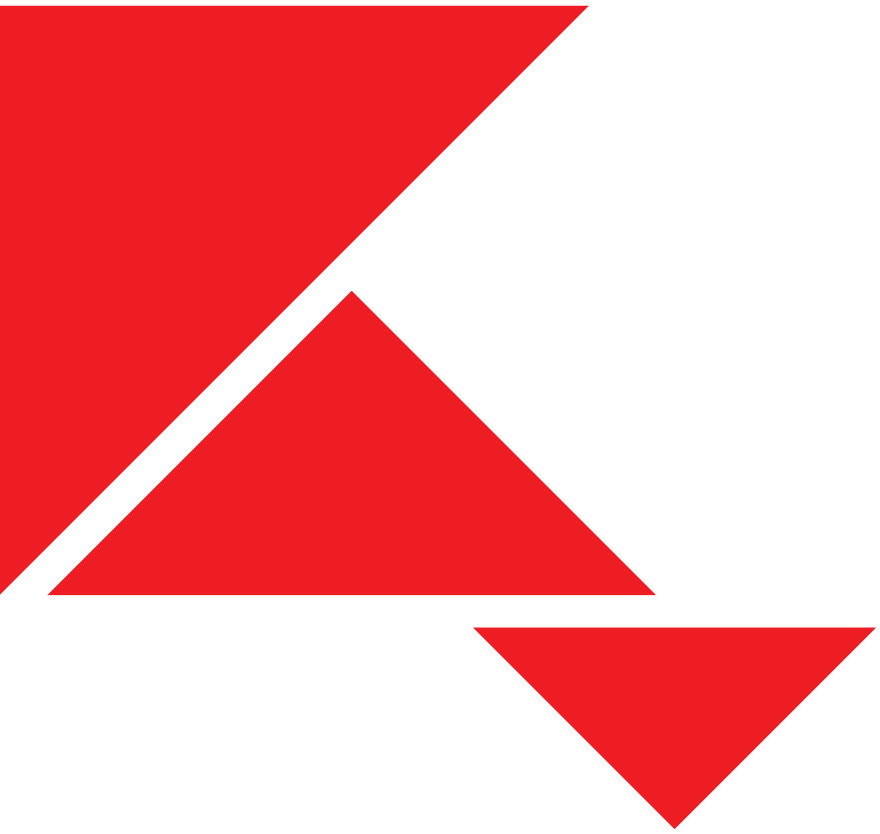
# How the Great Recession Affected the Labour Market Prospects of Young Adults of Different Social Origins in Europe

JAD MOAWAD



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## Abstract

The Matthew effect in sociology postulates a process of cumulative (dis)advantage between subgroups of different social origins. To what extent and in which cases this process takes place is unclear. This article analyzes whether there was a Matthew effect after the Great Recession. It does so measuring the evolution of the gap in earnings and unemployment between young men and women from different social origins. Based on a difference-in-differences design with the EU-SILC data, this article analyzes the social-origin gap for the six most populous EU countries, France, Germany, Italy, Poland, Spain and the UK. Results show an increase in the social-origin gap in earnings only for young men (25-34) in the UK and possibly Italy, but not in the rest of the countries. There is no increase in the social-origin gap in terms of unemployment rates. These findings seem to refute the Matthew Effect hypothesis.


## Title


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## 1. Introduction

Social stratification research focuses on whether life chances are derived by merit or luck. The postwar sociologists supported the meritocratic view (Dahrendorf,1959; Bell, 1973). Their successors contrasted it and argued that social origin influences largely people's destiny (Wright, 1989; Erikson and Goldthorpe, 1992). This puzzle is contingent on country-context and historic events. A macro-economic shock as the one experienced in 2008 could influence the social-origin effect.

The Great Recession is the largest economic crisis of the last century since the Great Depression. It is an event that has left a deep scar on many societies. The economic downturn in 2008 plummeted GDP growth, led to a surge in unemployment rates and struck not only the construction sector, but also other sectors that were considered a safe haven for workers during the past decades (Grusky et al., 2011). While the economic crisis reached almost everyone, the young people were among the major losers (Bell and Blanchflower, 2011).

In this context, when good jobs are rarer and employers are more selective, social origin becomes more important as it can mitigate hardships generated by the economic crisis (Macmillan, 2014; Zwysen, 2016). This means that young adults of high social origin possibly benefit more from their parental economic, social and cultural capital compared with young adults of low social origin, even after taking education into consideration (Breen, 2004; Ballarino and Bernardi, 2016). This article examines whether the Great Recession has set into motion a process of cumulative disadvantage – whether a volatile economy widens the gap between young adults of low and high social origin. However, an opposite perspective is possible as well. Similarly to the course of events during the Great Depression, an economic crisis may completely reshuffle the cards (Piketty and Saez, 2013).

We examine whether the economic crisis changed the association between parental social origin and young adults' employment and earnings and whether this association varied between European countries. Consequently, our article joins a handful of studies that analyse how young adults fare during the Great Recession (Schoon and Byner, 2019; Cozzolino et al., 2018; Salazar et al., 2020; Curry, 2019). So far, there is no research that investigates the association between social origin and young adults' employment and earnings in relation to the 2008 financial crisis. Substantively, this is important for two reasons: First, evidence show that early career unemployment have long-lasting scarring effects (Gregg and Tominey, 2005; Gangl,

2006). Second, starting a career at a lower paying employer may generate less mobility thereafter (Oreopoulos et al., 2012; Kahn, 2010).

The study of social origin differences in the labour market is well established in sociology. Even after accounting for education, adults of lower social origin have lower employment levels and earnings (Hällsten, 2013; Ballarino and Bernardi, 2016; Zwysen, 2016; Passareta et al., 2018). Previous research ascribe these labour-market disparities to three major elements: First, economic capital: financial resources can sustain young adults while finding a job that matches their qualifications, a process that requires a longer search period during a financial crisis (Wiborg and Hansen, 2009). Second, social capital: high social origin families often possess more influential social networks compared with low social origin families (Corak and Piraino, 2011; Oesch and von Ow, 2017). Third, cultural capital: young adults of advantaged social background generally possess higher non-cognitive abilities or soft skills compared with their more disadvantaged counterparts (Farkas, 2003; Anger, 2012).

This article relies on data from the EU-SILC cross-sectional modules 2005 and 2011 that contain information on parental background. Our focus is on a sample of young adults aged between 25 and 34 in six large Europeans countries, namely, France, Germany, Italy, Poland, Spain and the UK. We estimate a series of regression models that quantify whether the social origin gap in unemployment and earnings widened between 2005 and 2011.

