

YOUTH UNEMPLOYMENT IN THE EUROPEAN UNION

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Abstract

Unemployment of young people is one of the most-serious socio-economic problems of the contemporary European labour market. In comparison with other population groups, youth unemployment has deeper consequences for individual and also society general. Young people were the most affected by the impacts of the economic crisis and the subsequent recession. Currently in some EU countries, young unemployment rate is even twice than of general unemployment rate and almost every second a young person is without a job in the south of Europe.

This article aims to analyse the development of youth unemployment on the European labour market in the period 2006 – 2015 (more recent data are not yet available). There is explained the importance of education to the successful functioning of any individual on the labour market. The main research question is: What are the causes of long-term persistence of high youth unemployment on European labour market. To achieve the goal are used these scientific methods: secondary data analysis, time series analysis, comparison, synthesis, deduction and induction. It is applied systemic approach.

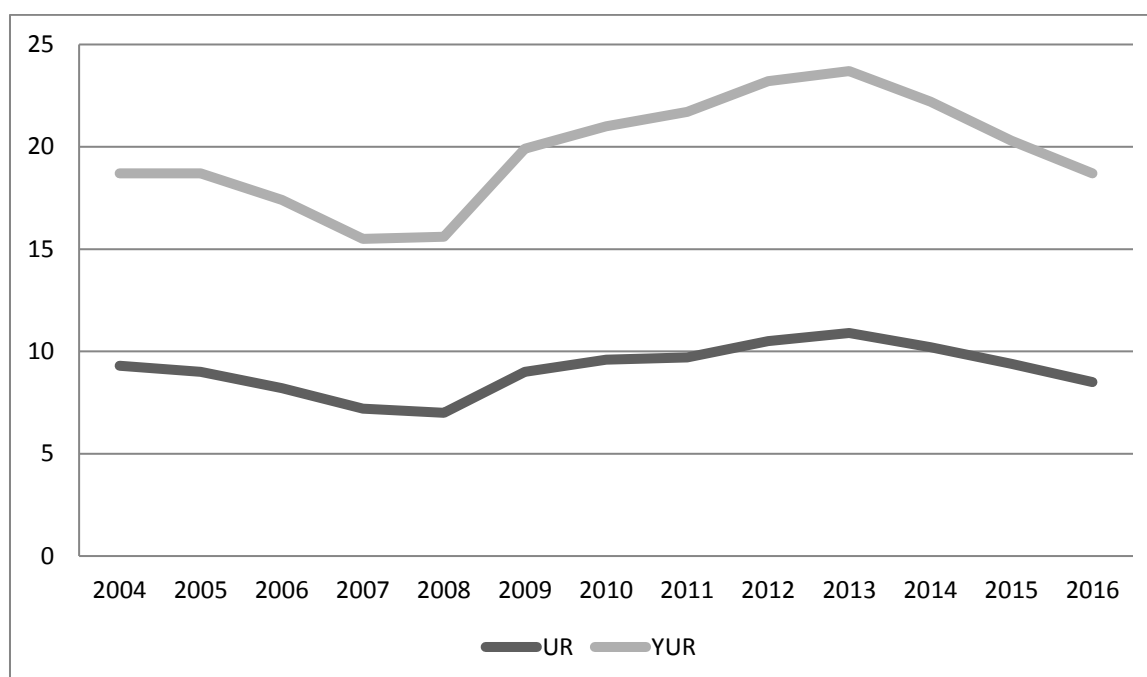
Key words: EU Labour Market, Youth Unemployment, Education Level.

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Introduction

Young people up to 24 years, especially graduates who enter the labour market for the first time, are the most vulnerable group on the European labour market in the long term. And just young people were the most affected by the crisis and subsequent recession. The young unemployment rate is persistently significantly higher than unemployment rate, between 15% and 25 %, and it is more than double (Figure 1). A development of the young unemployment rate is also more volatile than the unemployment rate – it is closely linked to the economic cycle (in more detail see segmentation and dual labour market theory, e.g. Kerr, 1954; Loveridge & Mok, 1979).

Fig. 1: Comparison of the unemployment rate and young unemployment rate (EU28, 2004 – 2016, %)



Source: Eurostat (2. 4. 2017), own processing

Between 2004 and 2008, the young unemployment rate fell and the minimum value (15.1%) reached in the first quarter of the year 2008. The crisis significantly affected young people – young unemployment had an upward trend since the second quarter of 2008 with a maximum at the end of the year 2013 (23.7%). From 2014 the young unemployment rate is gradually declining, in the year 2016 to 18.7%. However, there is still even twice than general unemployment. It should be noted that situation is even more serious in the euro area (21% in 2016) and also the young unemployment rate is declining more slowly there. Which is mainly a consequence of the difficult economic situation in southern European countries (in the author's opinion, this is the impact of disrespect optimum currency area theory above all). So, young unemployment is a very serious economic but also social problem.

