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Youth unemployment in Europe: Are skills the problem?

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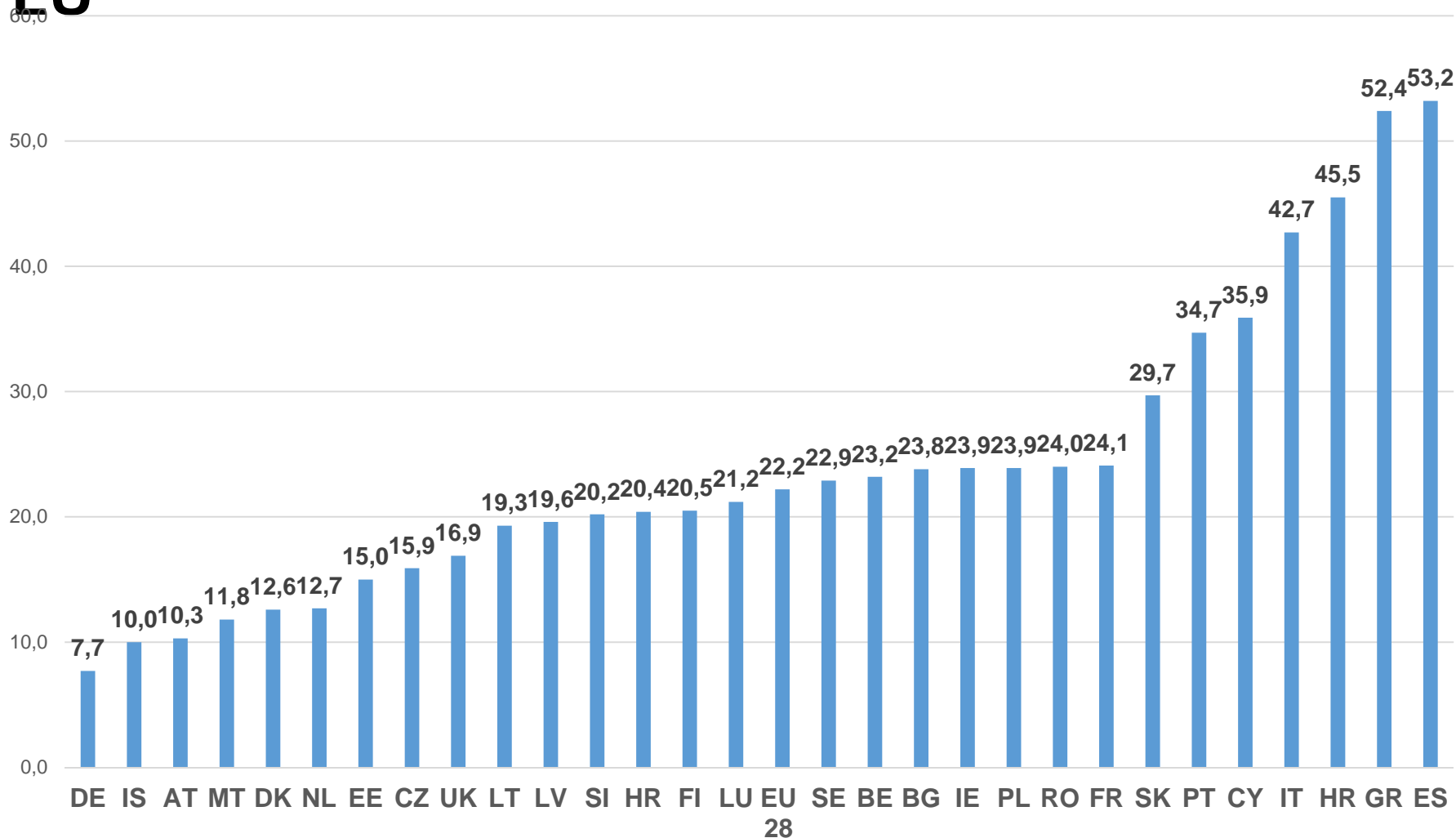
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Structure of the presentation