This article first describes how young people fare in the labour market. It then discusses the theoretical arguments pleading for or against an increase in the direct effect of social origin during the Great Recession. Next, it reviews the disparities of economic fluctuation across countries. We then describe the data and elaborate the analytical methods used in this article before presenting our results in the sixth section. Finally, we discuss the results and conclude by providing a summary.

## 2. Recession and labour markets for young people

The 2008 financial crisis has worsened the labour market conditions of young adults more than it did for older workers as the former are more sensitive to the business cycle (OECD, 2010). This is due to three mechanisms: first, the ‘experience trap’, as most young adults enter the labour market with no prior experience. As most jobs require a minimum amount of experience, this can lead to a vicious cycle of unemployment early in the career. Second, the

know-how in job search favours older workers over younger ones as the former are often more efficient in finding a job. Third, young adults have lower financial commitments (e.g. loans, children expenses and so forth) than older adults. This puts less pressure on young people to find employment, who can also be cushioned for a while by their parents (Bell and Blanchflower, 2011).

While the labour market conditions of young people improved in the early 2000s, this optimism disappeared following the 2008 financial crisis. Young adults' unemployment was higher than that of all older cohorts, even exceeding an unemployment rate of 45% in 2011 in some countries such as Spain. The repercussions of the economic crisis also extend to the type of employment: young workers are more likely to be faced with precarious employment than older workers. For example, part time jobs and zero-hour contracts were more prevalent among young adults in some European countries such as Italy and the UK following the 2008 financial crisis compared with the period that preceded it (Eurofound, 2016; Prassl, 2018).

Following the Great Recession some governments implemented new schemes to enhance the difficult labour market situation of young people. For example, Spain reduced social contributions for employers hiring young people and decreased company formation fees for young people wanting to start their own business. In a similar vein, Germany expanded hiring in public employment, increased funds for training and decreased unemployment insurance contributions to be paid by employees and employers. The government in the UK introduced incentives for employers to hire long term unemployed people. It also spent around £1 billion aiming at creating jobs for young adults (Bell and Blanchflower, 2011). Though these examples are enlightening, they are far from being exhaustive (see OECD 2009 for greater details).

As much as these targeted policies looked promising and supportive, they did not last very long in many European countries because debt rose sharply, consumption plunged, budget deficits increased and GDP decreased following the 2008 financial crisis. In an attempt to fight budget deficits, the EU, the IMF and the ECB pushed for an agenda that included austerity measures and tax increases. Young people were not spared from these new measures, some governments cut support for students and increased tuition fees such as in the UK and Spain (Theodoropoulou and Watt, 2011; Antonucci and Hamilton, 2014). Needless to say, these retrenchments further aggravated young individual's labour market conditions. The question

we are interested in is whether young adults were affected differently based on their social origin.

### 3. Social origin and the Matthew effect

The effects of economic downturns on people's labour market prospects can generally generate either a compression effect or an inequality enhancer effect. The former occurs if an economic downturn strikes high earners harder than middle and lower earners as occurred during the Great Depression (Piketty and Saez 2013). A different scenario is also possible, Redbird and Grusky (2016) claim that economic recessions could generate a Matthew effect. A simple Matthew effect example occurs when the rich get richer and the poor get poorer (Merton, 1968). This mainly occurs as the effect of an advantage or disadvantage position often grow in magnitude over time (see DiPrete and Eirich, 2006). Consequently, a Matthew effect recession would entail larger losses among the low-social origin compared with the high-social origin.

This can be explained by the classical argument which involves the Origin, Education and Destination model triangle. It represents the different possible paths that lead people from their social origin to their destination in the labour market. The model can be interpreted through three possible pathways. First, the association between O and D (O →D) shows the total proportion of social reproduction between a parent and their child. Second, the first pathway can be broken to (O→E) and (E→D). The former represents the association between parental origin and children's education and the latter represents the association between children's education and destination. This is known as the indirect effect whereby parents invest in their children's education to enhance their chances in the labour market. Thirdly, we can also study the direct path between social origin and destination after controlling for education (O→D|E). While a great deal of parental advantage is transferred via education, the direct effect of social origin can still be remarkably present as we will argue next.

Many scholars study the direct effect of social origin on destination net of education (Carlsson, 1958; Duncan and Hodge, 1963; Blau and Duncan, 1963; Erikson and Jonsson 1996; Hällsten, 2013; Ballarino and Bernardi, 2016). They show that education is not always an equalizer between people of different social origins: adults who achieved equal education but have different social origin tend to be rewarded differently in the labour market. Young adults of high social origin earn more than those of low social origin after taking education into

account. This direct effect of social origin is stable over time in a handful of countries such as the UK, Italy, Germany and Spain, among other countries (Ballarino and Bernardi, 2016). Instead, in France, Norway and Russia this direct effect increased over time, while in the Netherlands and Sweden it declined (Ballarino and Bernardi, 2016).

Scholars argue that the transmission of advantages of high social origin is based on three major factors: social, cultural and economic capital. Social capital is expected to be correlated with economic and cultural capital (Bourdieu, 1979). People tend to choose friends who resemble themselves. In this logic, one would expect highly skilled people (e.g. managers or professionals) to befriend one another. This entails that families with high social origin are more likely to know about openings of a high-prestige jobs. Consequently, they can indirectly influence the process of selection to favour their children. Since one third to half of all jobs are obtained through informal contacts in advanced economies (Granovetter, 1995; Pellizzari, 2010), it is expected that social capital is important to get a good career start. On the other side, families from low social origin might struggle to mobilize their friends to help their children as their network contacts are generally not in influential positions (Corak and Piraino, 2011; Oesch and von Ow, 2017). As much as these social dynamics are important during an expanding economic cycle, they matter more during an economic recession as employers raise their hiring standards and become more selective (Reder, 1955; Devereux, 2002). Subtle favouritism can also be practiced by employers during that period. They can perceive direct or indirect signals from the interviewees' behaviour, such as their accents and etiquette, that are more present among high social origin circles (Friedman and Laurison, 2019). These attributes might give adults from high social origin a competitive advantage in getting the job.

Cultural capital can also grant a higher premium during economic downturns. Separate to cognitive abilities (e.g. language skills and problem solving), non-cognitive skills are diverse social abilities that extend to self-confidence, motivation, perseverance and interpersonal skills (Farkas, 2003). Early on, Bowles and Gintis (1977) argued that children's success in school is more influenced by their non-cognitive skills than by their cognitive ones. While these soft skills can influence children's success in schools, many sociologists argue that they are also valued in the labour market (Farkas, 2003). They believe that these traits are transmissible from parents to children, and young individuals from advantaged background may possess more of them. However, recent findings that investigated 21 countries using the Programme for the International Assessment of Adult Competencies (PIAAC) data found that young adults from

a disadvantage social background gain more from non-cognitive abilities in the labour market compared with their peers from advantaged social background (Esping-Andersen and Cimentada, 2018). During a financial crisis, as employers offer less jobs, non-cognitive abilities become more important to find a job. However, it seems that young adults from disadvantage background benefit more from them compared with young adults from an advantaged background.