The European Union aims to reduce youth unemployment and increase the youth employment rate in accordance with the main EU target of achieving a 75% employment rate for the working-age population. Main framework is the *Europe 2020, a strategy for smart, sustainable and inclusive growth*, especially *Youth on the Move* – comprehensive package of policy initiatives on education and employment for young people in Europe, at European and national level (European Commission, 2010).

Moreover, in the years 2011 – 2016 the European Commission adopted a series of measures to tackle youth unemployment. Key initiatives include: *Youth Employment Package* (2012), *Youth Employment Initiative* (2013), *Youth Guarantee* (2014, new version 2016), *Social Agenda – Youth employment* (2014) – emphasizes the need for a new approach to employment, social and inclusion policy to promote young employment: a combination of urgent, highly targeted measures supporting young people directly and of longer term structural reforms (European Commission, 2014). It is worth noting also *European Youth Pact* (2015), which promotes partnership between firms and educational institutions (European Commission, 2015).

1 Main causes of youth unemployment

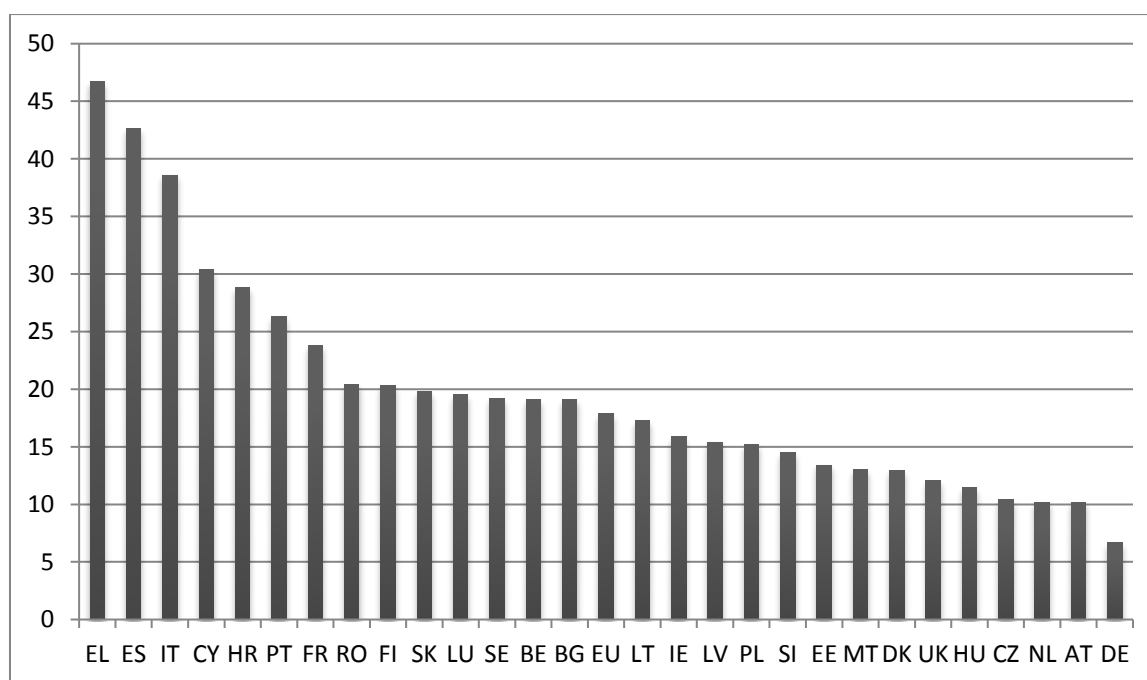
There is not easy to identify all causes of youth unemployment because this is a complex problem, not only the influence just a few factors. Nevertheless, when young people enter the labour market these factors are especially important:

