Youth labor market vulnerabilities: characteristics, dimensions and costs

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Abstract

In the European Union, young people are, according to Eurostat statistics, one-fifth of the total population. Even if modern Europe offers unprecedented opportunities for young people, they face challenges (aggravated by the economic crisis) related to the education and training systems and to labor market access. Youth unemployment is very high, 22.1% in 2012, while the rate of NEET young people reached 13.1% in the same year. Recently, youth labor markets in Europe recorded an increased number of fixed-term employment or temporary contracts and the tendency to change jobs several times during active life. These phenomena weaken the relationship between employers and employees. The concept of employment vulnerability can be used to describe these relationships. This paper presents a brief characterization of the European Union labor market and an analysis of the features of youth labor market in Romania. It analyzes the structure, education and gender composition of NEET groups before the crisis and its impact, and it estimates, for the NEET population, the economic costs of non-integration in the labor market or in the education system supported by various European countries.

Keywords: employment vulnerability, NEET rates, youth unemployment, economic costs;

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1. Introduction

In Europe, the 94 million Europeans between the ages of 15 and 29 years old, face not only the traditional challenges that start with them own adult life’s, but also with the fact that they will live in an era of globalization and will have to face responsibility of an aging population. In 2012 only 20.4% of young people were employed (achieved professionally), this being the lowest figure ever recorded by Eurostat statistics.

Unemployment among young people with age less than 25 years old is very high, standing for 22.1% in 2012, increasing by 0.8 pp compared with 2011 (when the unemployment rate reached 12.9%). In this context the employment objective of 75% for the population aged 20-64 years old in the "Europe 2020" strategy requires the improvement of measures/ transition pathways of young people to the labour market.

The issue of social inclusion of young people was always present on the political agendas but only in the last two decades has seen a particular emphasis Thus since 1988, several specific programmes, where put in place for young people such as "Youth for Europe". The first strategic document dedicated to young people named "The White Paper on Youth" was released in 2001. This document aim was to propose for collaboration among the States Member of European Union towards prioritization of some sectors, namely: participation, information, voluntary work, understanding and knowledge of youth.

Between 2010 and 2018, the directions of European action in the field of youth were collected in a strategically document "Youth-Empowerment and Investment" ("EU Strategy for Youth-Investing and Empowering. A renewed open method of coordination to address youth challenges and opportunities"), which concerns policies relating young people in Europe in terms of education, employment, social inclusion, civic participation, entrepreneurship, etc. Due to the fact that the relationship between economic growth and the number of young people without a job, there is inversely proportional, inversely in periods of recession when young people are particularly vulnerable. More often, their the first to redundant and last to enter back in the labour market ( get employed). They face a strong competition with people looking for job having a higher professional experience on a market that offer fewer employment opportunities.

Statistics provided by the various international institutions regarding the participation of young people's on labour market, do not accurately reflect their situation because many of them are students and are not considered as of part the labour force. Therefore it can be said that traditional indicators of participation in the labour market have limited relevance in the case of young people.

An indicator which tries to capture young people's participation in the labour market is the one known as "NEET (not in employment, education or training). Classified NEET young people refers to persons aged between 15 and 24 years old, regardless of the level of education are not employed and they don’t follow any educational program either, therefore are exposed to a higher risk of social exclusion and labour market also. NEET appeared for the first time in UK in the late 1980s, and was an alternative name of young person’s category, as a result of some changes in policy regarding unemployment benefits. Since then, there have been written definitions equivalent to NEET in almost all Member States.

According to the latest estimates by Eurostat, in 2012, the percentage of young people, at EU-27 level, who are not employed and does not follow any programme of education or training rose from 13.1% among the population between 15 and 24 years to 12.8% of the population between 25-29 years. From one Member State to another, this percentage varies considerably: from 4.3% in the Netherlands to 21.5% in Bulgaria and Italy, 21.1% for youth between 15-24 years old. In Romania, 16.8% of people between 15 and 24 years of age are classified NEET. In the "World of Work Report 2010: Making markets work for jobs" carried out by the International Labour Organization of the United Nations shows that "Austerity has not generated more economic growth. Poorly designed reforms for labour market won't work either in the short term. In times of crisis such reforms tend to lead to a higher unemployment rate and very few jobs are created, this at least in the short term" (Raymond Torres, director of the Institute for international studies within the ILO and one of the authors of the report).

2. Characteristics of youth labor market in Romania from a European context

The 56,953 millions of young people from 15 to 24 years old in the EU-27, together with the 33,349 million between 25 and 29 years old are an immense/tremendous resource for society. Most Member States now face growing challenges in absorption and integration of young people into education systems and labour markets.
The analyses carried out by ILO, highlights that the number of young unemployed will not decrease until the year 2016, at least. It is expected that an additional pressure would stress on the rate of unemployment, at the time when those who extended the period of study, due to the limited prospects of finding a job, will eventually enter the labour market.