1. **The problem: only high youth unemployment?**
2. **Long term scar effects of youth unemployment**
3. **High youth unemployment: a structural problem or lack of demand?**
4. **The „Youth Guarantee“ in Europe**

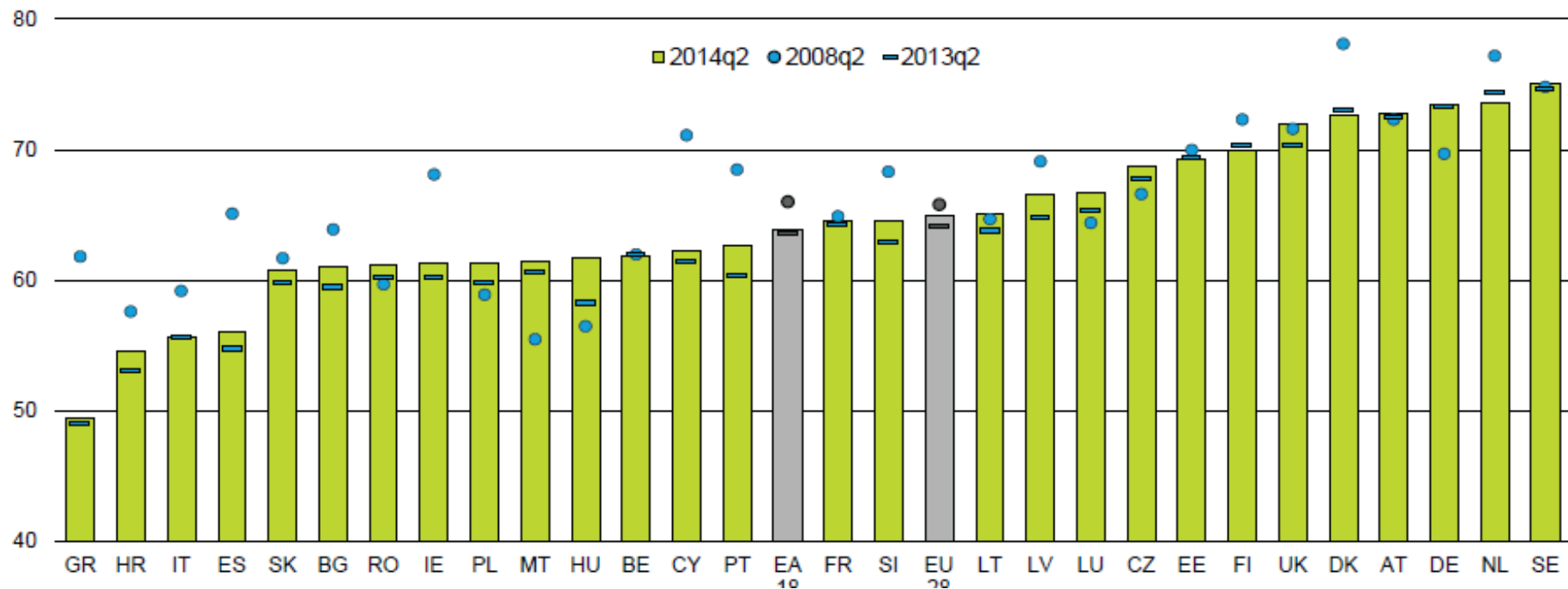
