

## YOUTHS CONDITION IN THE LABOUR MARKET DURING THE POST-CRISIS PERIOD

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**Abstract:** *Unemployment among youth in the EU had a strong increase from the outbreak of the financial crisis in 2008, and reached unprecedented levels. Nevertheless, for over a decade the youths' unemployment rate remained approximately double against the global unemployment rate in time for the whole economy. In this context, the concept of NEET has been introduced to characterize the size and structure of a vulnerable group of young people i.e. those young people who are not engaged in any form of employment, education or training.*

*The year 2014 registered a slight decrease of both unemployment rate and of the NEET rate among youths. According to the Eurostat statistics, in 2014, within the EU the average unemployment rate for youths with ages between 15 and 24 years diminished by 1.4 pp., and for the age group aged between 25 to 29 years, by 1 pp. Also the NEET rate for various young population segments registered in most member countries a decreasing trend. In Romania, the NEET population rate (youths between 15 and 29 years of age) under the impact of the economic financial crisis increased from 13.2% in the year 2008 to 19.6% in the year 2014.*

*This paper intends to be a brief analysis of the youths' condition in the EU countries' labour markets from the beginning of the financial crisis by focusing mainly on describing the characteristics of youths that don't have a job, and are not included in the educational or vocational training system (NEET). There are large differences between the youths and the employment in the member-states, and these differences were exacerbated by the recession.*

**Key words:** NEET youths, youth's employment, youth's unemployment rate, training level

**JEL Classification:** I25, J13, J21, E24

### 1. Introduction

The recent crisis affected most the youths with ages between 15 and 29 years of age. The number of youths employed in the European Union labour market decreased by 7.484 million in the period 2007-2014, which corresponds to an employment rate diminishment by 4.3 percentage points.

With respect to the youths' employment in the labour market, this period is characterised by an increase in the weight of those employed part-time or on a temporary basis, and by a higher frequency than for other segments of the working age individuals. The youths with lower education were the most vulnerable: they always had more difficulties in identifying a job, and had more hard times in maintaining the jobs they had gained.

Within the European Union, the number of youths with ages under 30 years that are neither employed in the labour market, nor in education or training (NEET youths) increased by almost 14 million individuals (or 15.3% from the young population). In this context, the challenge faced by the governments of the EU-28 countries is very high. The increase in the insertion degree in the labour market and their social integration turned into permanent

concerns in the policies of the member-states. These developed/develop a series of measures both for preventing youths from entering into the NEET category, and for reintegrating in the labour market and in the society those who are not in the NEET category.

The guidelines regarding labour force employment developed by the European Council<sup>1</sup> provide for a stable political orientation for the member-states with respect to the manner of meeting the challenges in the context of the current trends related to labour force employment and to the social trends, in view of achieving the objectives of the Europe 2020 Strategy.

The drop in permanent jobs during the crisis affected disproportionately the youths, as they are overrepresented into category of temporary contracts. Even though temporary contracts may constitute a first step towards more stable employment forms, this fact can lead to segmented labour force markets, the youths being trapped in the inferior segments of the aforementioned, benefiting of less training on the job, lower remuneration levels and worse perspectives with respect to employment and long-term career. The difficulties on the labour market have also a negative impact on the youths with ages between 25 and 29 years of age with higher education, as they find it harder to identify a job adequate to their skills.

The issues faced by youths on labour market have significant consequences on their living standard, on their families and on the national or international communities to which they belong. The most important effects of youths' inactivity are: poverty risk, incapacity to take an active role in society's development.

## 2. The Labour Market Situation of Young People

The participation of youths in the labour market is an important incentive of social outcomes, and the transition from education to the labour market is, usually, associated with an increase in incomes and in their independence. The decision of a young individual to get full-time employment or to continue studying (possibly combined with part-time work) depends on a series of social factors, on the financial situation of the youth, on the support that either parents or other family members can provide, on the availability of public funds for studies during the transition from school to job.