Economic capital can play a protective role during a financial crisis. Young adults from high social origin are less likely to rush into finding a job that does not match their skills as they can be sustained financially by their parents (Bell and Blanchflower, 2011). On the other hand, the financial pressure might incentivize young adults from disadvantaged background to accept any job during an economic recession. Therefore, young adults of low social origin are more pressed to find a job due to poor economic capital compared with young adults of high social origin. Cultural capital also seems to push towards the same direction, but social capital gives an edge for young adults with an advantaged background compared with their disadvantaged peers. As arguments seem to support both directions, we hypothesize:

H1: The social origin gap in access to employment should have remained stable among young adults following the Great Recession.

The gap in access to employment between young adults from disadvantaged and advantaged background follow a different mechanism than the one of earnings. While young disadvantaged adults might accept a job below their reservation wage during an economic recession, young advantaged adults are less likely to do so. Social capital also gives young advantaged adults an edge into accessing high-prestige jobs. As a result, they may have a better chance of finding employment that matches their qualifications compared with young adults of low origin background. This can translate into a larger gap in earnings between young adults of low and high social origin as the former are more likely to accept jobs below their reservation wage during a financial crisis. This leads us to our second hypothesis:

H2: The social origin gap in earnings should have become stronger among young adults following the Great Recession.

## 4. Labour market gender differences

Evidence from previous economic recessions in the United States between 1969 and 1992 show that men are more affected than women in terms of job loss. This is mainly due to the concentration of men in sectors that are sensible to economic recessions such as construction, manufacturing and mining. On the other hand, women were more concentrated in insurance, retail and governmental jobs which are less touched by the economic recessions during that period (Goodman et al., 1993). Empirical evidence using panel data show that the gender employment gap was countercyclical in most European countries following the Great Recession. In other words, men lost more jobs than women during that period (Verdugo and Allègre, 2020). The literature suggests that this is caused by a decrease in middle-paid occupations following the recession which are dominated by men. In contrast, women were more concentrated among the low-paid occupations which were less affected by the Great Recession (Peña-Boquete, 2014; Duvvury and Finn, 2014; Verdugo and Allègre, 2020). Unlike across sectors, evidence show that job loss remained stable between men and women within the same sectors (Cho and Newhouse, 2011).

The risk of job loss during an economic recession is critical as it can lead to a wage reduction. However, there is no reason to believe that its effect would be different among men and women. Nonetheless, if sectors that are dominated by men are more touched by the recession, then men are more likely to suffer earning losses than women. This is due to a simple supply and demand dynamic that is likely to put pressure on wages (Mortensen and Pissarides, 1999; Bettio et al., 2012). For example, while men lost more wages than women at the onset of the Great Recession in the United Kingdom, this was not the case in the United States (Elsby et al., 2016). One possible explanation for these differences is that the gender gap in labor market participation following the recession was larger to the advantage of women in the United Kingdom compared with the United States (see Verdugo and Allègre, 2020). Other empirical evidence from the same period suggests that among the working population men faced a larger penalty over their wages compared with women in 17 European countries (Cho and Newhouse, 2011).

## 5. The Great Recession and countries' differences

Although all European countries were affected by the Great Recession, the extent of the crisis differed across them. A divergence in recovery between two groups of countries was noted. The first one consists of Germany, the Nordic countries, Austria, and several Eastern European countries that are economically linked to Germany. These countries recovered

quickly after the crisis and resumed their previous economic growth. The second group consists of Southern and Eastern European countries and Ireland that were struggling in the aftermath of the crisis. Many of them only started to recover economically at the beginning of 2014. Most of these countries experienced long periods of unemployment and an increase in the level of debt (House et al., 2017).

Figure 1 presents data on annual real GDP growth for France, Germany, Italy, Poland, Spain and the UK from 2002 to 2012. The dashed vertical line in Figure 1 and Figure 2 reflects the economic crisis in 2008. Figure 1 makes clear that Italy and Spain had a strong GDP contraction during and following the economic downturn. The UK follows them in terms of economic crisis severity as it experienced a long period of negative growth. On the other hand, though France had a strong GDP contraction in 2008, it recovered to attain a higher GDP in 2011 compared to 2008. Unlike the countries hit hard by the economic downturn, Germany had a contraction in 2008-2009 but recovered its economic growth rapidly afterwards. Finally, Poland is the only country not affected by the economic shock, with its GDP growth not falling below 3% during this whole period.

**Figure 1:** GDP annual growth between 2000 and 2012.

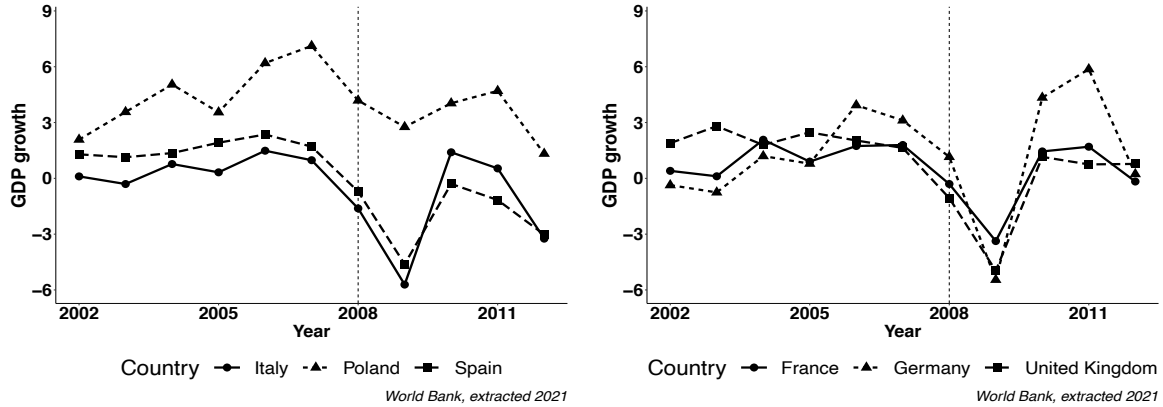
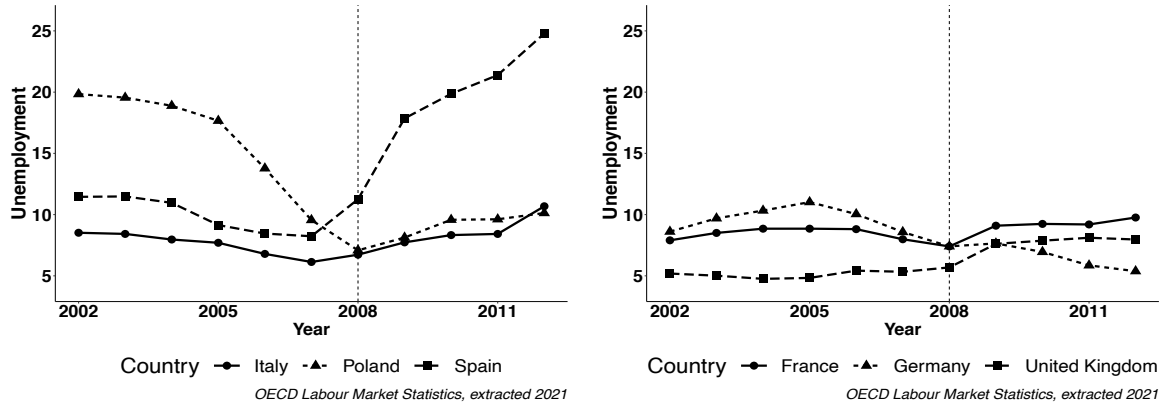