Offen im Denken

1.1 Youth unemployment rates 2014 in the EU

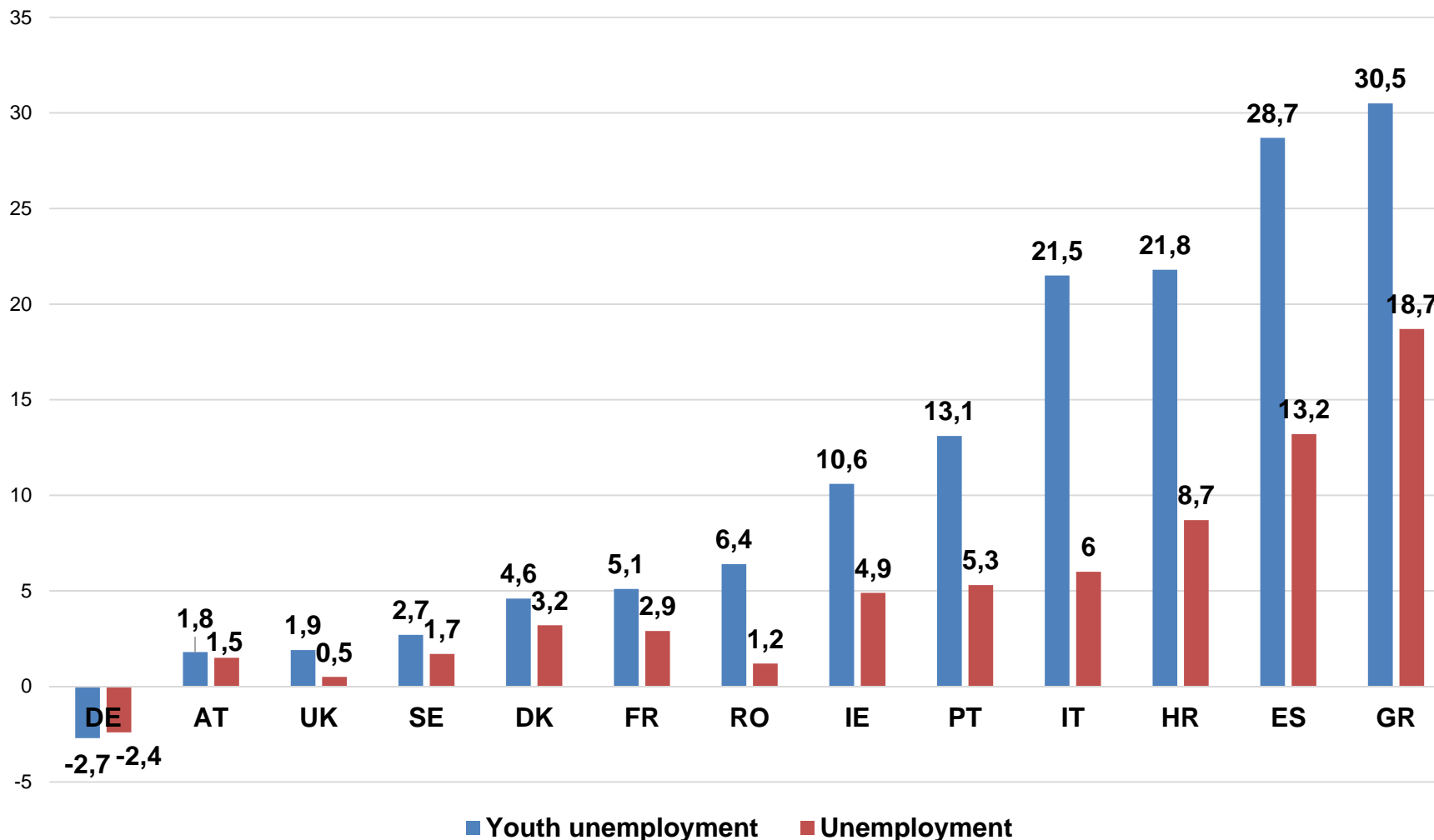


Source: Eurostat 2015

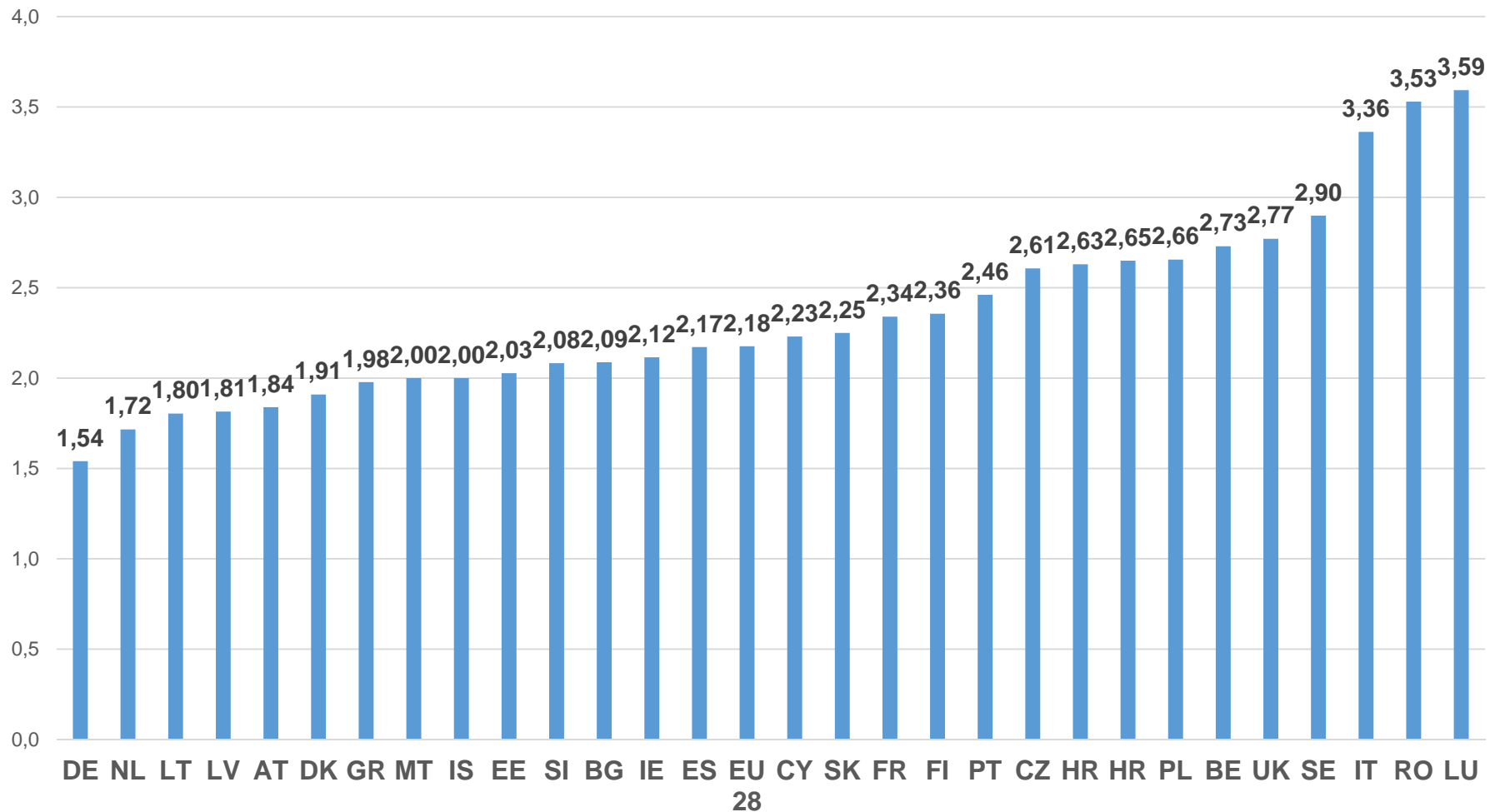
1.2 Declining employment rates (age 15-64) in many EU countries since 2008



1.3 Increase of youth and overall unemployment rates in pct. points 2008-2014



1.4 Relation of youth unemployment rates to overall unemployment rates 2014



2.1 Long term scar effects of youth unemployment

Many studies show long term scar effects:

