

## DETERMINANTS OF YOUTH UNEMPLOYMENT: A SURVEY OF THE LITERATURE

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### **Abstract**

*The issue of the unemployment concerning the population aged between 15-24 years has represented an important subject of research, due to the multiple implications that such a problem propagates on both social and economic sphere. Through this paper we wanted to achieve an updated synthesis of the results of the studies undertaken at an international level treating the unemployment problem among the young population.*

*For combating efficiently this imbalance, it is necessary to know its determinative factors. The studies undertaken along years identified determinative factors of different nature and, also, with a different gravity of influence on the modification of the unemployment rate. Among the most important determinative factors the specialty literature mentions: the demographic tendencies, the economic environment, the regulations concerning the work market and the educational system.*

**Key words:** *demographic tendencies; economic environment; educational system; unemployment; youth.*

**JEL Classification:** *J1; J2.*

### **I. INTRODUCTION**

The unemployment problem among youngmen captured the attention in a relevant way lately, especially in Europe, where the unemployment percentage registered concerning this population category is relatively bigger than the one concerning the adult population (Perugini and Signorelli, 2010), being also affected by the recent financial crisis crossed (Choudhry et al., 2012a).

The unemployment was considered a normal phenomenon, a mechanism of reallocating the work resources relative to the volume and the structure of demand of the productive system, that joins permanently the process of economic and social development of each country. In normal limits of about 3-4%, the unemployment can play a positive role at both a global and individual level, meaning that it can stimulate the flexibility of the work force and it can increase the work productivity and the formation of an adequate behavior for augmenting the work quality, for stimulating the education and improving the work discipline. On the other hand, the big proportions and the increased rates of the unemployment can induce losses of economic potential, losses of production and incomes of the company, degradation of qualification, income and social statute losses, discouragement and demotivation.

The unemployment must be seen as a problem of all markets functionality and not as a specific problem of the work force market, because, through the connection and communication system with the other markets, the work force market receives and takes over imbalanced impulses that, through mechanisms and specific forms it retransmits them, amplifying in this way the already existing imbalances.

According to the International Labor Organization, the unemployment involves people who didn't undertake any rentable activity during a period longer than one hour, but who are available for employment and are actively looking for a job.

The concept of young person is defined by the United Nations Organisation as representing the person aged between 15 and 24 years.

Concerning the unemployment analysis on age groups, it could be noticed that young population under 25 years old represents the most affected group of population. The transition from school to the integration of young generation in the work force market represents one of the most critical and pressing problems of work force market functionality, with a significant economic and social impact. It must be also mentioned that sometimes youngmen begin their activity in disregarded areas, inferior to their qualification and other times they even penetrate the unproductive work circuit, fact that isolates them from the society.

The young population is, doubtless, one of the most important resources for the socio-economic development of a nation. This category of population has the courage and the energy for proposing innovating ideas and progressive mechanisms in all socio-economic domains.

Although they don't have the necessary experience, youngmen have the capacity of assimilating new knowledge and abilities fast and, they also can adapt themselves to the standards of the employer company in a short period of time. An aspect that should be taken into consideration is the fact that youngmen generally have a good health and they can work for longer periods of time than the adult population is able to.

Passarides (1986) states that concerning the cost of opportunity for the employment, respectively discharging, this is smaller than the one regarding adult people. So, it is recommended for the companies to keep balanced proportions concerning the young and adult employees, especially during the periods of financial recession.

It's obvious the fact that the employment of young people also leads to a development of the national economy by the increasing of the aggregated demand, respectively, of the formation of capital (Msigwal, Kipesha, 2013). According to ILO (2011), the young employees tend to spend a bigger percentage from the realized income for buying goods and services, fact that contributes to the increase of aggregated demand. Also, young employees tend to save money when the earned income allows them to do it, fact that leads to the increase of the disposable capital in economy for investments. According to Levine (2011), there is a direct relation between the rate of occupying the work force among the young people and the economic increase.

In spite of this, the young population is confronting many problems, one of them being the unemployment.

The unemployment among young people represents a global problem, but the countries in course of development are confronting this dysfunctionality in a more critical way, because of the high levels of poverty it is necessary the implication of all family members in working activities for obtaining incomes, that the most frequently insure only the surviving (ILO, 2011). According to the international statistics, the unemployment among young people at world level increased with 3,4 million people during the period 2007 – 2012 and it is estimated that this trend will be kept in the future. Also, the same statistic indicates a diminution of the number of the young employees with about 22,9 million in 2012 than in 2008 (ILO, 2013a, b).