**Figure 2:** Unemployment rate between 2002 and 2012.




GDP growth only shows one side of the story. Analysing the unemployment rate provides additional information. Figure 2 provides the unemployment rates of adults aged 25-34 for the same six countries from 2002 to 2012. This figure shows that Spain, Italy and the UK had the highest increase in their unemployment rate between 2005 and 2011, surging by 12, 4 and 3 percentage points, respectively. France and Italy had a slight surge in unemployment of 1 and 1.5 percentage points, respectively, between 2005 and 2011. On the other side of the spectrum, Germany and Poland had their unemployment rates drop by 5 and 8 percentage points, respectively, over the same period. In sum, Figure 1 and Figure 2 indicate that Italy, Spain and the UK were affected the most compared with the other three countries. In contrast, Poland had an economic boom. This leads us to our second hypothesis.

Hypothesis 3: Between, 2005 and 2011, the social origin gap in earnings among young adults should have increased *in Italy, Spain and the UK, decreased in Poland and remained stable in Germany, France.*

## 6. Data and methods

### *6.1. Data*

Our analyses are based on two cross-sectional survey rounds from the European Union Statistics on Income and Living Conditions (EU-SILC) in 2005 and 2011. As our purpose is to examine the association between social origin and young adults' earnings and employment, these two cross-sectional data are selected as they are the only rounds that include information on parental background in the EU-SILC. We select the six EU countries with the largest population, that account for around 70% of the EU's residents: France, Germany, Italy, Poland,

Spain and the UK. Moreover, it is interesting to study these countries as they possess different welfare regimes and were differently affected by the 2008 financial crisis. As our analysis is restricted to adults aged 24-35 years, the sample sizes are small in most of our countries.

*6.2. Measures*

Our first outcome variable is self-reported unemployment. It is a binary variable: the unemployed versus those who work part-time or full-time job. The second key outcome is earnings (corrected for inflation)[1] and only concerns young adults with a paid job. In order not to bias our analyses, we exclude outliers by dropping the top and bottom 3% of the earning distribution. We also use the natural logarithm of the Euro and leave away people who reported 0 as their income. The EU-SILC reports the earnings of all countries in the Euro currency, even for Poland and the UK, which have their own national currencies.

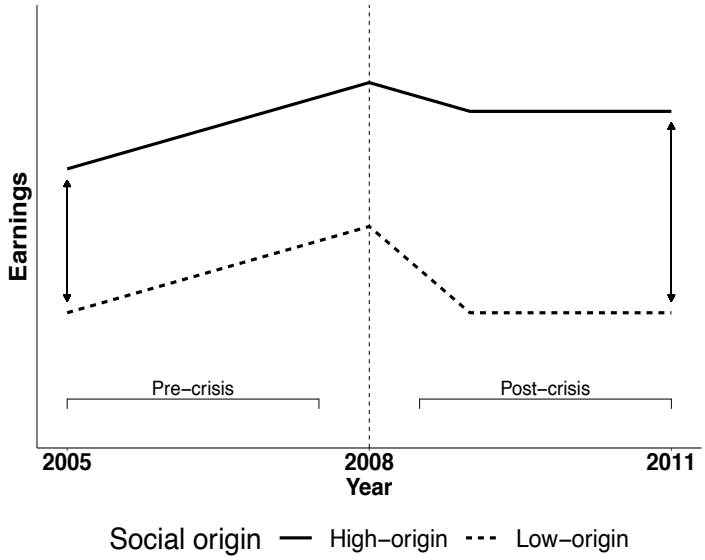
Our key independent variable is social origin. We measure it in two different ways - with parental education and parental social class. The most detailed version of parental education that we could construct across both modules distinguishes three hierarchical categories: (1) both parents with lower secondary degree or below, (2) at least one parent with upper secondary and post-secondary non-tertiary education and (3) at least one parent with tertiary education[2]. As we are aiming at measuring the net effect of social origin on destination, we include respondent's education level as a control with three categories: (1) lower secondary and below (ISCED 0, 1 and 2), (2) upper secondary (ISCED 3) and (3) post-secondary and tertiary (ISCED 4 and 5). The parental social class variable is divided into three hierarchical categories: 1) managers and professional (ISCO 1 and 2); 2) technicians, clerical, service, sales, skilled (i.e. agriculture, forestry and fish) and craft workers (ISCO 3 to 7); 3) plant and machine operators and elementary occupations (ISCO 8 and 9). We further control for respondent's education and age. A binary variable that represents the modules' year (2005 and 2011) is added to the model. Finally, we estimate all our models separately for men and women, given that parenthood has different consequences for the career trajectories of both groups. Table 1 in the appendix provides the descriptive statistics.

*6.3. Analytical strategy*

This article approaches a difference-in-differences design where young adults of low social origin are the treated group. Their labour market outcomes in 2011 are systematically compared

to their labour market outcomes in 2005. As a control group, we use young adults of high social origin and also compare them before and after the Great Recession. In other words, we study whether there is a differential effect of a treatment (the Great Recession) on a treated group (low social origin) versus a control group (high social origin). Figure 3 provides a graphical summary of our design and argument.

**Figure 3:** A stylized model for the impact of economic recession on wage of young adults with different social origin.




