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Youth unemployment - current trend in the labour market?

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Abstract

The problem of youth unemployment is a global issue. It is important to deeper examine the issues of youth unemployment, because it has high extent to the social factor. High unemployment means a waste of limited resources and decelerates the long run growth potential of an economy in the result of lower incomes, hence lower aggregate demand and GDP growth rates. The aim of this paper is to clarify the dimensions of the youth unemployment problem by analysing the unemployment in the EU countries. Findings prove, that be employed does not mean that young people have jobs corresponding their qualifications.

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1. Introduction

The global financial and economic crisis influenced young people and their position in labour market around the world. Since slow recovery which began in 2010, many young people have been trying to find a job and are now threatened by risk of prolonged periods of joblessness and exclusion. According Scarpetta (2012) investing in youth to give them a fair chance in the world of work is more than ever a key policy priority in all countries Those who remain unemployed, have a problem to acquire their own housing, be independent and become dependent on government transfers, or illegal work.

Status unemployed can be an incentive for work abroad; often it can be a well-educated people who are not in domestic market sufficiently high valuation. Depressed economic environment and associated impact on workforce have in a great measure increased the needs and demands of learners to retool their capabilities, acquire

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new competencies and align knowledge to the emerging new economy to avoid being laid off (Chițiba, 2012). In Europe, the proportion of employed youth involved in non-standard jobs is increasing, including temporary employment and part-time work, and evidence shows that a significant part of the increase is involuntary rather than by choice (ILO, 2013). According (Maciaszczyk, 2014-I) we have to count also preferences, hierarchy of expectations, determinants of handicapped young people.

Potential reason can be work experience as important competitive advantages in job searching. In practice, requirement of work experience constitute an obstacle for many young people, because they are unable to obtain work experience and simultaneously they cannot find a job because of lack of work experience.

2. Labour market in context of youth unemployment

As mentioned above, there are several reasons for youth unemployment: besides the general situation on the labour market, important factor are an education and training systems, labour market and employment policies, but also the stratification and distribution of opportunities in society according to Dietrich (2012). Regional differences in the rate of youth unemployment are increasing significantly. There are also professional differences as stressed by (Hakelová, Csikósová, & Antořová, 2010). This could pose, according to European Council (2013), a serious threat to social cohesion and increase the risk of political instability.

In analysis of European Council (2013) youth unemployment rate represents the percentage of the unemployed in the age group 15 to 24 years old compared to the total labour force in that age group. From Figure 1. is remarkable that people between 15 and 24 years belong to the most vulnerable groups in our society, as they are either newcomers to the labour market or their foothold in the labour market is recent and not very consolidated.



Figure 1. The comparison of youth unemployment rate and unemployment rate in 2013 (%)

Source: Eurostat

In 2013, the youth unemployment rate reached 23.4% in the EU 28. As we may see in Table 1., the significant disparities exists among member states. The lowest youth unemployment rate was in Germany (7.9%) and the highest in Greece (58.3%) and Spain (55.5 %). However, there are significant variations across countries and some countries are showing positive results. The youth unemployment rate was below 10 per cent in two countries: Germany and Austria (9.2%). As for relation between youth unemployment rate and unemployment rate, youth unemployment rate achieves higher level than overall unemployment rate, mainly in case of countries with really high unemployment.

According Munthe, McKnight (2013) despite the implications of crisis, there are over 2 million unfilled vacancies in the EU and based on the differences in unemployment rates, it is also interesting to look at employment possibilities for surveyed countries. When we compare total stocks of young unemployed (YUE) for selected European countries with stocks of free job vacancies (V), we obtain an Youth Unemployed - Vacancies Ratio (YUEVR), i.e. a number of young unemployed persons corresponding to single job vacancy.

On cue, the countries with the highest youth unemployment rate have also the highest YUEVR (Cyprus, Portugal, Spain and Croatia). In case of Cyprus, up-to fifteen young people without work appertain on one job vacancy. In countries with high youth unemployment rates as well as high YUEVR are mirroring the overall unfavourable economic situation on the labour market.