1. Social and family environment from which the young person comes (in more detail see the cultural and social capital theories; Bourdieu & Passeron, 1964).
2. The level of knowledge and skills the young person has, so-called human capital (in more detail see e.g. Minzer, 1958; Becker 1964). Many causes of young unemployment lie just in the area of education: low level of education, inconsistency between supply and demand in terms of qualifications and skills. But not only that. Very important is also the willingness to educate and develop constantly.
3. Labour market flexibility and workers costs. The European labour market is characterized by relatively high rigidity. Many disparities arise as a result of different labour-law protection of employees with a fixed-term contract and permanent workers (EPL index). Young people entering the labour market usually conclude the fixed-term employment contract and it is problematic for them to get permanent contract. In some cases even generational segmentation can be said (e.g. Spain or Greece).
4. The role of the state. The state has an irreplaceable role in reducing youth unemployment, because it has a number of effective tools: long-term education strategy and appropriate combination of active policy tools above all. In this context, the volume of expenditure on education is significant.
5. Conditions for doing business. The state also has the irreplaceable role in setting important indicators and relations among them: social benefits and their relations to

minimum wage and living minimum, taxation of labour, income tax etc. The aim is to create such conditions for business, when economic growth will be accompanied by new jobs creation. This is closely related to a modern social system – it should be create opportunities to acquire the appropriate qualifications and motivate to return to the labour market also. On the other hand, the relationship of the firms to young people is also very important (see also e.g. Legnerova & Fucikova, 2014; Stritesky, Stritesky & Quigley, 2015).

It is necessary to emphasize that the young unemployment rate is very different in the EU member states (Figure 2) and the combination of causes of unemployment may be different also.

Fig. 2: The young unemployment rate (EU28, December 2016, %)



Source: Eurostat (6. 4. 2017), own processing

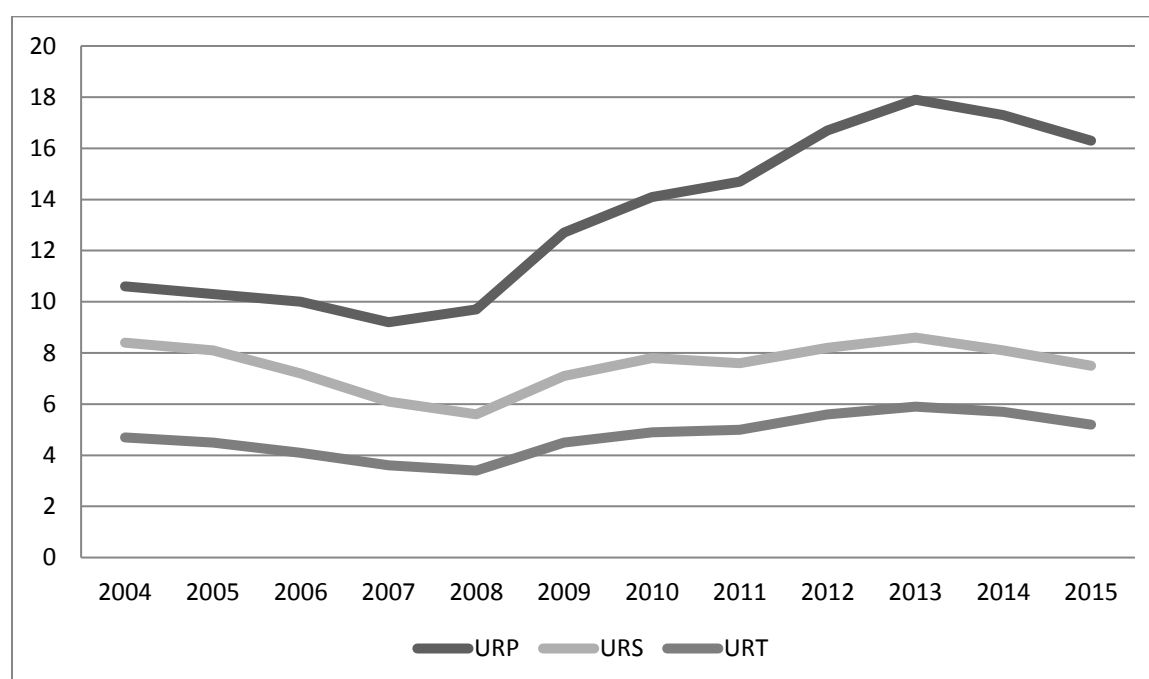
Figure 2 clearly shows that young unemployment is a very serious problem in Greece (46.7%), Spain (42.6%) and Italy (38.6 %) and also in Cyprus, Croatia and Portugal (over 25%). A gap between Germany (6.7%) and Greece is 40 p.p. Expressed in absolute numbers, over 4 million young people of the total 20 million were unemployed in the EU at the end 2016. Approximately every fifth unemployed is under 25 years of age. Up to 12% of young people are at risk of poverty and social exclusion – it is the most in comparison with other groups in the labour market (women, older workers).