This treatment also applies to the macro level, as some countries were differently hit by the Great Recession. After all, including counterfactuals at the macro level is important to check whether the change – if any - in the gap between young adults of different social origins is observed only in countries severely hit by the crisis. This means there could be unobserved factors that influence this change as well. However, we believe that a six-year period (2005-2011) is considered short for a structural change. While we claim that our study must be regarded as explorative with no aims of identifying causal effects, we still think it is important to examine how the association between social origin and young adults' earnings and unemployment changed following the Great Recession. We use the following regression model:

$$(1)\ Y_{itc} = \beta_0 + \beta_1 Soc\_Origin + \beta_2 Year + \beta_3 Soc\_Origin_{ic} * Year + \beta_4 Controls_{itc} + \varepsilon_{itc}$$

Where Y is the logarithm of hourly wages - or employment status - for an individual *i* at time *t* in country *c*. We estimate the binary variable of employment status using linear probability model as it gives some advantages in the interpretation of the coefficients and the comparison across models (Mood, 2010). The coefficient $\beta_3$ is an interaction between social origin and year which estimates the differences in the gap of earnings – or unemployment - of young adults of high social origin compared with their counterparts of low social origin between 2005 and 2011. A negative and significant slope would suggest that the social-origin gap in terms of earnings has widened following the Great Recession. Put differently, such a finding would support the hypothesis that the Great Recession has a heterogenous effect over young adults with different social-origin background. $Controls_{itc}$ include a vector of control variables such as education and age. The error term ε includes everything unobserved by the model such as measurement error or luck. We estimate linear regression models separately for six countries.

## 7. Descriptive results

### *7.1. Unemployment*

We examine the descriptive evidence for a moderating impact of the Great Recession over unemployment of young adults from different social origin in Figure 4. Examining the initial differences in 2005 are important as they show whether inequalities between young adults of low and high social origin were initially high. Figure 4 reports that in 2005 there is not a clear difference in unemployment levels between young adults of low social origin compared with their counterparts of high social origin. The only exception is Poland, as the gap in unemployment between young adults from low and high social origin differs by 16 percentage points in favour of the latter. Figure 5 shows the change in unemployment percentage points of young adults of different social origin between 2005 and 2011. Over that period, we see that in Italy the unemployment rate increases by 5 percentage points for young adults of low social origin compared to a decrease of 1 percentage point for young adults of high social origin. In other words, the social-origin gap in unemployment increases after the Great Recession for young Italians. In contrast, the gap in unemployment between young adults of high and low social origin either decreases or remains almost stable for the rest of the countries.

### *7.2. Earnings*

Figure 6 displays earnings of young adults of different social origin between 2005 and 2011. First, we examine the initial difference in 2005 between young adults of low social origin

compared with their peers of high social origin. In 2005, the latter earned more than the former in France, Germany and the UK. In the rest of the countries the social-origin gap in earnings is less noticeable in 2005. Figure 7 reports the change in earnings of young adults of different social origin between 2005 and 2011. It shows that earnings decreased over that period by 7% (Italy) and 34% (UK) for young adults of low social origin compared with 0% (Italy) and 26% (UK) for young adults of high social origin[3]. The difference in earnings between young adults of low and high social origin is 7 and 8 percentage points in Italy and the UK, respectively. This means that the former suffered a higher wage penalty compared with the latter following the Great Recession. On the other hand, the social-origin gap in earnings decreased in Germany and Poland by 13 and 8 percentage points between 2005 and 2011, respectively. Put differently, young adults of low social origin gained more in terms of earnings compared with young adults of high social origin in Germany and Poland. On the other hand, young adults in France and Spain experienced modest changes in earnings between 2005 and 2011.

**Figure 4**: Unemployment rate by parental education between 2005 and 2011 (employed adults aged 25-34).

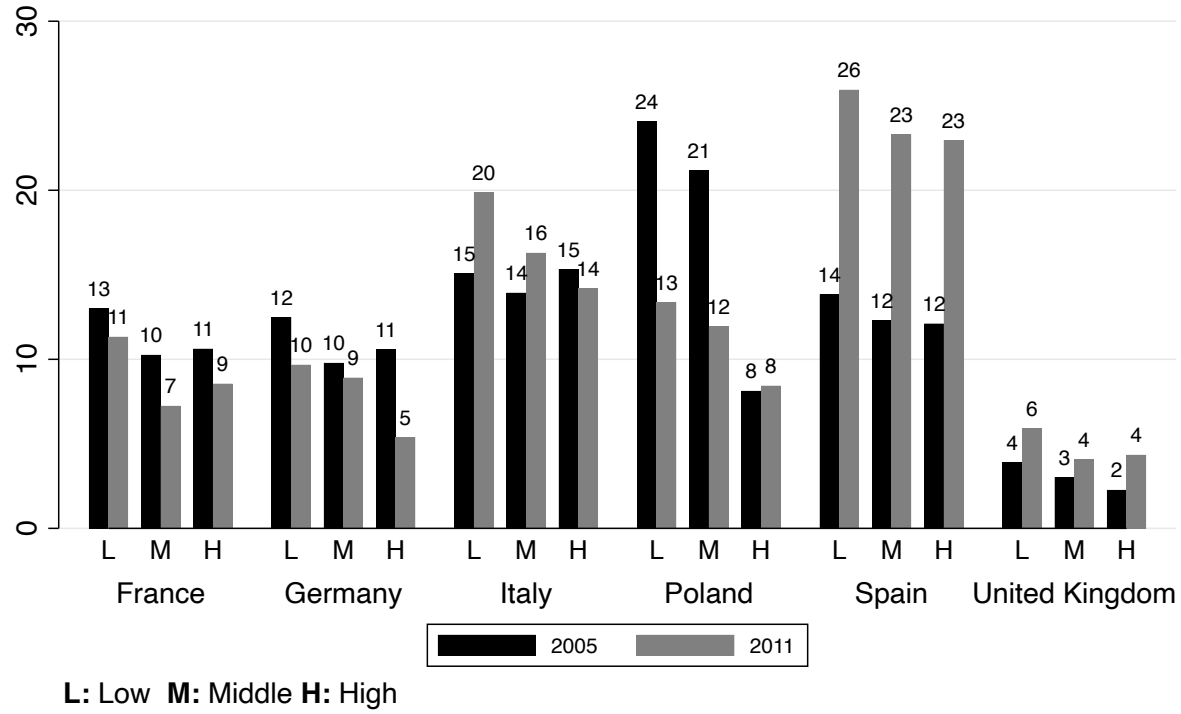
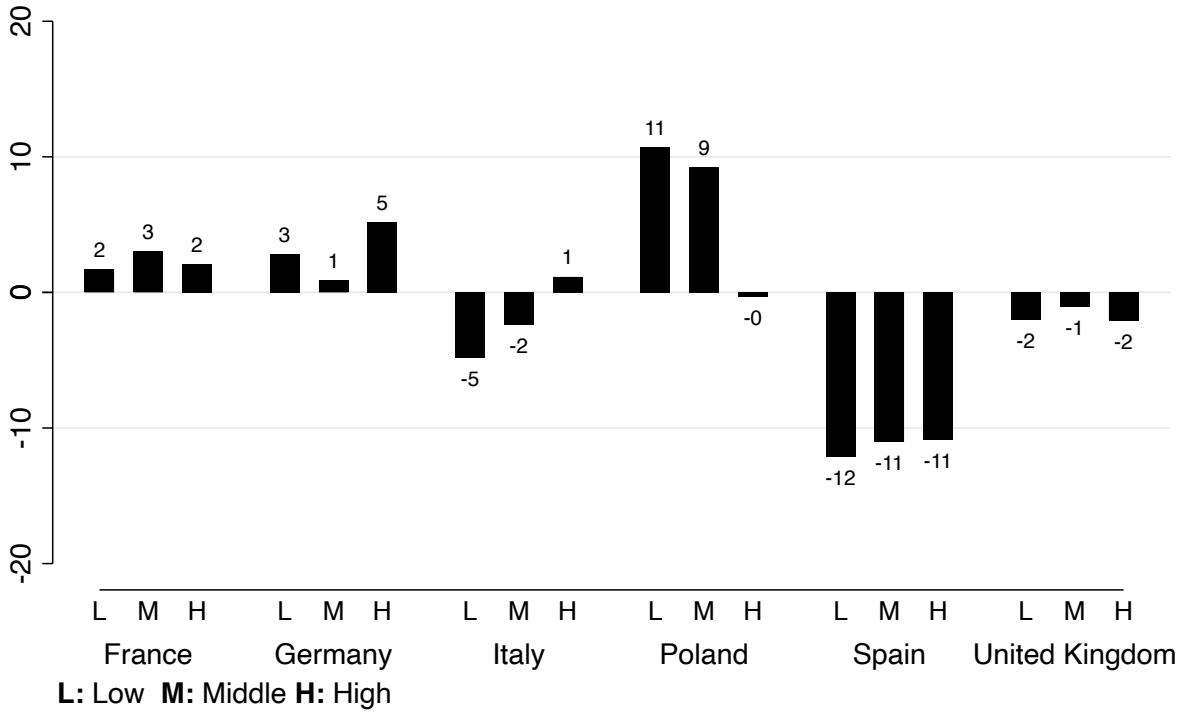