Table 1. Youth Unemployed - Vacancies Ratio

	BE	BG	CZ	DE	EE	ES	HR	CY	LV	LU	NL	AT	PL	PT	RO	SI	SK	FI	SE	UK
YUEVR	1	5	2	0	2	10	8	15	6	1	2	1	9	12	6	3	5	2	3	2

Source: Own Calculations, Eurostat

Note: Data for DK, IE, EL, FR, IT, LT, HU and MT was not available.

2.1. Youth unemployment and business cycle

The relationship between the business cycle and youth unemployment in general is well explored at the macro level; in what follows the effect of the last recession on youth unemployment is in focus. Various studies from Blanchflower, Freeman 2000) or Jimeneo, Rodriguez-Palenzuela (2002) or OECD (2006) in Dietrich (2012) confirm sensitively relationship between youth unemployment with business cycle than adult unemployment; The correlation coefficient allows us to simply identify the strength of the linear relationship between business cycle and youth unemployment. The business cycle is measured by GDP growth.

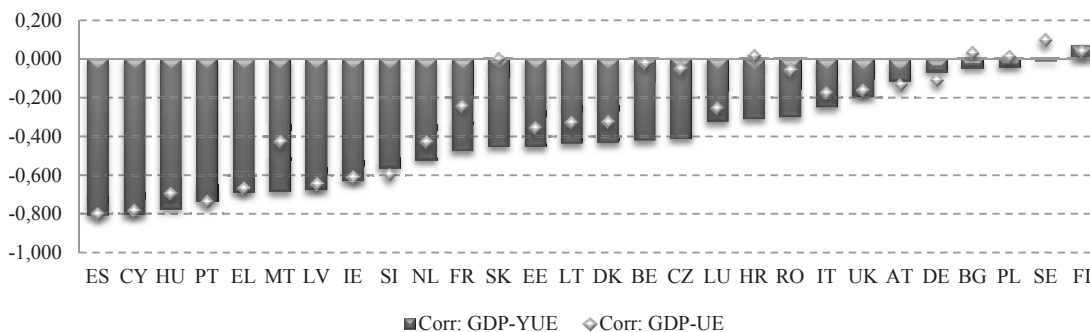


Figure 2. Correlation coefficient between GDP growth and youth unemployment rate (time series: 2000-2013)

Source: Eurostat

As we can be seen on the Figure 2, correlation coefficients between GDP growth and youth unemployment rate report differences. A few countries such as Spain, Cyprus, Hungary and Portugal reported a strong negative correlation with value of correlation coefficient more than -0.700. Correlation coefficients of Malta, Latvia, Ireland, Slovenia and Netherland indicate a moderate negative correlation (value between -0.700 and -0.500). Moreover, there is weak downhill correlation in case of nine countries, namely France, Slovakia, Estonia, Lithuania, Denmark, Belgium, Czech Republic, Luxembourg and Croatia. When we compare the strength of correlations of GDP-YUE with correlation of GDP-UE, 80% of results account stronger relationship in case of GDP and youth unemployment. Youth unemployment responds more sensitively to business cycle conditions than adult unemployment. We show youth unemployment data from selected EU countries in Figure 1.

2.2. Youth unemployment and an educational attainment

In order to get a better view at the youth unemployment, we analyse youth unemployment rate in regard to an educational attainment level. Education and training systems are according to ILO (2013) key determinants of youth employment outcomes: they can provide young people with the right skills and attitudes to prepare them for the world of work and, therefore, facilitate the school-to-work transition.

A college education is an important investment that helps people build their skills and prepare for high-skilled jobs. According (Antošová, 2010) historically, those who have made this investment have received a substantial economic benefit that lasts over their lifetime. However, Abel, Deitz, Su (2014) underline the onset of the Great Recession and the sluggish labour market recovery that has ensued, there have been widespread reports of newly minted college graduates who are unsuccessful at finding jobs suited to their level of education (Every fifth young man in the labour market is unable to find a job. In addition, the labour market is unable to absorb an annual inflow

of fresh graduates. Youth unemployment statistics reflect the lack of prepared graduates for labour market entry and for meeting the requirements of employers. According (Maciaszczyk, 2014-II) there is also significant number of handicapped youth. Therefore, the issue of youth unemployment is necessary to solve a number of levels; starting with the suitable legislative amendment, appropriate contents of education, intersectoral cooperation and dialogue with employers. According Spišáková, Tkáčová (2013) the process of enhancing higher education is legislatively very challenging and requires the support of all privies to achieve a guarantee of quality and consistency across the European Union.