In 2012, the employment rate of young people in EU-27 was 32.9%, slumping 4.4 pp. compared to 2007. At Member State level, this ratio ranges from 13.1% in Greece to 63.3% in the Netherlands (Figure 1).

The economic recession had the effect of also the decreasing rate of young women employment more than young men at the same age. In Romania this process was much more sharply than in other EU Member States, or the EU-27 average. Therefore, in 2012 the gap between the employment rate of women and men in Romania was 2.1 pp for the age group of 15 to 19 years old and 11 pp for the age group from 20 to 24 years old (Figure 2).

One of the problems facing Romania is continuing aging population and that stress the social security system, pension fund but also the educational system. The highest level of unemployment among young people is recorded with those in secondary-school studies (92996 people in 2012) and in the last two years the graduates of secondary studies (34718 people are slightly decreasing from 5836 persons in 2011).
2.1. General characteristics of young people NEET

An active labour force market is described by following indicators: the employed and unemployed rate. These indicators provide information of people that currently work or there are active but they are in search for a job. However, basic unemployment and employment statistics do not adequately capture the issue for young people, as those who are students are classified as being out of the labour force.

In the current conjuncture integrating young people in society can no longer follow the traditional linear model and hence it is replaced with diversified and individualized trajectories from school to the workplace. They make traditional approaches with regard to the analysis of the position of vulnerable young people on the labour market may no longer be effective many of these transitions are not captured by conventional indicators of the labour market.

In this context, national and international authorities, researchers have begun to use alternative concepts and indicators that can be achieved by an analysis of the relevant situation of young people on the labour market. For people aged between 15 and 24 years of age, regardless of education level, not employed and does not follow any educational program and therefore are exposed to a higher risk of social exclusion and labour market concept has been developed "NEET (not in employment, education or training). This concept appeared for the first time in 1980 in the United Kingdom. Gradually, interest in NEET category has risen to the level of EU policies, and thus the term is mentioned explicitly in the Europe 2020 Agenda, as well as to the 2012 Employment Package 'Towards a job-rich recovery' (European Commission, 2012).

According to the latest estimates by Eurostat, in 2012, the percentage of young people who are not employed and does not follow any educational programme or training, rose at 13.1% among population between 15 and 24 years old in EU-27 and 9.8% of the population from 15 to 29 years old (Figure 3). This percentage varies significantly from one Member State to another: from 4.3% in the Netherlands to 21.5% in Bulgaria (group age 15-24). With the exception of Germany, Romania, Bulgaria, Austria, the United Kingdom, Lithuania and Latvia, which showed in 2012 a slight reduction in the NEET category whereas in the other Member States there has been an increase (Figure 3). Therefore in 2012 Greece and Slovenia population has increased by more than 2 pp in this category (Figure 3), in Hungary, Cyprus, Portugal, Italy, Luxembourg and Portugal the values went up between 1 and 2 pp, and in other Member States the percentage were less than 1 pp.

Analysis of the evolution of NEET rate in Romania compared to that recorded at EU-27 level show that between 2002 and the onset of the crisis had a tendency to discount. If the difference for NEET young people in Romania rate was 5.3 pp in 2002 this has been reduced to 2.2 pp in 2012. In Romania, the rate of young NEET had decreased from 21.6% in 2002 to 11.6% in 2008 and rose at 17.4% in 2011 (Figure 4).
The recession has most affect the young population and NEET rates begun to rise again. From the beginning of recession, the NEET rates increased in all Member States, except for Austria, Germany and Luxembourg. While in 2002 the average rate was 11.6% for men and 14.4% women in EU-27 and 19.8% 23.9% for men respectively women in Romania, the gender gap has diminished during the considered period, in 2012 was 0.6% in the EU-27 and 3.5% in Romania.

Regardless of their level of education, young people, in certain situations may be categorized in NEET. The analyses carried out at the European Union level, shows that young people with a lower education level are overrepresented in the NEET group. NEET population structure (in terms of the level of preparedness of young people aged 15 to 24 years), differ significantly from one Member State to another. If in countries like Spain and Portugal, young people with a lower education level represents about 70% of total population whereas in countries like Denmark, the Netherlands, Germany, Austria, Bulgaria, Romania and Italy most of the NEET population have a lower level of education than the average. In others, such as Cyprus, United Kingdom, Greece, Belgium, Ireland and Luxembourg more than 10% of the population are NEET graduates of higher education.

Appearance, size and structure of NEET young category are generated by a number of factors such as social, economic, personal and family related. The literature suggests that there are two principal risk factors relating to vulnerable NEET status: disadvantage and disaffection.

Data provided by the European values survey (European Values Survey, the EVS) in 2008, carried out at large-scale, transnational and the longitudinal basic human values, have revealed a number of factors that are determinants for youngsters in increasing probabilities of going into NEET category. Among these may be mentioned: immigration, low level of education, residency areas, health problems and disabilities, low household income, family situation (parents who were unemployed, parents with low levels of education, divorced parents, etc.).