**Figure 5:** Change in unemployment rate (in percentage points) 2005-2011, by parental education.




Overall, the findings of Figure 4 to 7 support the stability hypothesis in the social-origin gap in terms of unemployment with the exception of Italy. Young Italian adults of low social origin experienced a higher rate of change in unemployment compared with young Italian adults of high social origin following the Great recession. With respect to earnings, the descriptives support a Matthew effect scenario in Italy and the UK. As for Poland and Germany, the descriptives show that there was the reverse of the Matthew effect, as young adults of low social origin gained more than young adults of high social origin in terms of employment and earnings following the Great Recession.

**Figure 6:** Inflation-adjusted mean earnings by parental education between 2005 and 2011 (employed adults aged 25-34).

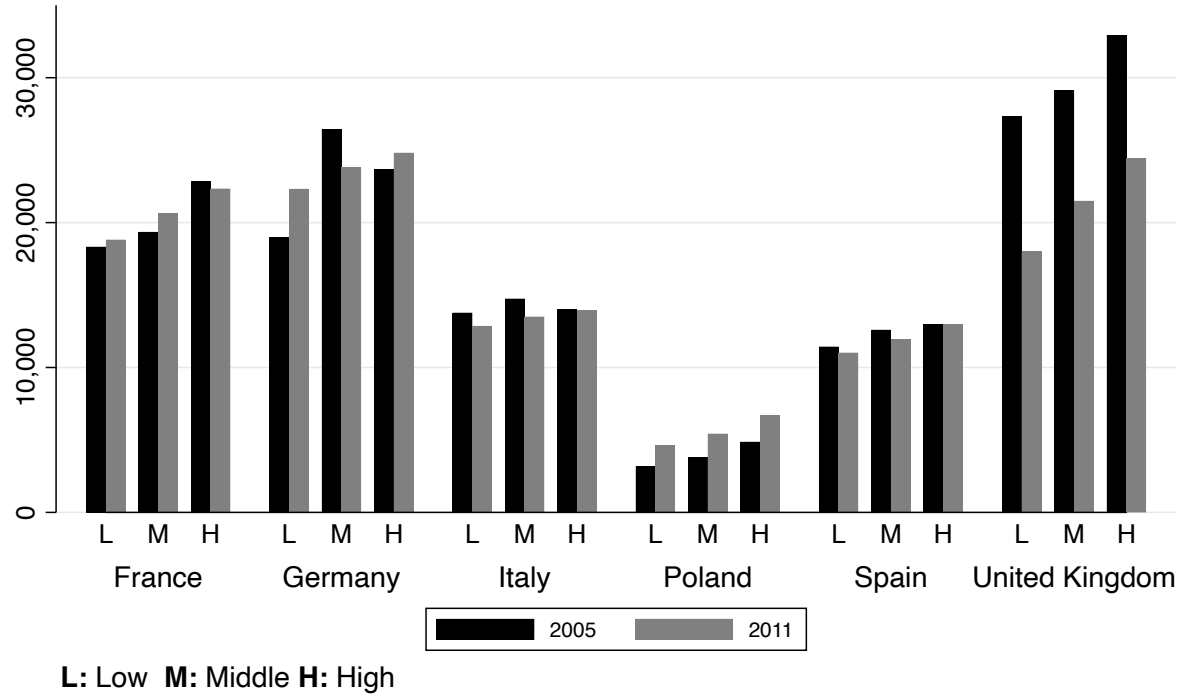
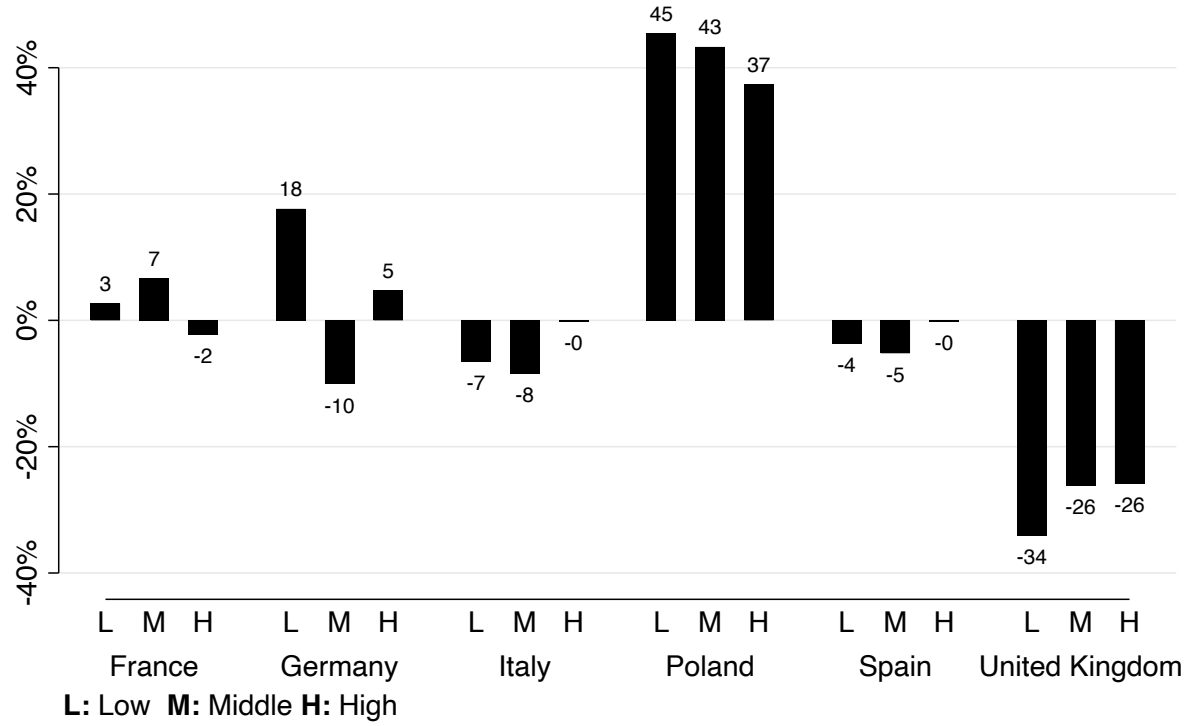