Table 2. Youth unemployment by educational attainment level

Year	Less than primary, primary and lower secondary (levels 0-2)			Upper secondary and post-secondary non-tertiary (levels 3 and 4)			Short-cycle tertiary, bachelor or equivalent, master or equivalent and doctoral or equivalent (levels 5-8)		
	2000	2008	2013	2000	2008	2013	2000	2008	2013
CY	11.9	9.2	46.2	11.0	8.3	36.3	:	10.1	39.3
EL	24.1	19.0	59.3	31.8	23.0	60.9	29.4	23.7	48.3
ES	24.6	29.7	62.6	25.7	19.3	51.2	26.6	15.7	43.6
HR	:	32.5	76.1	:	20.6	47.1	:	29.8	61.1
IT	31.7	23.3	45.5	31.7	19.9	38.0	25.8	23.8	31.8
PT	8.2	15.8	40.2	8.4	14.3	35.5	:	27.3	37.6
SK	77.2	62.5	58.1	35.0	14.6	30.8	26.4	15.5	30.8

Source: Eurostat

In Table 2. we compared youth unemployment rate by educational attainment level for seven countries with the highest YUE rate (see also Figure 1.). Here we can see an increase in 2013 of educational attainment levels 3-8 for all selected. When we compare year 2008 and 2013 the most conspicuous changes are identified for level 0-2. Cyprus, Greece, Spain and Croatia observed more than 30.0 % growth. As for Slovakia, there is a decrease of unemployed youth with less than primary, primary and lower secondary education in 2008 and also 2013. Nevertheless, still up-to 50.8% of unemployed young people has lower education attainment. Among the surveyed countries, Greece has the highest share of young people with third and fourth level of education (60.9%) and Croatia shows the highest share of young people with higher education attainment at levels 5-8 (61.1%). In 2013, six from seven selected countries account the highest percentage of young unemployed people with less than primary, primary and lower secondary (levels 0-2).

2.3. Youth unemployment and types of labour contracts

Some factors tend to penalise youth even in good times. Increasing number of youth is employed in non-standard jobs, including temporary and part-time work. Non-standard job may be beneficial to employees if this work reflects preferences to combine work with other activities including study or care work. We show figures of part-time employments as percentage of the total employment of young people from several EU countries in Figure 3.

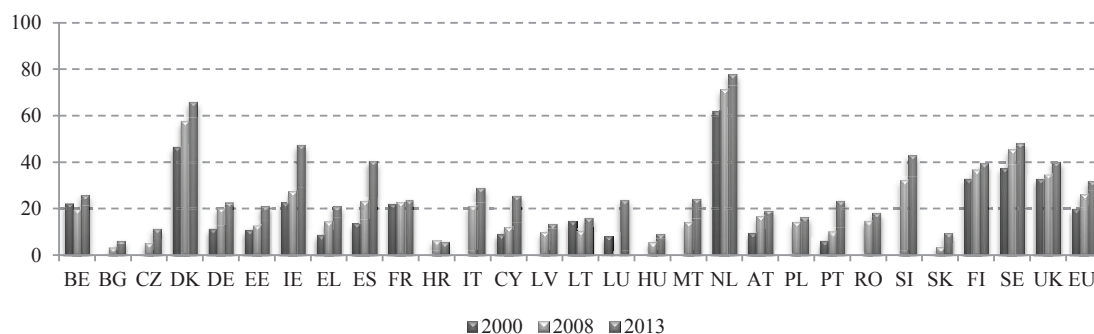


Figure 3 Part-time employments as percentage of the total employment for young people Source: Eurostat

According ILO (2013) demand for non-standard work may be caused by the need of companies to regulate the size of their workforce in accordance with the business cycle or to deal with peaks in demand during the weekends or after regular working hours. On the other hand; these non-standard jobs tend to be less stable and secure.