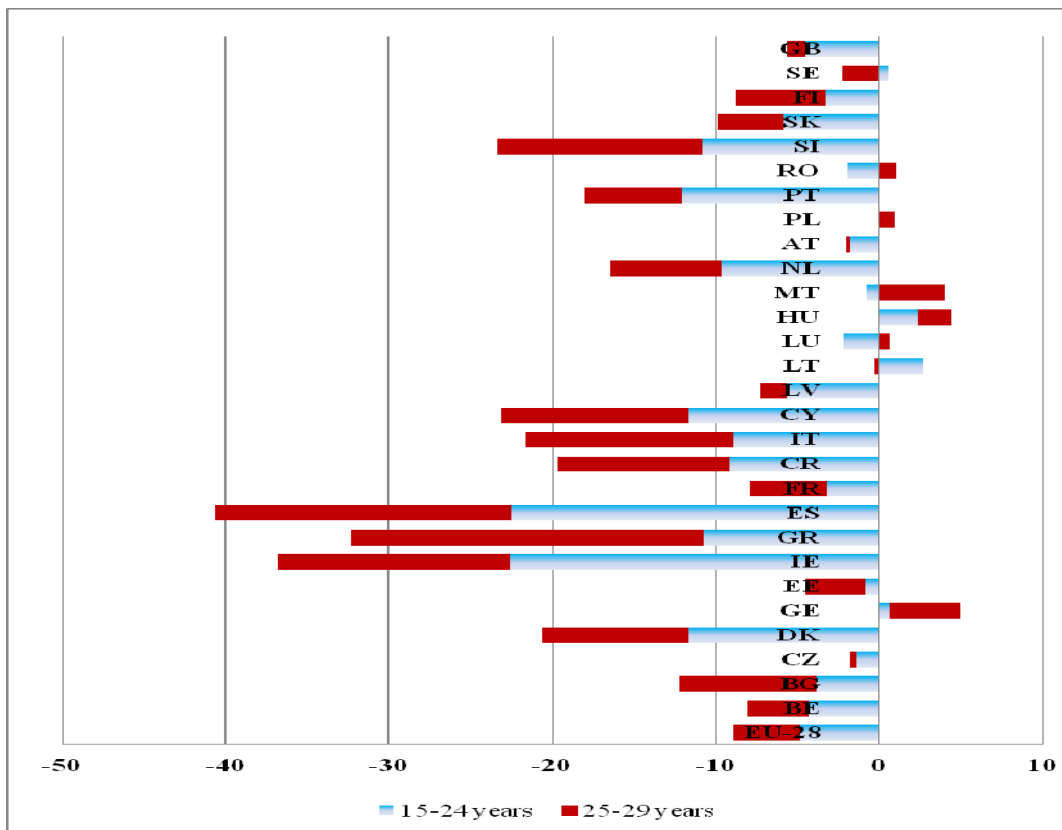
The employment of youths on labour market was much decreased due to the economic-financial crisis. The high unemployment rate during the crisis increased the uncertainty degree of the youths with respect to gaining a job. As result, all these led to an increase in the numbers of youths who are neither employed in the labour market, nor in education or training.

In the year 2014, youth **employment rate** for the young individuals with ages between 15-24 years at EU-28 level was of 32.4% on decrease by 4.8 pp against the year, and for the age segment 25-29 years it dropped by 4.1 percentage points (Figure 1).

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<sup>1</sup> Council Decision 2010/707/EU of 21 October 2012 on guidelines for the employment policies of the Member States.

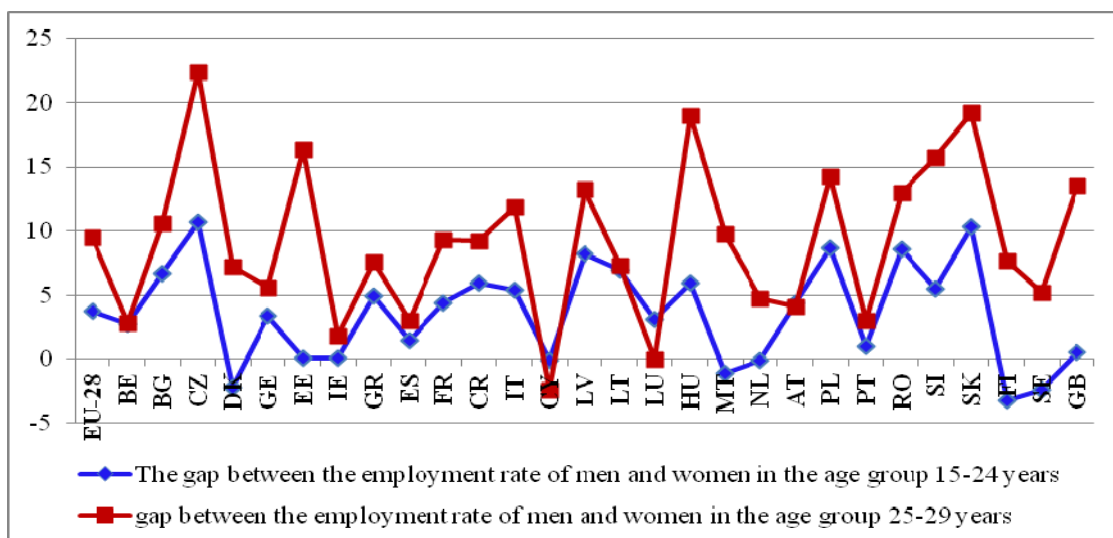
Figure 1. Percentage-point change in the youth employment rates, 2007-2014