**Figure 7:** Change in inflation-adjusted earnings 2005-2011, by parental education.



## 8. Results from multivariate models

We move on to a multivariate model that we estimate for each country, separately for young men and young women, and where we control for education and age (tables are shown in the appendix). Figure 8 shows the coefficient $\beta_3$ in equation 1, that is the interaction effect of social origin with the survey year. It shows how the gap in unemployment between young adults of low social origin and young adults of high social origin evolved between 2005 and 2011. Positive values of this interaction indicate that the social-origin gap in unemployment increased following the Great Recession. As expected, this seems not to be the case in the countries studied. The only exception stands for young Italian women whereby the social-origin gap in unemployment widened by 8 percentage points, however, the standard errors are large. In contrast, there is a statistically significant negative coefficient for Poland, suggesting that the gap in unemployment between young adults of low social origin and high social origin decreased by 12 percentage points for women. This is consistent with the idea that a booming economy - as experienced by Poland between 2005 and 2011 - reduces the social-origin gap (Hines et al., 2001). Overall, the results show that following the Great Recession, there was no increase in the direct effect of social origin with respect to unemployment in the countries examined.

Next, Figure 9 reports the social-origin gap in terms of earnings for men and women and represents the coefficient $\beta_3$ in equation 1. This interaction yields a positive effect size of 13% for young men in Italy and the UK. This means that in these countries young men of low social origin paid higher earnings penalty than their counterparts of high social origin, following the Great Recession. However, even though the effect is large in Italy, the confidence intervals are large. Similarly to the unemployment findings, the social-origin gap in earnings decreases for women in Poland where we find a positive effect size of 18%. In the rest of the countries, the social-origin gap in earnings remained stable following the Great Recession.

**Figure 8:** Change in unemployment rate (in percentage points) 2005-2011 of low-origin adults relative to high-origin adults aged 25-34.

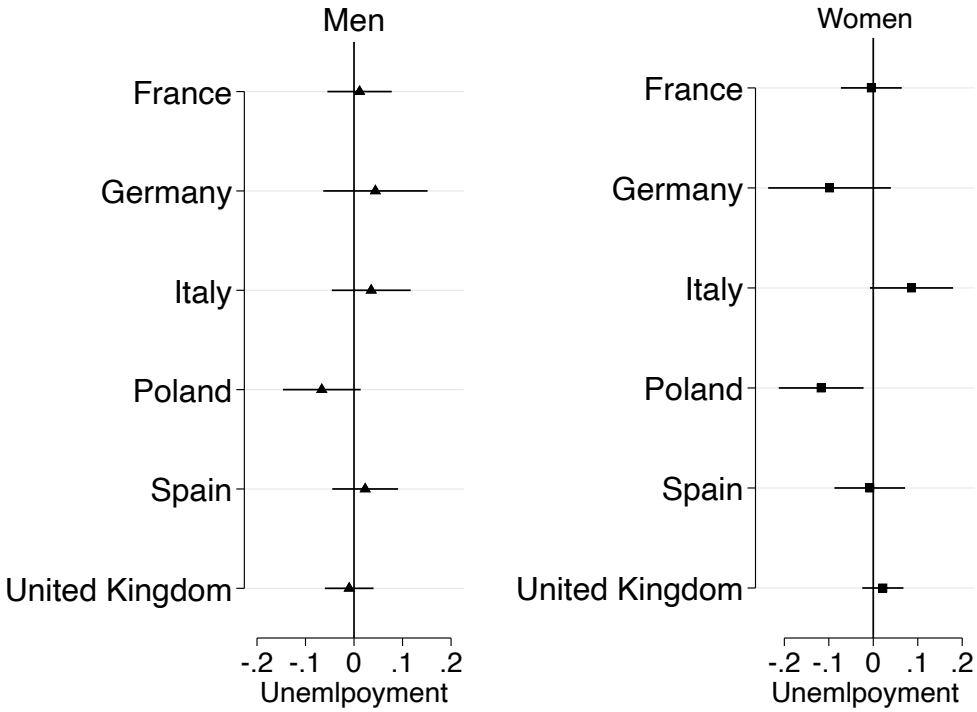
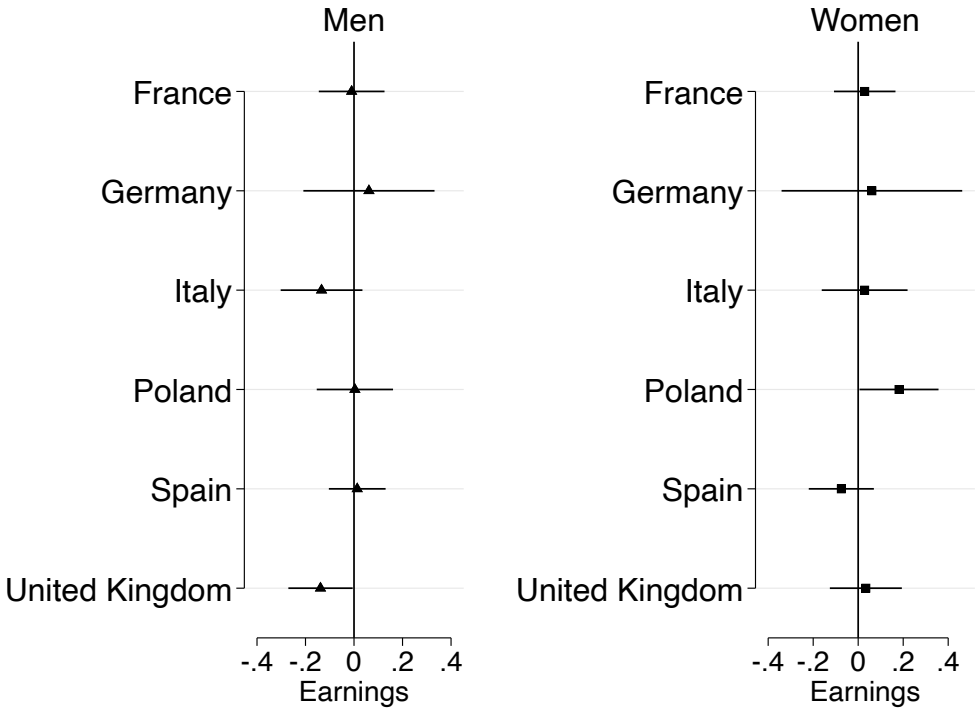



