

YOUTH UNEMPLOYMENT IN EUROPE: CAUSES AND SOLUTIONS

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Abstract: Globally, 73 million youth are registered unemployed. Considering how many aren't registered, this number is actually much higher. 620 million are currently not in employment, education or training (NEET), according to the World Bank. Meanwhile, with 600 million young are about to enter the job market in the next decade – with only 200 million jobs awaiting them – the youth unemployment crisis is not projected to improve anytime soon.

To tackle this problem on a sustainable basis, a task force on youth unemployment must be established at a very high level. For better understanding of the determinants of youth unemployment in Europe it is not only relevant to focus on traditional macroeconomic variables, but it is also important to consider different structural and institutional factors. Hence, main empirical results from different researchers suggest that youth unemployment in the EU is more pronounced in countries with poor GDP growth, low share of construction and high public debt. Low share of temporary employment and high perceived corruption also matter. Less mobility due to homeownership, high remittances from abroad, low work intensity of other household members or less possibilities for young people to live outside parental homes are also meaningful, at least for EU countries with comparatively high youth unemployment rates.

The financial crisis that erupted in 2007 and 2008, followed by a Great Recession in 2008 and 2009, hit some European countries more than others. Countries such as Greece, Croatia or Spain experienced the strongest and the longest setback, whereas countries such as Germany recovered very quickly. The consequences of the recession are strongly demonstrated on the labour markets of European countries. Regardless of the overall unfavourable economic conditions, some groups of the population have been hit by the recession much more than the others. Among them, young people are particularly affected, which is evidenced in high rates and long-term unemployment ever since the beginning of the crisis in many European countries.

Keywords: youth unemployment, sustainable solution, structural and institutional factors.

1. INTRODUCTION

Youth unemployment is a growing problem that has significant long-term consequences for individuals, communities, economies and societies. In the last decade, young people's transitions from school to work have become longer, more complex and more turbulent (Schoon & Silberstein, 2009). The current and long-standing economic situation has raised new questions concerning the adaptation of public policies, as well as the adaptability of citizens, particularly young people who are among the most vulnerable groups. Turbulent economies and fast-changing political and social structures are bearing down heavily on young people, governments, communities and employers.

2. YOUTH UNEMPLOYMENT CAUSES

Although youth unemployment rate is generally higher than the overall unemployment rate, even in periods of economic growth, after the outbreak of the crisis, youth unemployment rate has been growing more rapidly than the overall rate. On average, the unemployment rate for the population aged 15-24 increased by 6.6 percentage points between 2008 and 2014 (from 15.6 to 22.2 percent) in the EU as a whole, whereas the "adult" (25-64) unemployment rate increased by merely 3.1 percentage points, amounting to 9.1 percent in 2014.⁵⁶

⁵⁶ official Eurostat data

Risk of unemployment for youths is typically higher than for adults for several different reasons. These include the lack of work experience, relatively short or incomplete education, greater instability of the contractual relationship, and fewer contacts for job search. There is also a problem of difficult transition from education to the world of work due to skills mismatch. All this can cause long-lasting negative effects for the youth population, or indirect costs for the unemployed individuals, in the form of the so-called "scarring effect" (Scarpetta et al., 2010; Bell and Blanchflower, 2011; Eichhorst et al., 2013a). Nevertheless, not only does high youth unemployment cause costs for individuals, but it can also bring costs for the society as a whole (Eichhorst et al., 2013a; O'Higgins, 2015). These come in the form of reduced efficiency of investment in education and training, shrinking taxation base, higher welfare costs, but also in the form of possible protests or social unrests and the so-called "brain drain" or emigration of highly skilled young people which reduces future potential economic growth in a specific country. Therefore, it is no surprise that youth unemployment is highlighted as one of the most pressing problems of the European society nowadays. The problem of youth unemployment can be tackled at different levels and in different ways.

2.1. Financial crisis

After the start of the recent recession there have been many studies investigating the size and the scope of high youth unemployment in different EU countries (Chung et al., 2012; ILO, 2012a; Eichhorst et al., 2013a; Caporale and Gil-Alana, 2014; Eurofound, 2014; Dolado, 2015). Choudhry et al. (2012) evaluate the impact of financial crises on youth unemployment rate in the period 1980-2005 and conclude that financial crises have an impact on youth unemployment rates that goes beyond the impact resulting from GDP changes, as well as that the effect on the youth unemployment rate is greater than the effect on overall unemployment. Though the current youth unemployment crisis was not caused by the financial crisis alone, the recession just made existing problems in labour markets, education systems and other structures worse.

Greece and Spain, for example, were experiencing high youth unemployment years before the financial downturn, and a sudden surging of economies wouldn't be enough to put the 74 million unemployed young people to work. Furthermore, the youth unemployment rate is two to three times higher than the adult rate no matter the economic climate. The recession did, however, affect the quality and security of jobs available to young people. Temporary positions, part-time work, zero-hour contracts and other precarious job paths are often the only way young people can earn money or gain experience these days.