Data source: Eurostat statistics ([lfsa\_ergan])

In the vast majority of member-states, the youths' employment rate with ages between 15 to 24 years was higher for men, save for Ireland, Denmark, the Netherlands, Finland, Sweden, Cyprus and Malta (Figure 2). For the age group 15 to 29 years of age, only in Cyprus the employment rate for women is higher than the one for men (Figure 2).

Figure 2. The gap between the employment rate of men and women in the age group 15-24 years and 25-29 years

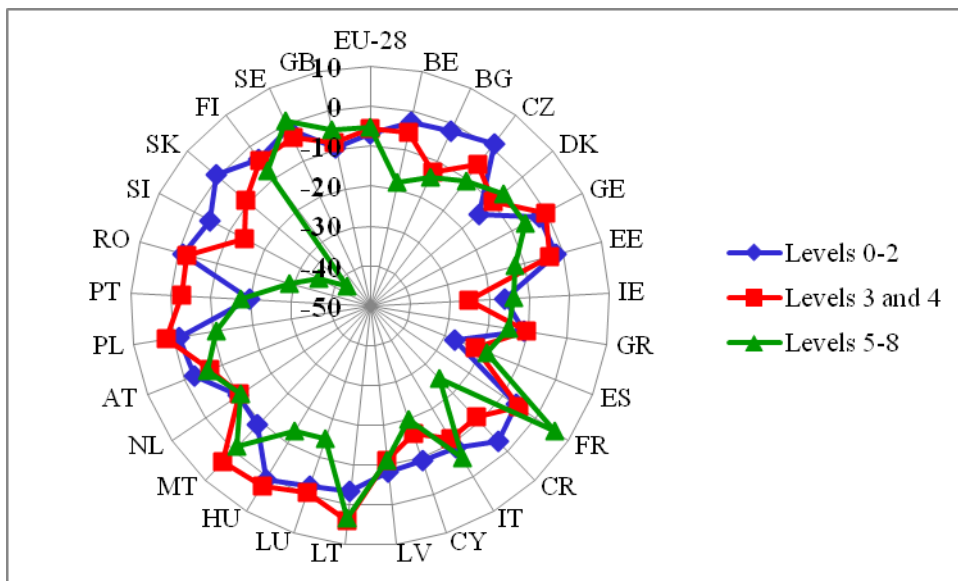


Data source: Eurostat statistics ([lfsa\_ergan])

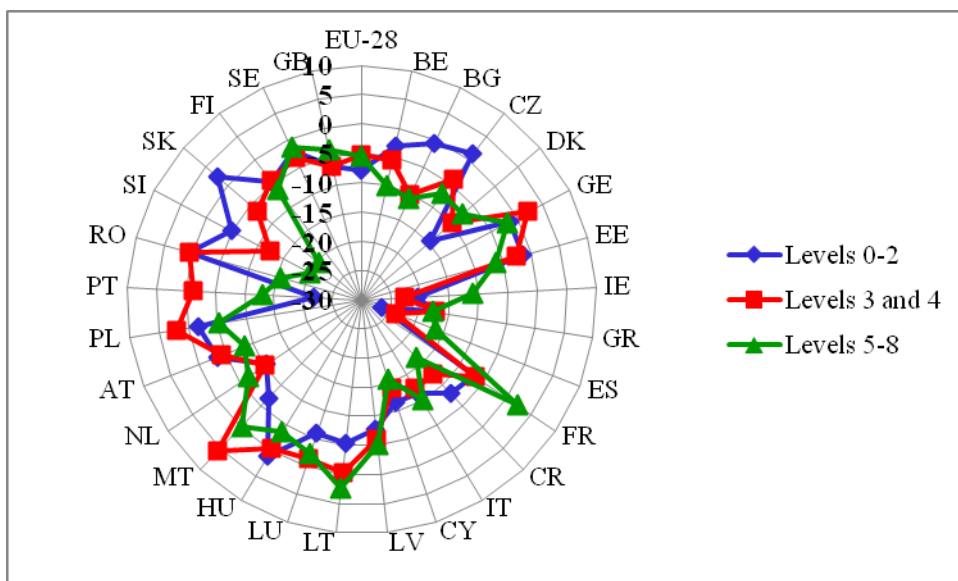
The decline of labour force employment among youths was shown both for individuals with lower education and skills' level, and for those with higher education (Figure 3). In some member-states (Denmark, Ireland, Greece, Spain and Portugal) the job losses among youths occurred almost exclusively among those with lower and medium- education, while in others (Bulgaria, the Czech Republic, Estonia, Cyprus, Romania, Slovenia and Slovakia) labour force employment for youths with higher education was more marked, and in France the employment rate of youths with higher education increased for both age groups (Figure 3).