3. Economic cost of NEETs

NEET status represents the way a young potential leak with negative consequences upon them, but also of society and the economy. Extension of the period of being NEET category can have negative consequences, both at the individual level, isolation, being engaged in unsafe conditions and low wages, criminality and problems of physical and mental health, not being able to establish a family or divorce, etc., as well as for society.

The calculation of such costs is complex because of the parameters which determine, but insufficient or sometimes lack the necessary data to measure these costs. Attempts to estimate the costs of NEET young people were made by Godfrey (et al., 2002). They developed a methodology to estimation the cost for the NEET category using data on their impact on public finances (taking into account the social assistance systems-unemployment benefit, child benefit, child benefit, housing allowances and other study benefits-related costs and
other health, social and legal assistance in criminal matters). Most of the times the annual calculation of the costs incurred by NEET status is calculated by adding up the costs in terms of resources (the lost earnings) and costs covered by public finance (money transfer).

Another method for determining the total cost of the NEET people is the multiplication of unit labour costs for a person with total number of NEET people, approach that is nonetheless quite inaccurate because it does not take account of NEET group that is defined by a series of specific features. If using the statistical method of "Comparing the propensity index" then each NEET is compared to a young professional set with the highest degree of comparability based on a set of characteristics that explain the status of the person NEET.

The estimation made by the European Foundation for the Improvement of Living and Working Conditions, for 21 countries in 2008, revealed that, the lack of participation of NEET persons on the labour market leads to annual costs of companies for about 100 billion euro, which represents 1% of the GDP on aggregate level. At country level the largest annual expenditure, expressed in euro, are made by Italy (26 billion euro) and the UK (16 billion euro). Regarding the cost generated by NEET category, as a percentage of GDP, Bulgaria is in first place with 2.36% of GDP, followed by Greece and Ireland (both with 1.74% of GDP), Cyprus (1.65%) and Italy (1.60%). The lowest cost is generated by NEET people from Luxembourg (0.30%), Denmark (0.33%), Sweden (0.36%) and the Netherlands. In Romania, the cost generated by NEET category as a percentage of GDP is 0.6% (figura5).

![Cost of NEETs in 2011](image)

Data Source: NEETs Young people not in employment, education or training: Characteristics, costs and policy responses in Europe, European Foundation for the Improvement of Living and Working Conditions, 2012, pp.79, www

Fig. 5 Cost of NEETs in 2011

If these costs would add additional costs related to health, criminal justice and unpaid taxes applied to lost earnings, lack of housing, then the real costs generated by NEET would be much higher. The results of estimations made by the European Foundation for the Improvement of Living and Working Conditions shows that reintegration on the labour market of only 10% of NEET would generate an annual savings of more than 10 billion euro and this amount would increase to 21 billion euro if the labour market could absorb 20% of the NEET category.

The economic recession has led to an increase in NEET’s and hence the costs associated with it. Thus, the weekly economic loss in Europe increased from € 2.3 billion in 2008 to almost € 3 billion in 2011. This amount corresponds to an annual loss of € 153 billion in 2011. It represents the cost to the economy of not being able to re-engage young people into the labour market. The cost of NEETs in 2011 was almost € 34 billion higher than it was in 2008, a relative increase of almost 28 percentage points. As a share of GDP, the economic loss due to the non-participation of young people in the labour market, at European level, increased from 0.96% in 2007 to 1.21% in 2011.
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Conclusions

Studies carried out by various international bodies have highlighted the fact that the young NEET means a heterogeneous group. Common characteristics and vulnerabilities of this group have led to the introduction of the issues and were brought in the center of debate on European policy, and last but not least in the "Europe 2020" agenda.

Similarities and differences in the NEETs population can be found across and between EU Member. European statistics indicates that the average rate of NEET among women is higher than among men and also on young people with a low level of education. From the NEET total population at the EU-27 level, about half are registered as unemployed and half as inactive. NEET population composition differs from one Member State to another one. Identification and analysis of risk factors generating NEET population flows is essential for adopting measures to reduce this phenomenon.

For young people, increasing the period of being NEET status can have serious consequences for the individual as well as collective that are both short-term and long-term. These can be financial nature, but also of a social nature: isolation, involvement in an unstable behaviour linked to risk of physically and psychologically.

The evaluation of economic costs with NEET population is a complex exercise, particularly when they are carried out at European level. For 2011, NEET population cost was estimated at 153 billion euro, representing more than 1.2% of GDP at the European level. Today, many Member States are confronted with pressures on public expenditure, demands for accountability, and ever-rising NEET and youth unemployment rates. At the same time, it is necessary to have comprehensive knowledge about the size and characteristics of the NEET population, and about the dramatic consequences of NEET status for the individual and for the society.

References