2.2. Skills mismatch

A mismatch occurs when workers do not comply with the skills needed to carry out a job. Such skills can be technical (also called cognitive, such as knowledge and expertise on a specific field or trade) and non-technical skills (also called non-cognitive or soft skills, such as negotiation, how to access social networks, how to influence and persuade, how to perceive and listen to other). While both types of skills are crucial for employers, better access and quality of education have yielded a growing number of youth with relevant knowledge and technical skills.

The skills mismatch is a youth unemployment cause that affects young people everywhere. There are millions of young people out of school and ready to work, but businesses need skills these young people never got. Young people end up experiencing a difficult school-to-work transition, and businesses are unable to find suitable candidates for their positions.

Even though Europe is currently struggling to overcome high levels of unemployment, some employers in some sectors are reporting skill shortages. EU enterprises are expected to face a growing number of hard-to-fill vacancies due to adverse demographic trends in most economies. Shortages, unemployment and skill mismatch have negative financial and non-monetary consequences for employers, individuals, and society as a whole. Europe faces a double challenge: to overcome the current economic situation, by creating new jobs to reduce unemployment and social exclusion, but also to develop solutions to reduce skill mismatch on the labour market. While it is acknowledged that tackling skill mismatch cannot, by itself, be a solution to the high rates of (youth) unemployment that Europe currently faces, it is nonetheless a critical part of the equation.

The main contributions from education and training to combatting skill shortages are guiding students to professions where their skills are needed, reforming qualification standards, and adapting curricula in cooperation with employers (or their representatives). Consistency is required between the labour market (and skill shortages) and the choices made by students. This may be achieved by supporting more direct contact between schools and students on the one hand and the social partners on the other. This means not only offering the students self-service systems, but also accompanying them with personal counseling to ensure that they can find and use the information they need and to enable informed career choices. At the same time, reducing early school leaving may be linked with skill shortages, for instance by redirecting early school leavers toward training with a favorable labour market

perspective. On the demand side of the labour market, schools should (try to) get direct feedback from the business environment, to adapt the training they provide to the latest skill needs of the local/regional labour market; for that reason schools have to be part of the relevant networks.

Similarly, young people who have advanced degrees find themselves overqualified for their jobs, and many young people are also underemployed, meaning they work fewer hours than they would prefer. There is an economic as well as a personal cost here: young people are not being allowed to work to their full potential.

2.3. Lack of entrepreneurship and lifeskills education

While the exact cause of the skills mismatch is difficult to pin down, it's a combination of school curriculums neglecting vocational, entrepreneurial and employability training in favour of more traditional academics, poor connections between the private sector and schools to promote training and work experience and a lack of instruction in how to harness lifeskills most students already have.

Encouraging entrepreneurship is particularly important to face challenges related to alarmingly high youth unemployment rates in most of the EU Member States. Entrepreneurship and self-employment offer pathways for young people to emerge from unemployment. Personal development requires the ability to set personal goals, and the know-how to attain them. This is what entrepreneurial learning for young people is all about. Alongside finding out how to start a business, they acquire practical skills and positive attitudes: greater awareness of society, a sharpened appetite for active engagement, new competences and confidence to play a part. Formal qualifications do not always help young people when it comes to solving problems, rising to challenges, assessing opportunities or taking risks. Even managing a small project can be a real achievement for someone who has never before faced such a challenge. And opportunities for networking can open the eyes of young people who lack a wide range of contacts or the possibility to compare their situation with others.

2.4. Lack of access to capital

Young people who want to make their own jobs by starting businesses often struggle to find access to affordable loans, or loans in general. This is partially due to a lack of collateral. High interest rates also make it difficult for young people to repay their loans on time. The World Bank notes that <1% of loan portfolios of loan providers are directed at those under the age of 30.

By choice or just because they had to, young people who opted for entrepreneurship find it hard to start a business and keeping it alive. The narrow exposure of youth to entrepreneurship education and training and limited access to financial, physical, and social capital are very dangerous in the global economy. Young people say that the main challenges that are generally faced by young people to start their private businesses include the difficulty to access finance, the lack of "angel investors" type of programmes, the absence of venture capital, lack of infrastructure and IT, absence of incubators and the prevailing high level of corruption. They further highlight that there is always a missing-middle where neither small business with growth potential nor middle income entrepreneurs are targeted.

2.5. A digital divide

In some low-income countries, the skills mismatch is compounded by a lack of access to technology or the internet. If schools are unable to afford the tools to educate young people in the digital sector, these young people are at a disadvantage in the job market.