**Figure 3.** % change in the number of employed youth between 2007 and 2014, by level of education

*Age group 15-24 years*



*Age group 25-29 years*



Data source: Eurostat statistics ([yth\_empl\_010])

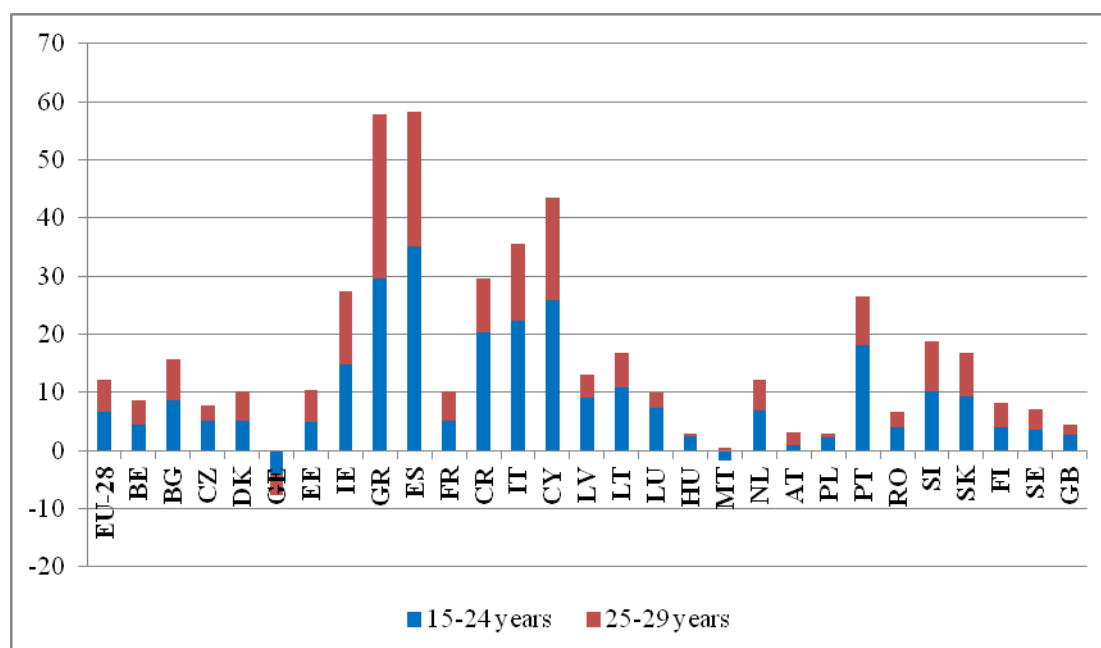
The analyses performed by the International Labour Organisation highlight the fact that the number of young unemployed will not decrease at least until 2016. An additional pressure on the unemployment rate is expected to take place at the time when those extending their period of studies because of the limited perspectives in finding a job shall, finally, enter on the labour force market.

The lack of length of service, the specifics of the human capital in the company, the experience on labour market of the youths (Eurostat statistics), the higher probability to work within the company for a determined period of time and other employment forms under precarious conditions are but a few factors that lead to the increase in the numbers of unemployed among youths.

In such circumstances, the transition from school to labour market tends to become a chain of temporary training, education, compulsory military or civil service episodes, and other transitory activities very often in an institutional framework characterised most often by fixed entry dates outside the market and which does not take into account the demands of the labour market. Under these conditions, the youths accumulate less experience in seeking for a job and don't develop a clear image about the job and/or the incomes that would satisfy him/her. To these is added also the fact that in some countries the youths have less resources than elder workers and in others they have a strong financial attachment to the family which makes them less mobile in searching for a job.

**The unemployment rate** for the age group segment under 25 years at EU-28 level was of 22.2% in the year 2014, on increase by 6.6 pp against the year 2007 (Figure 4), but on slight decrease (-1.4 percentage points) against the year 2013 (Figure 5).