Economically, the unemployment among youngmen leads to an instability of the work market, to the increase of the costs with social assistance, to the erosion of the tax rate basis and to the unrecovered of the investment costs in education and professional formation.

Socially, the unemployment among young people is not only the problem of the respective unemployed, but it is also the problem of their families and of the society, generally. Failing in finding a job leads to the human capital disappreciation but also to the risk increase of some diseases like: malnutrition, stress, depression, and even cardiac problems (Msigwa1, Kipesha, 2013). There is also a considerable risk for the young unemployed people to be involved in law-breaking activities, fact that will keep them further away from the liquidated work market.

## **II. LITERATURE REVIEW**

The unemployment is a multidimensional concept that involves economic aspects, political and economic.

The unemployment analysis among youngmen presents differences within the specialty literature related to: the variable considered causalities, the sample of countries and the time horizon analyzed and, also, the statistic method of regression used.

One of the main variable causalities found in the specialty literature refers to changes of economic climate, changes in the population structure at the level of young and adult categories, reglementations concerning the work market and, also, the performance of the education and professional formation systems.

### **Demographic tendencies**

Making a synthesis of the aspects presented by the specialty systems concerning the impact of changes of the structure on ages categories of the population on the degree of occupancy among young people, it is obvious that the increase of the percentage of youngmen comparing to the sum of adult people has a negative aspect for the unemployment, for occupying the work force and the incomes among youngmen in a big number of countries (Korenman și Neumark, 2000). An increase in volume of the group of youngmen comparing to the group of adult people leads to an increase of unemployment, to the diminution of the work force occupancy and puts pressure on the incomes for the young employees.

### **The economic environment**

The unemployment among young people tends to be more sensitive at the economic cycles than the unemployment among adults, the number of unemployed youngmen tends to increase faster during the recession periods and to decrease, in the same way, during the periods of economic increase, than the number of unemployed adults. The most studies conclude the fact that the aggregated economic performance represents a decisive factor of the unemployment rate among youngmen. (Blanchflower și Freeman, 2000).

According to Contini (2010), the unemployment among youngmen represents a function of the macroeconomic conditions of a country, of the existent conditions within the work market, respectively, of the

existent regulations within the work market. The countries with increased rates of economic development offer the basis of creating new jobs and, so, at the possibility of fast assimilation of the work force disposable.

The countries with a low rhythm of economic development where the business environment doesn't encourage the start-ups present increased rates of unemployment among young people (ILO, 2011).

The study realized by Dimian (2011) investigates the performance of work market at the level of young population and their influence on the future development in the economic and social sphere within the countries from Central and East Europe. The undertaken analysis shows the fact that the dole and the rate taxes applied to the force market have impact on the unemployment rate registered at the level of the young population. Also, the study identifies that the countries which present increased percentages of young employees in the agriculture domain don't confront problems concerning the unemployment at the level of this population category.

Other empiric researches on the unemployment problem among youngmen also contain the study realized by Dimitrov (2012) who examines this aspect among the young population and some factors like the early school abandon, the weak quality of the educational system and the economic cycles which have represented the key determinants of the increased unemployment among young people. The study also shows that the social statute and the family historical have an important impact on the unemployment among young people. If both parents or one of them are part of these categories: unemployed people, inactive people, people with a low educational degree, people without qualification or abilities, people with low incomes, people who belong to ethnic groups, there is a bigger risk for their descendants to confront the same problem.

The study undertaken by Bruno & Cazes (1998) presents the unemployment situation in France. The study results indicate an increased rate of the unemployment among youngmen as a consequence of the specific conditions from the work market related to the general level of the economic activity. The study also shows that the lack of qualifications, the increased costs of the work force, the imbalanced competition among youngmen and adults for occupying a job, the disadvantaged salary system determine the aggravation of the unemployment problem among young people in France.

A comparative study related to the unemployment among youngmen realized in Germany and Great Britain also provides proves concerning the increased rates of the unemployment at the level of this population category. The study shows that the young women are in an disadvantaged position concerning a job finding, when in Great Britain the men are the disadvantaged ones (Isengard, 2003).

#### **The associated regulations of the work market**

A study undertaken by the Organization for Cooperation and Economic Development showed that the regulations for protecting the employees have a negative aspect on the absorption of the unemployees on the work market, especially of the young people. The study reveals the insignificant aspect of the protective measures on the unemployment on its whole, contrary, it seems that they have a significant aspect on the demographic structure of the unemployment, the unemployment rate among adults tends to be lower than the one registered among youngmen (OECD, 1999).

Generally, an increased degree of regulation for the employees' protection seems to be to the detriment of the youngmen in terms of the aspects which will be presented further.