3. YOUTH UNEMPLOYMENT SOLUTIONS

3.1. Education and training programmes

Initiatives or extracurricular instruction that target the skills gap can focus on anything from employability skills to job hunting and interviewing to entrepreneurship to vocational education (including opportunities in the green economy). Ideally, in the future, these kinds of education will be embedded into national curricula, tackling the skills gap.

Helping young people to integrate into the job market after leaving school or university is an indispensable part of delivering the Youth Guarantee. In the recent years, the Commission has recommended to 16 Member States to focus on reforming vocational and educational training (VET) programmes by increasing their labour market relevance through a stronger work-based learning component and accelerating the reform of apprenticeships. The EU budget can support this process: Member States can use the ESF, the YEI and the 'Erasmus +' programme to help improve the quality and efficiency of education and training systems.

Examples of training programmes include our Work the Change initiative and Be the Change Academies, which provide young people with the skills they need to succeed in their careers.

3.2. Youth access to capital

Twelfth International Scientific Conference
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31.3-2.4.2017, Vrnjacka Banja, Serbia

For young people keen to get start-ups funded, they don't have to rely on banks alone. Crowdfunding sites and networks for connections between youth give young people all over the world the chance to get the support they need to build their enterprises and increase their incomes. With more programmes like these being created every day, the future is getting brighter for aspiring entrepreneurs.

To focus financial support still further on the regions and individuals struggling most with youth employment and inactivity, the European Council agreed to create a dedicated Youth Employment Initiative (YEI) to be supported by 6 billion EUR from the EU budget. This will target individual young people aged 15-24 not in employment, education or training (NEETs) and complement the support provided by the ESF for the implementation of the Youth Guarantee.

Access to finance and youth-friendly financial products are also high in the process of reducing the youth unemployment. In Europe, participants highlighted the initiative by the European Progress Microfinance Facility to increase access to finance for micro-entrepreneurs through selected microcredit providers such as microStart in Belgium. The program offers individual or collective microcredit loans ranging from €500 – €10,000 to individuals (e.g. young migrants) who lack access to traditional bank loans. Youth can use the loan to buy a professional vehicle, professional equipment or inventory, as well as the formation of a cash reserve. In addition, microStart offers training and coaching in different fields (finances, management, legal, accounting, etc.) to launch and develop beneficiaries' enterprises.

3.3. Universal internet access and greater availability of cheap tech

With programmes like Facebook's Internet.org working towards free internet access to key sites and Computer Aid providing IT education across 32 countries, this solution to the digital divide is coming along. However, infrastructure development (electrical grids, etc.) is obviously key to this goal. As lower-income nations develop these sectors, the digital divide will continue to be bridged.

3.4. Skills matching

The private sector, government and education systems need to start collaborating to determine what knowledge and skills young people should be taught in order to find rewarding work. Considering businesses are suffering from the skills mismatch, too, they need to take a more active role in promoting appropriate education and skill-building for young people from an early age.

The researchers agree on the need to strengthen the link between the education system and the labour market so that youth are better equipped to face the world of work. General ideas are on improved access to vocational training, on-the-job training programmes, more and better apprenticeships systems, soft skills training, and the combination of in-classroom and workplace training.

Representatives from HR can provide career advice and give advice on job hunting, too. Social enterprise initiatives and non-profits are helping facilitate these connections, as are schools individually. However, wider efforts to involve the private sector in education are needed.

Europe's competitiveness, innovative capacity and productivity depend critically on the availability of highly-educated and well-trained workers. The long-standing trend towards ever higher skill requirements means that young people without the skills that the economy requires will find it increasingly difficult to find employment. Tackling youth unemployment therefore requires action to tackle skills shortages and mismatches. The process of acquiring skills begins at school and continues through higher education and work-based learning. However, today the performance of many education systems is inadequate as they display unacceptably high drop-out rates and may fail to provide young people with essential skills. There is therefore an urgent need to make education systems more responsive to current and future skills needs so as to avoid skills mismatches and bottlenecks. Addressing skills mismatch in sectors with recognized job creation potential, such as ICT, healthcare and the green economy is a particular priority.

4. CONCLUSION

There is a social, economic and political urgency of responding to the challenge of youth employment as a precondition for poverty eradication, sustainable development and lasting peace. Investing in young people means investing in the future of a country. Countries respond differently to the youth employment challenge. Almost every country in the world has sought to address the issue and a wealth of interventions and approaches have been implemented. Young people's human and social capital is one of Europe's greatest assets for the future. The European Union and its Member States need to invest in the potential that 90 million young Europeans represent in terms of skills, creativity and diversity. The economic crisis has hit young people particularly hard. It has widened the gap between those with more and those with fewer opportunities. Some young people are increasingly excluded

from social and civic life. Worse still, some are at risk of disengagement, marginalisation or even violent radicalisation. The cooperation framework calls upon the EU and the Member States to:

- create more and equal opportunities for all young people in education and in the labour market; and
- promote the active citizenship, social inclusion and solidarity of all young people

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