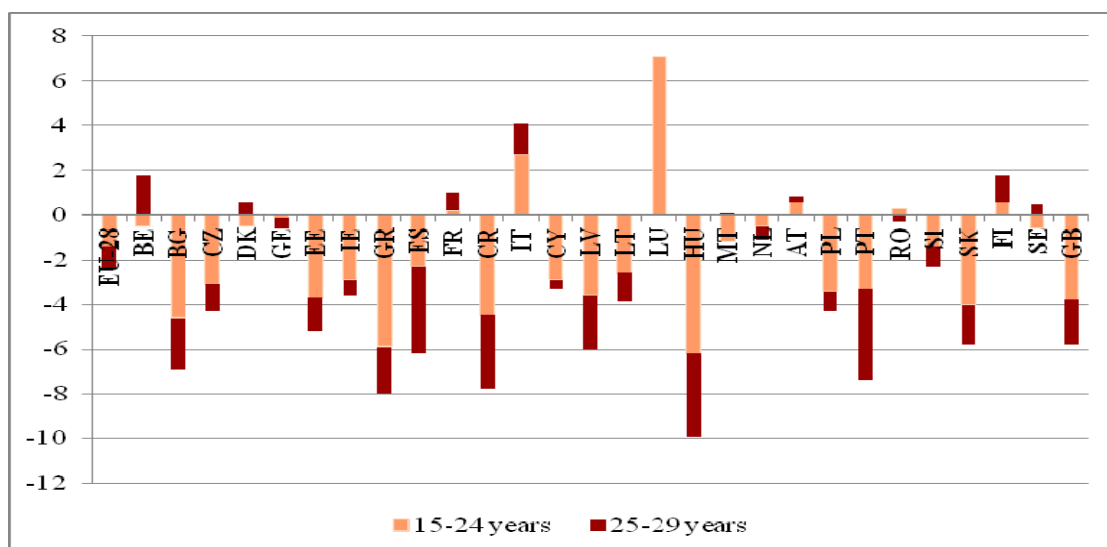
**Figure 4.** Percentage-point change in the unemployed rates, 2007-2014



Data source: Eurostat statistics ([lfsa\_urgan])

For the age group 15-29 years, the unemployment rate increased in the period 2007-2014 by 5.5 percentage points (Figure 4), and its diminishment in the year 2014 against the preceding year was of only 1% (Figure 5).

Figure 5. Percentage-point change in the unemployed rates, 2013-2014



Data source: Eurostat statistics ([lfsa\_urgan])

Also in the year 2014, the average **long-term unemployment rate** among youths (15 to 29 years of age) in the EU-28 was of 6.9% for the vast majority of the member-states, as it registered slight decreases against the preceding year. The long-term unemployment rate among youths continued to increase in Greece (29.4%), Italy (18.5%). In Romania, the long-term unemployment rate among youths was of 6%, on decrease by 0.7 pp against the preceding year.

**The unemployment rate among youths is dependent also on their training level.** In general, the highest unemployment is recorded among youths with pre-school, lower, and lower-secondary education (levels 0-2). An exception is Greece, where the unemployment rate among higher-educated youths (levels 5 and 8) was by approximately 6 pp higher than the one registered for youths with pre-school, lower, and lower-secondary education (levels 0-2), and Romania and Cyprus where the difference between the unemployment rate for higher-educated youths and those with 0 to 2 or 3 to 4 education level are significant.

The statistics provided by various international bodies about youths' participation in the labour market do not reflect precisely their situation, because many of them are students and, as result, they are not regarded as included in the labour force (European Employment Observatory, 2010). As result, it could be said that the traditional indicators of participation in the labour market have a limited relevance in the case of youths.