Text below is focused on level of education because it can affect the entry of young people into the labour market primarily (see also Paliskova, 2014). But it is also important to emphasize that investment in education is key factor of economic growth and competitiveness (in detail see e.g. Fojtikova, 2016).

2. Level of education

Raising the level of human capital – education and skills – is the basic prerequisite for applying to labour market in the current economic environment. Figure 3 confirms this thesis.

Fig. 3: Comparison of the unemployment rate development by education level (primary, secondary and tertiary) (EU28, %)



Source: Eurostat (6. 4. 2017), own processing

Can be seen (Figure 3) that a higher level of education is associated with a lower unemployment rate and lower volatility also. On the other hand, the primary education unemployment rate is more volatile and more affected by the economic cycle (see also Pavelka, 2014).

What is the relationship between the number of people with tertiary education and the employment rate? *Is there the employment rate determined by the number of people with tertiary education?* The relationship between these indicators can be expressed by correlation

(using the data from Table 1). The correlation result showed a relatively strong positive dependence between the both indicators (the correlation coefficient = 0,305).

Tab. 1: Number of people with tertiary education and the employment rate in EU Member States (2015, %)

Country	People with tertiary education	Employment rate	Country	People with tertiary education	Employment rate
LT	57,6	73,3	ES	40,9	62,0
CY	54,5	67,9	EL	40,4	54,9
IE	52,3	68,7	<i>EU 28</i>	38,7	70,1
LU	52,3	70,9	AT	38,7	74,3
SE	50,2	80,5	<i>EA 19</i>	37,3	69,0
UK	47,9	76,8	HU	34,3	68,9
DK	47,6	76,5	DE	32,3	78,0
NL	46,3	76,3	BG	32,1	67,1
FI	45,5	72,9	PT	31,9	69,1
EE	45,3	76,5	HR	30,9	60,5
FR	45,0	69,5	CZ	30,1	74,8
SI	43,4	69,1	SK	28,4	67,7
PL	43,4	67,8	MT	27,8	67,8
BE	42,7	67,2	RO	25,6	66,0
LV	41,3	72,5	IT	25,3	60,5

Source: Eurostat (8. 4. 2017), own processing

Table shows that from 17 countries where are more than 40% of people with tertiary education, 9 of them (52,94%) achieve the employment rate over 70%. But another situation is, for example, in Greece and Spain. The both countries have a relatively high number of people with tertiary education (above 40%) but very low employment rate. It can be assumed that it is related to the difficult economic situation in southern European countries. On the other side, in Austria, Germany and Czech Republic is a share of population with tertiary education on or below the EU28 average but the employment rate is very high (from 74,3% to 78%). In the case of Germany and Austria, the quality of education systems seems to have an impact and so called, dual education, i.e. very close cooperation between education system and firms. In these countries the number of graduates in technical disciplines and the number of people with higher secondary education are above the EU average too. And Austria has also very small number of people who are leaving the education system prematurely. Although the Czech Republic does not have such a high quality education system it has excellent results in some monitored indicators – above all: the number of people with higher secondary education and the number

of people who are leaving the education system prematurely. It is also necessary to emphasize that a close connection to the German economy has a significant impact.

The result of the analysis: There is positive dependence between monitored indicators – the number of people with tertiary education and the employment rate. But this relation is not absolute. This means that level of education is just one of the factors which have an impact on employment.

Conclusion

Unemployment of young people is not only a serious economic but also a social problem. The young unemployment rate is by comparison with the unemployment rate more than double, in long-time period. But there are great disparities among the EU member states – a gap between Greece and Germany is 40 percentage points! The article identifies and summarizes the main factors that can affect young unemployment and divides them into five groups: social and family environment, the achieved level of human capital, labour market flexibility and workers costs, the role of the state (active employment policy and expenditure on education) and conditions for doing business. The combination of these factors – the causes of young unemployment – varies across EU countries. Therefore each country it must choose the appropriate tools to tackle young unemployment.

The second part of this article is focused on education, which is one of the key factors entering the labour market. The analysis explains the relationship between number of people with tertiary education and the employment rate. It can be indicate that achieved level of education is just one of the factors which have an impact on employment. There are many others factors: e.g. quality of the educational system, good cooperation between education and practice, an effective lifelong learning system and last but not least matching between supply and demand of qualifications and skills.

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