**Figure 9:** Change in earnings 2005-2011 of low-origin adults relative to high-origin adults aged 25-34.



*Robustness checks*

A concern with our analyses may be that including individuals with marginal part-time contribution may bias our findings. Thus, we discard observations with marginal part-time work, that is individuals working less than 10 hours per week. We find similar results to our original analysis (see Figure A1 in the appendix). Likewise, a sceptical reader might consider that social origin is better measured with parental occupation. Therefore, we rerun our regression analyses on unemployment and earnings as shown in Figure A2 in the appendix. Overall, the robustness check of the social-origin gap in unemployment shows mostly the same findings with the exception of women in Spain whereby the social-origin gap between young adults of low social origin and high social origin widens by 8 percentage points. Nevertheless, the social-origin gap in unemployment seems to remain stable in the rest of the countries. The analysis for earnings using parental social class as a measure of social origin reveals slightly different results to our original findings. Though not significant, there is a large increase in the social-origin gap in earnings for young men in the UK. While in our original analyses this seemed to be the case as well for young Italian men, this finding disappears when measured with parental occupation.

Our variables can be influenced by their country context, for example there is an institutional heterogeneity that influence earnings in Spain differently than in the United Kingdom. To account for such unobserved heterogeneity across countries, we replicate our analyses using country-fixed effect and found that all of our original findings still hold (see Figure A3 and A4).

## 9. Discussion

Against the background of considerable academic concerns about possible cumulative disadvantage scenario for young people of low social origin resulting from the Great Recession (e.g. Redbird and Grusky, 2016), our article examined the extent to which such concerns are warranted. To do so, we examined whether the social-origin gap in terms of unemployment and earnings widened between 2005 and 2011. We look over the six most populous European countries. A first group consisted of Italy, Spain and the United Kingdom was strongly hit by the recession compared with a second group less touched by the recession and consisted of France, Germany and Poland.

Three main findings emerge from our empirical analysis. First, our study provides evidence that the social-origin gap in terms of unemployment remained stable in 2011 in countries hit by a deep recession. These findings are good news. The Great Recession does not seem more damaging to the chances of employment of young adults with disadvantaged background compared with their advantaged counterparts as found in some of the previous literature in Germany (Zwysen, 2016).

Second, against our expectations, we find that the social-origin gap in terms of earnings remains stable in Spain. On the other hand, our results suggest that the social-origin gap in earnings increased in the United Kingdom and possibly Italy. Our results hold only for men and are in line with previous research on gender differences during economic recessions (Goodman et al., 1993; Verdugo and Allègre, 2020). These findings suggests that young men of low social origin may have settled for jobs below their reservation wage. This could happen if the social-origin gap in terms of unemployment remains stable, but at the same time the social origin gap in terms of earnings widens. The consequences of such overqualification for young men of low social origin in the United Kingdom and Italy will likely hinder their mobility thereafter and perpetuate inequalities (Oreopoulous et al., 2010; Kahn, 2010). The Spanish case is puzzling. Although Spain was severely hit by the crisis, the social-origin gap remained stable in terms of earnings following the Great Recession. While we have no clear explanation for these results, we know that a large portion of young Spaniards emigrated from Spain following the Great Recession. These emigrants are dominated by nationals with foreign roots, as 50 per thousand of them emigrated compared with one per thousand of nationals without foreign roots (Izquierdo et al., 2015). To a large extent, foreigners in Spain possess a lower social background compared with nationals. This will likely produce an upward bias in our analyses and could possibly explain the stability in the social-origin gap in terms of earnings in Spain.

Third, we found that the Polish case followed an opposite scenario, whereby the social-origin gap contrasted in unemployment following the recession. The social-origin gap in earnings also contracted but only for women. These findings suggest that an economic boom is helpful for youth of low social origin who may otherwise struggle more to find a job. Besides micro-economic measures such as active labour market participation, one might argue that macro-economic policy can stimulate growth, employment and earnings for the disadvantaged

youths. Our findings with this respect are in line with previous research which showed that the disadvantaged benefit the most from economic expansions (Hines et al., 2001).

Beyond our findings, our study is limited in several ways. First, country samples are small, which may lead to large standard errors. Second, earnings are self-reported by the respondents, likely leading to some measurement errors. However, as far as we know, there is no data on earnings of a better quality that include information on parental background across several countries within the time span that we are examining. Finally, we only capture the period between 2005 and 2011. It would be interesting to also measure other time intervals as the repercussions of the Great Recession peaked at slightly different times across countries. Rich data on single countries might achieve that matter, but data that covers multiple countries face more constraints in that regard.

New concerns regarding social mobility in OECD countries were raised (OECD, 2018). We investigate whether a macro-economic shock – the Great Recession – affected intergenerational transmissions. Our contribution is important as it is relevant to the recent economic crisis unfolded following the COVID pandemic. If we understand well the repercussions of the 2008 recession, we might better address the aftermath of the current one. To the extent, that social-origin gap in terms earnings widened in Italy and the United Kingdom for men. One might speculate that there could be some reasons of concern with respect to how the covid economic crisis might widen this gap even further.

**Notes**

1. The EU-SILC data is harmonized and suitable for comparison, however, some countries include information only on gross earnings whereas others possess only gross earnings. The Spearman correlation between gross and net earnings reveal that both indicators are closely linked, a correlation of 99%. Therefore, when one was missing, we chose the other.

2. In case of missing information on one of the parents' education, the educational attainment of the other parent was selected.

3. Earnings are measured in Euro in the EU-SILC. The large decrease in earnings of young adults in the UK is partly influenced by the devaluation of the British Pound by 20% between 2005 and 2011.

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