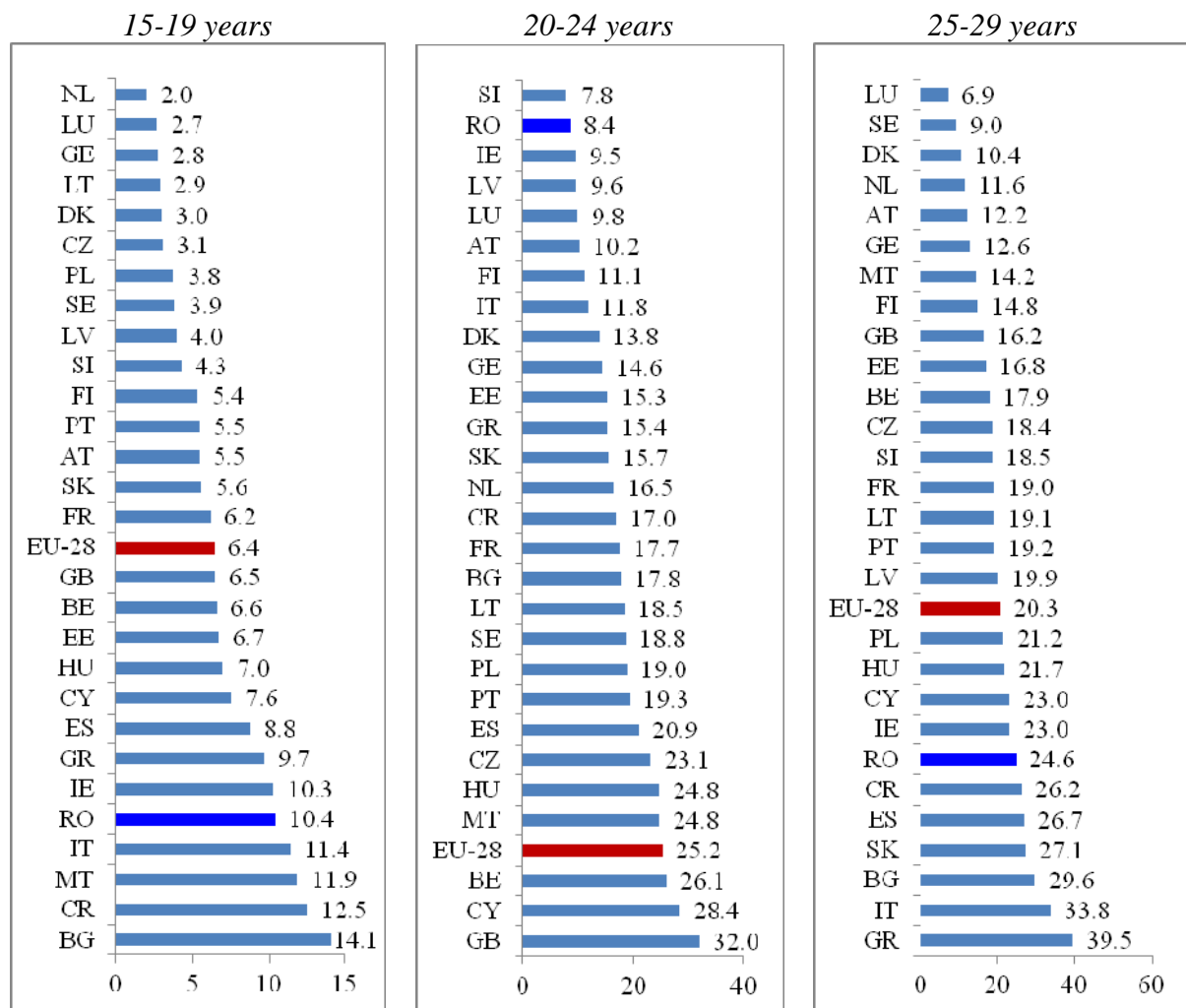
In this context, the decision factors from within the EU make use increasingly often of the NEET concept (*not in employment, education or training*). The NEET category refers to individuals with ages between 15 and 29 years who, irrespective of their studies' level are not professionally employed and do not pursue any educational programme and, hence, are exposed to a higher risk of social and labour market exclusion (Eurofound, 2012), ("Young people and NEETs in Europe", 2013).

The high rates of the young NEET population are an important concern for each country not only because of the risk of the "scarring effects", but also because of the effects of this status on the future labour market outcomes for the individual (Gregg, 2001; Doiron & Görgens, 2008; Schmillen & Umkehrer, 2013; Möller și Umkehrer, 2014; Gregg & Tominey, 2005; Mroz & Savage, 2006).

Understanding the NEET situation and structure are both essential for developing policies aimed to approach the issues that young NEETs are facing.

According to the latest Eurostat estimates, in the year 2014, the percentage of youths that are not professionally employed nor pursuing an educational programme within the EU-28 varied from 6.4% for the age group 15-19 years to 20.3% for young individuals with ages between 25-29 years (Figure 6). This percentage varies significantly from one member-state to another for each age group. Thus, for the age group 15-19 years, the NEET rate varies from 2% in the Netherlands to 14.1% in Bulgaria (Figure 6). 13 of the member-states have a NEET rate for this age group segment above the EU-28 average of 6.4%. For the age group 20-24 years, the NEET rate is higher than for the age group 15-19 years, and values under 9% are recorded only in Slovenia and Romania (7.8%, respectively 8.4%). Belgium, Cyprus and the United Kingdom are the only countries where the NEET rate exceeds the European Union average of 25.2% (Figure 6). High values of the NEET rate were registered for young individuals in the age group from 25-29 years. In the Netherlands, 7% from the young individuals in this age segment are NEET and represent the smallest value of this indicator. The vast majority of member-states have registered for the NEET rate in the case of this young individual’s age group, in the year 2014, values above the EU-28 average of 20.3 pp. (Figure 6). In Romania, 24.6% from the young individuals with ages between 25 and 29 years of age were included in the NEET category (Figure 6).