One example:

Bell/Blanchflower (2010): Data from the UK 1958 birth cohort (National Child Development Study) - Youth unemployment raises unemployment, lowers wages, worsens health and lowers job satisfaction twenty five years later. No such effects could be found for spells of unemployment when the respondents were in their thirties

Source: D.N.F. Bell and D.G. Blanchflower (2009), "What to do about rising unemployment in the UK?", IZA DP #4040

2.2 Long term scar effects of youth unemployment

Recessions have strong impact on beliefs of young people:

One example:

Self-reported answers from the US General Social Survey during early adulthood show that individuals growing up during recessions tend to believe that success in life depends more on luck than on effort, support more government redistribution, but are less confident in public institutions and that effects are long-lasting

2.3 Long term scar effects of youth unemployment

Reasons for scar effects:

- **young people as outsiders vulnerable**
- **personality still developing in adulthood**
- **access to many good jobs and careers only with „perfect CV’s“ without stigma of a bad start**
- **many employment and education systems are not „forgiving“ – lack of second chances**

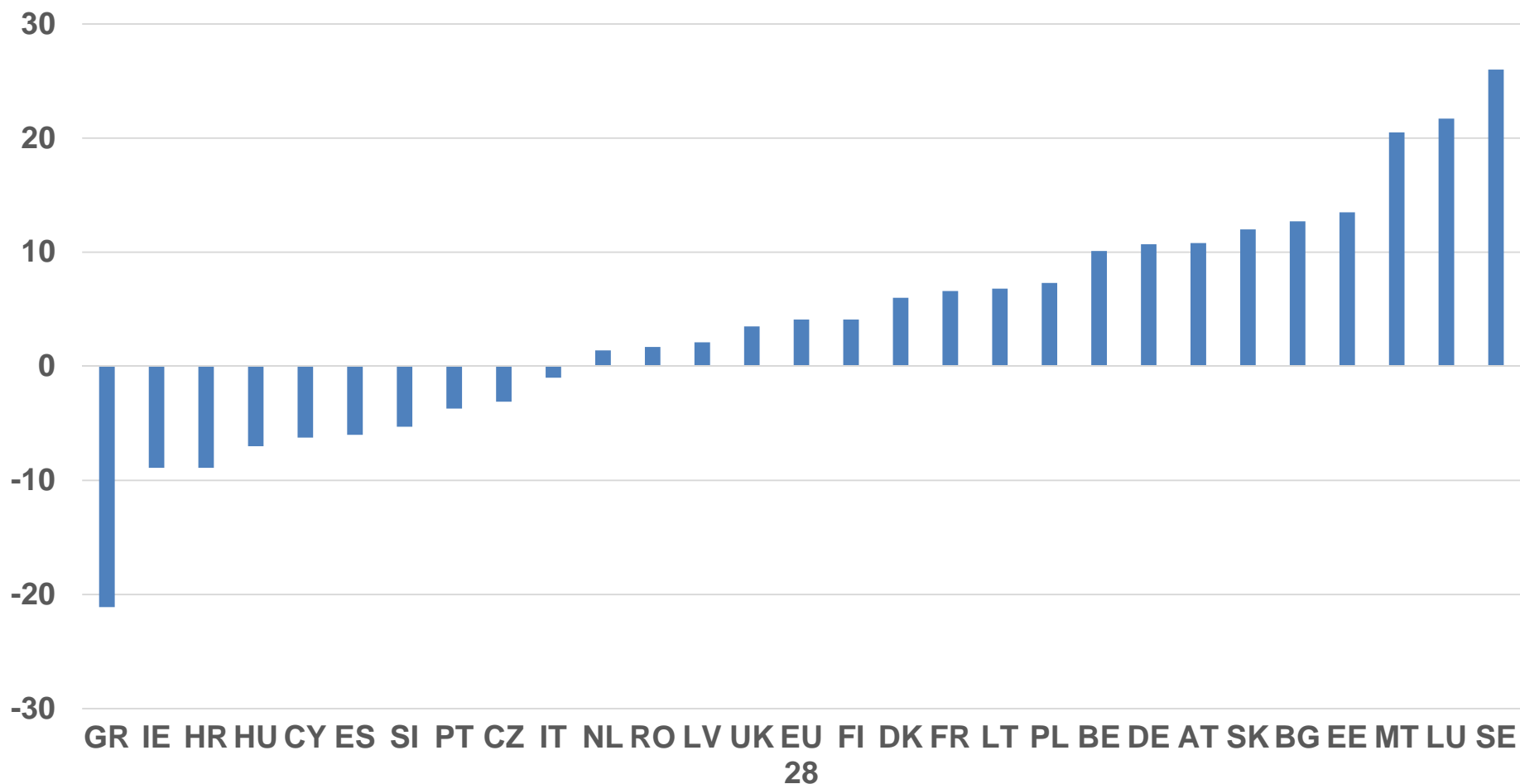
3.1 High youth unemployment in the EU: a structural problem or lack of demand?