First, the increased costs associated to an action of dismissal of the employees tend to discourage the economic workers in making hires during the periods of economic increase, because it will be too expensive to dismiss those employees if that economic trend will not be a tenable one for a long period. A protective legislation will force the employers to occupy the vacant jobs only with experienced employees. This aspect will surely disadvantage the young unemployees, as long as the employers do not have detailed information concerning their abilities and skills.

Concerning the regulation of the minimal salary, some studies based on economic models indicated the fact that establishing a minimal salary blocks the young workers' hiring (Neumark și Wascher, 2004). Pereira (2003) analyzed the strong increase of the minimal salaries for the youngmen aged between 18-19 years from Portugal in 1987 and he could show that this policy had a negative aspect on the degree of the work force occupancy among young people, comparing to the one registered among the adult population, aspect that indicates that the employers tend to replace the young employees with aged employees if a discriminatory policy is applied.

Concerning the active Policies regarding the work force occupancy, the studies presented in the specialty literature are not conclusive enough regarding their impact on the perspectives of the youngmen hiring (Heckman et al., 1999 and Kluve, 2006).

The sum of the public costs for the active Policies concerning the work force occupancy fluctuates very much in the countries from the euro area, but it seems that it has no influence on the relative efficiency of the policies from these countries.

Kluve (2006) interprets the empiric disposable proves, namely, the lack of some clear positive aspects regarding the youngmen occupancy, by the fact that the „youngmen seem to be, especially, difficult to assist”.

### **The educational system**

Concerning this aspect, one part of the specialty literature indicates the fact that the unemployment rate among young people weakly qualified tends to be bigger than the unemployment rate among the population having a superior qualification.

Other authors try to analyse the work market evolution taking into consideration the last decades, especially in Europe, from the perspective of the superqualification. This outlook indicates the fact that the number of qualified jobs didn't increase proportionally with the number of educated workers, and the workers with a high qualification must accept the jobs for which they are superqualified, or they must face the unemployment problem. They are in competition with the low qualified workers, and in an imperfect work market, the employees prefer more the qualified workers, even for a position with minimal qualification demands, fact that leads to the massive unemployment among the workers low qualified (Duncan și Hoffman, 1981).

According to the International Labor Organisation (ILO, 2011) the unemployment among youngmen is related to the age when the youngmen leave the educational system, respectively the microeconomic conditions and the business environment. When the age the youngmen leave the obligatory educational system does not coincide with the age youngmen can sign a work contract, this lack of correlation leads to the increase of the unemployment rate among youngmen.

### **III. CONCLUSIONS**

The human capital is considerate the most important resource both at the level of an economic organisation or a country. A category that should be taken into consideration is that of the young population, to whom the society and the state must ensure the basis of a successful start in building a career. Although, the unemployment problem persists in the developed and under-developed countries. The causes have a different nature and action in a different way related to the specific circumstances of each country or area. The specialists remark the fact that a youngman's failure in finding a job can have negative consequences on the fellow, on his family and also on the economy, generally. Failing in finding a job leads to the human capital undervaluation but also to the risk increase of developing some diseases like: malnutrition, stress, depression and even cardiac problems. Also, there is a considerable risk for the young people to be involved in law-breaking activities, fact that will keep them further away from the regulated work market.

The analysis of the unemployment problem among young people presents differences within the specialty literature related to: the variable considerate causalities, the sample of countries and the time horizon analysed and, also, the statistic method of regression used.

One of the main variable causalities found in the specialty literature refers to changes of economic climate, changes in the population structure at the level of young and adult categories, regulations concerning the work market and, also, the performance of the education and professional formation systems.

The authors who analyzed the unemployment problem among young people indicated the fact that an increase of the youngmen percentage determines an unemployment increase, the diminution of the work force occupancy and puts pressure on the salaries for the young employees.

The economic environment has a significant influence on the unemployment rate fluctuation among young people. Considering the young generation, it could be observed that their sensitivity in facing the macroeconomic conditions is higher than in the case of the unemployment rate determined for the adult population.

Concerning the regulations associated to the work market, the experience of different countries highlighted the fact that the legislative measures that impose certain standards on the work costs for the young population don't succeed in accomplishing their goal, even more, sometimes, they discourage the economic organizations in hiring young people.

The issue of the influence exercised by the educational system on the hiring perspectives of the young population was also studied and presented by the speciality literature. There are presented both the perspective of the weak preparation offered by the educational system to the youngmen and the perspective of their superqualification. In both situations, there is a lack of correlation between the necessities existent on the labor market and the abilities and the knowledge offered by the educational system.

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