Figure 6. Rata NEET on age groups for the year 2014

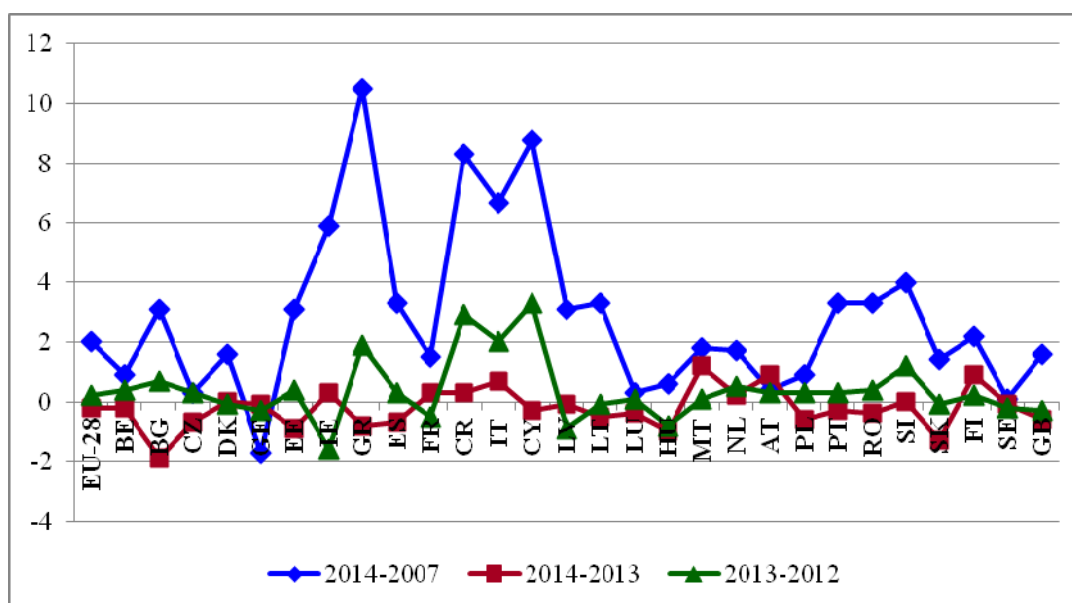


Data source: Eurostat statistics ([yth\_empl\_160])

Both within a country and between countries, NEET represents a heterogeneous group. In the NEET category are included youths irrespective of their educational level. The analysis of the educational level of youths in the NEET category reveals that those with lower educational levels are overrepresented in the NEET group. The analysis of the data regarding the NEET population structure with ages between 15 and 29 years of age, in the year 2014, shows that in Spain and Malta the youths with a lower educational level represented approximately 63% from total NEET population. If in the year 2013, the NEET rate for young individuals in the age group 15-29 years underwent a slight increase in most member-states, in 2014 the situation changed, that is most countries registered drops in this indicator (Figure 7).

One of the effects of the economic-financial crisis is also the increase in the NEET rate among young individuals with training levels between 3 and 8. From among the member-states, Greece registered the highest increase in the weight of NEET youths with training levels between 3 and 8 in the period 2007-2014 (by 10.5 percentage points) (Figure 7). Countries like Croatia, Italy and Cyprus registered increases between 6.7 and 8.8 percentage points. Decreases in the weight of youths with educational levels 3-8 among the NEET are observed only for Germany (-1.7 percentage points). Still, from these data it does not result that the increasing trend in the weight of the NEET population with educational levels 3-8 is particularly strong in the countries which were most affected by the crisis (for instance, in Italy, Ireland, or Portugal the change in the NEET structure is relatively moderate).