In 2000, the percentage range was from 5.9% in Portugal to 61.90% in Netherland. Moreover in 2008, the percentage of part-time employment of the total youth employment moved from 3.20% in Bulgaria to 71.20% in Netherlands. Besides Croatia, in case of all countries we observe an increase in 2013. As we see, the Netherland accounts the highest value for each surveyed year; in 2013 it was even on level of 77.60%. This result means that there is a low youth unemployment rate in the Netherlands, but majority of employed young people work on part-time.

Youth are over-represented among workers on temporary contracts. And while for many these contracts are stepping stones into permanent jobs according to Scarpeta, Sonnet, Manfredi (2010), for others they tend to be dead ends. Persons employed on temporary contracts have less access to training and participation in the long-term development of competence than employees with permanent contracts. According to Goudswaard, Andries, (2002) temporary workers also have less control over the order of tasks, work pace and working methods, have lower requirements for job and are less aware of the risks at work.

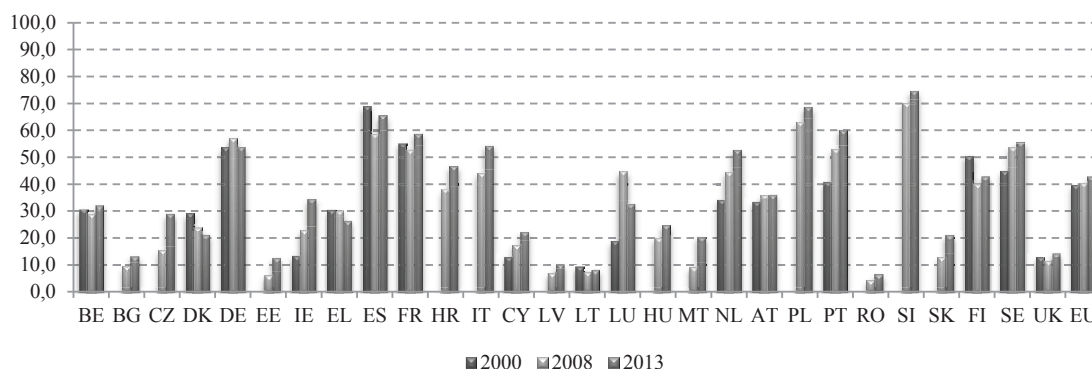


Figure 4 Young temporary employees as percentage of the total number of employees
Source: Eurostat

The incidence of temporary contracts differs a lot across countries. In Figure 4, we provide data of young temporary employees as percentage of the total number of employees. In 2013, at least half of all young workers have a temporary contract in Germany, Spain, France, Italy, Netherland, Poland, Portugal, Slovenia and Sweden. When we compare values in 2008 and 2013, the largest increase about 13.60% was in Czech Republic and the largest decrease is observed in Luxembourg (-12.20%). Moreover, the proportion of young temporary employees falls to 20% or less in Bulgaria, Estonia, Latvia, Lithuania and Romania.

Reducing the gap between regulations for temporary and permanent contracts should contribute to promote the smoother transition of newcomers, including youth, from entry jobs with short duration to more stable jobs that offer a good career prospect. Scarpeta, Sonnet, Manfredi (2010) stated that securing the school-to-work transition should go hand-in hand with lowering the cost of employing low-skilled youth in their first job.

3. Conclusion

This paper presents an overview of the current situation of youth on labour markets. It points to disparities among youth labour markets of member states of EU. From the analysis is obvious, that Greece, Spain, Croatia, Italy, Cyprus, Portugal and Slovakia are the most affected by this issue. In case of Cyprus and Spain, more than ten young people without work appertain on one job vacation. The comparison of educational attainment verifies the highest share of unemployed youth with less than primary, primary and lower secondary education. In addition, we analysed and confirm relationship of youth unemployment rate and business cycle. Through analysis of persons involved in part-time and temporary job contracts, we ascertained that a significant percentage of employed young people have

a non-standard and less stable work. Unfavourable current situation call for higher attention of related countries and execution of steps for imbalances eliminating that nowadays characterise youth labour markets in EU. Therefore it is necessary that this issue be subjected to further research.

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