Possible causes for high youth unemployment:

1. Lack of aggregate demand: In most countries with high youth unemployment but not in all (SE or BE)
2. Skill mismatch: Young age cohorts better qualified than older / but possible skill bottlenecks for specific skills
3. Baby-boom – strong cohorts: Not in EU but in North Africa
4. Difficult transition from education to work: Young workers are „insiders“ in apprenticeship systems

Different combination of causes in EU countries – requires different instruments

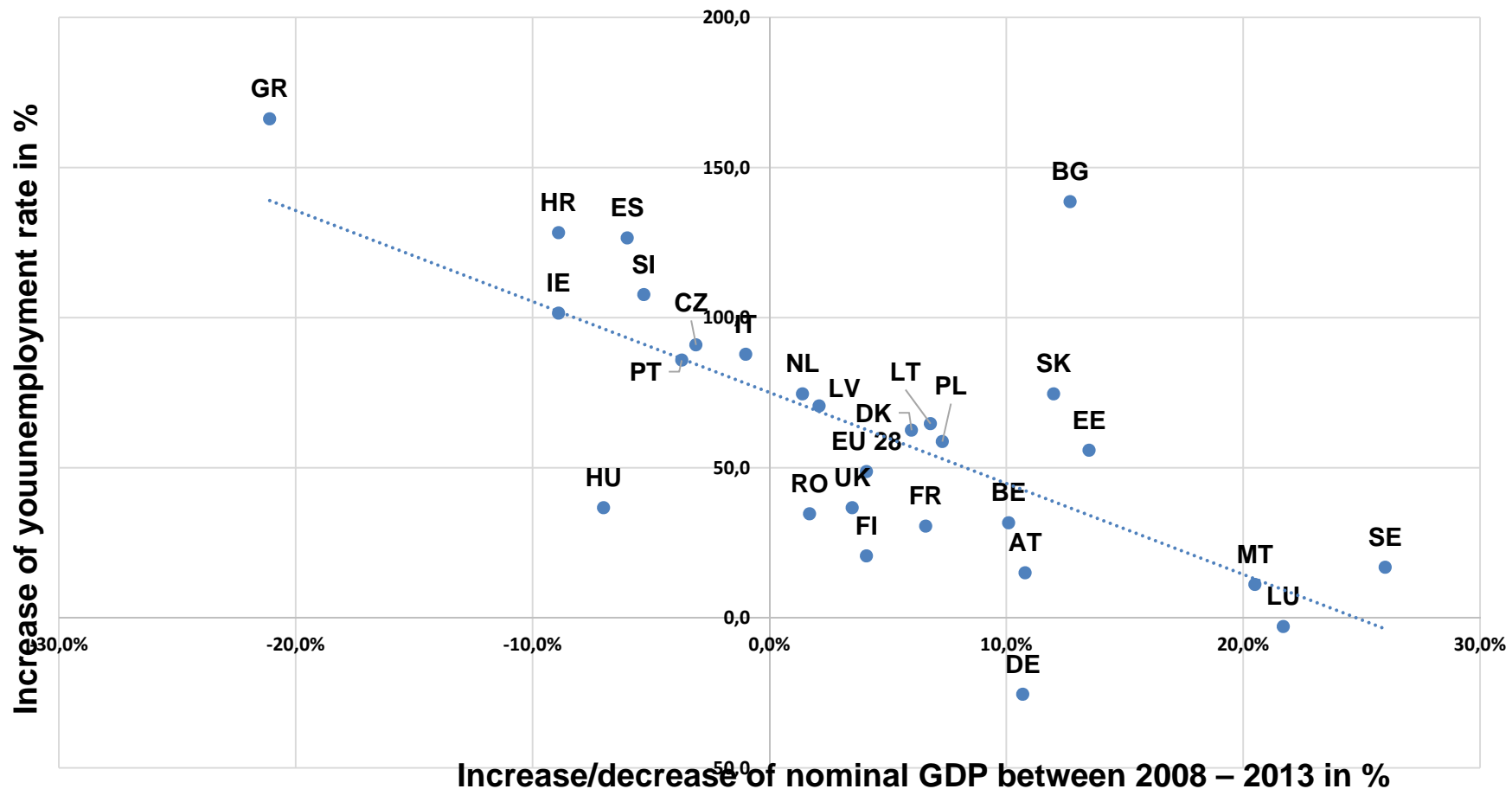
3.2 Growth rates of nominal GDP between 2008 and 2013 in %