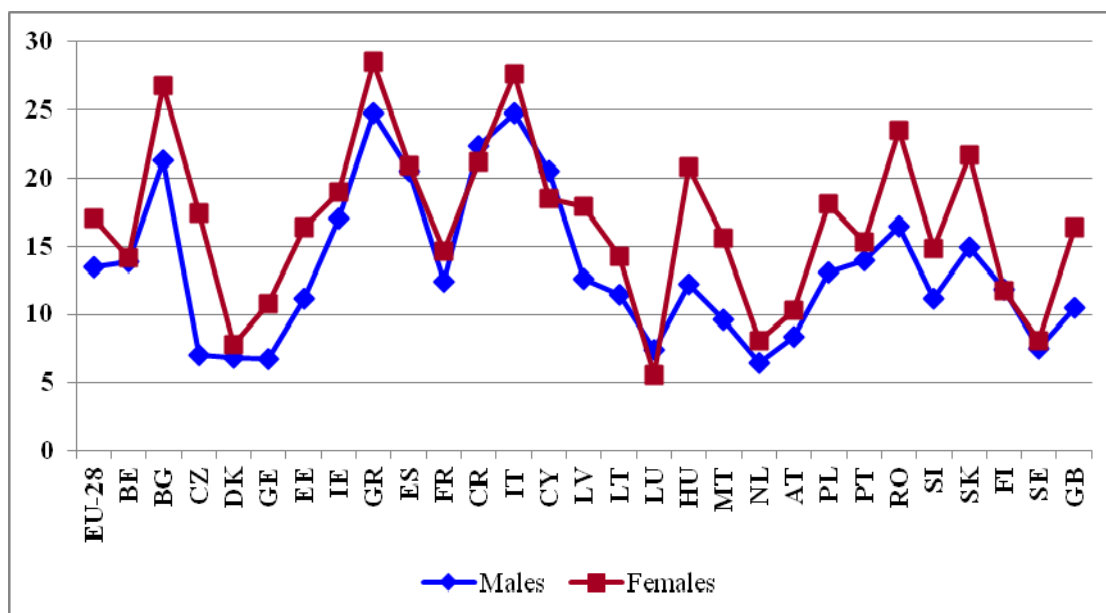
**Figure 7.** Percentage-point change in the share of youths with 3-8 educational levels among NEETs, 2007-2014, 2014-2013, 2013-2014



Data source: Eurostat statistics ([yth\_empl\_160])

The obtained outcomes within the specialised literature reveal that the NEET rates strongly differ depending on gender as they are usually much higher for women than for men (Figure 8). The male-female gap of the NEET rate is considerable in a series of member-states, reaching 10.4 percentage points in the Czech Republic and values of over 6 pp in Hungary (8.6 pp), Romania (7 pp), Slovakia (6.8 pp), and Malta (6 pp).



**Figure 8.** NEET rates for women and men in % of the respective population shares, 2014

Data source: Eurostat statistics ([yth\_empl\_160])

The emergence, dimension and structure of the NEET category are all generated by a series of social, economic, individual and family factors (Bynner, 2005; Hodkinson, 1997; Hodkinson and Sparkes, 1996, Brooks R., 2009).

The data provided by the survey regarding the European values (*European Values Survey*, EVS) from the year 2008 have highlighted the fact that a series of factors are determinant for the youths in increasing the probability of entering into the NEET category. From among these, there can be reminded<sup>2</sup>: emigration, low educational level; residence in isolated areas; youth with certain disabilities; low income of the household; family situation; parents who were unemployed, parents with low educational level or divorced ones.

## Conclusion

The analysis of the evolution of the indicators that reveal the situation of youths in the labour market within the European Union leads to a series of **conclusions**, from among which:

- the average period of searching for a job in the period 2008-2014 increased significantly, contributing even more to discouraging youths in seeking a job;
- the discrepancies between the employment chances of a youth with education and the ones of a youth without education are also on increase and thus not only the period of searching a job for a young specialist is smaller as compared with the one of a youth without education, but also the unemployment rate shows considerable differences;
- as result of the high unemployment rate within the European Union and, implicitly, in Romania also the purchasing power of the youths diminished, so that not only the daily

<sup>2</sup> *Young people and NEETs in Europe: First findings*, European Foundation for the Improvement of Living and Working Conditions, TJ-32-11-956-EN-C

consumption of individuals underwent a significant decline, but also high value purchases (for instance, real estates);

- during the year 2014 was registered a much higher number of youths intending to continue their studies after a period of relaxation as they are discouraged by the useless search for a job, but encouraged to obtain a diploma that subsequently could increase their employment chances;

- the studies realised by various international bodies have highlighted that NEET youths represent a very heterogeneous group and that the composition of the NEET populations differ from one member-state to the other;

- the NEET rate among women is, in average, higher than the one of men, and also for youths with low educational levels.

Identifying and analysing the risk factors generating NEET populations is essential for adopting measures for diminishing this phenomenon.

For youths, the increase in the period of the NEET status can have severe consequences both for the individual and for the community in which they are on short-term, but also on long-term. These can be of a financial nature, but also of a social nature: isolation, involvement in risks related to unstable behaviours from a physical and psychical viewpoint.

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