Source: European Commission (2014): Statistical Annex of European Economy, p. 38-39, own calculation

3.3 Strong correlation between economic growth and increase of youth unemployment – dominant problem

$$r = -0,687$$



Source: Eurostat 2014, European Commission (2014): Statistical Annex of European Economy, p. 38-39, own calculation

3.4 Educational attainment of different age cohorts in the EU and selected countries (2012) – younger cohorts better qualified

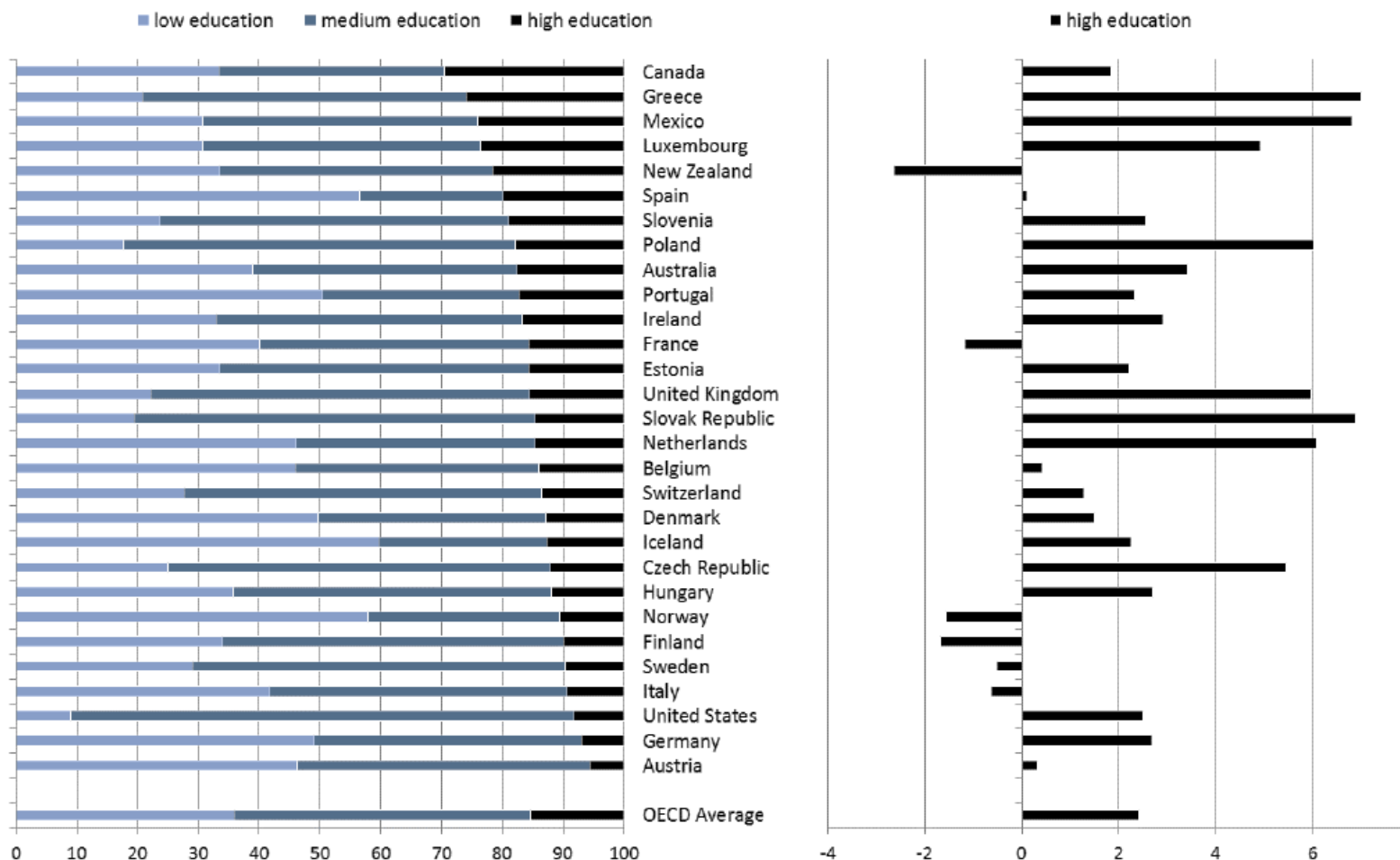
	At least upper secondary			Tertiary education		
	25-34 years	55-64 years	difference	25-34 years	55-64 years	difference
Greece	83	50	+ 33	35	20	+ 15
Spain	64	35	+ 29	39	19	+ 20
Hungary	88	75	+ 10	30	15	+ 15
Italy	72	42	+ 30	22	11	+ 11
Portugal	58	20	+ 38	28	11	+ 17
Slovak Republic	94	86	+ 8	27	14	+ 13
Germany	87	84	+ 3	29	26	+ 3

3.5 High and increasing share of skilled among Neets

(Misleading OECD heading of figure: The share of well-educated youth among NEETs is low but rising...)

Left panel: breakdown in % of NEET by level of education in 2012.

Right panel: percentage-point change in the share of highly-educated youth among NEETs, 2007-12



1. Numbers are for individuals aged 15-29 years, except for the United States (16-24). Information for Chile, Israel, Japan, Korea and Turkey is unreliable or missing.

2. The term 'low-educated' is used to describe individuals with at most lower-secondary education (ISCED levels 0-2); 'medium-educated',

refers to individuals with upper- or post-secondary education (3-4), and 'highly-educated' is used to describe individuals with tertiary education (5-6).

3. Countries are sorted by the share of highly-educated youth among NEETs in descending order.

4. The OECD average is non-weighted

3.6 Share of 15 to 24 years old in total population 2012: young age cohorts smaller in ageing EU societies



Source: Eurostat, (<http://www.tagesschau.de/multimedia/bilder/daten-eu-jugendarbeitslosigkeit100.html>)

3.7 Transition from education to work in different VET and employment systems

Myriad studies:

- **Fast and stable transitions in countries with apprenticeship systems**
- **Difficult transitions in countries with school based VET and even more with general education systems**

3.8 Transition from education to work

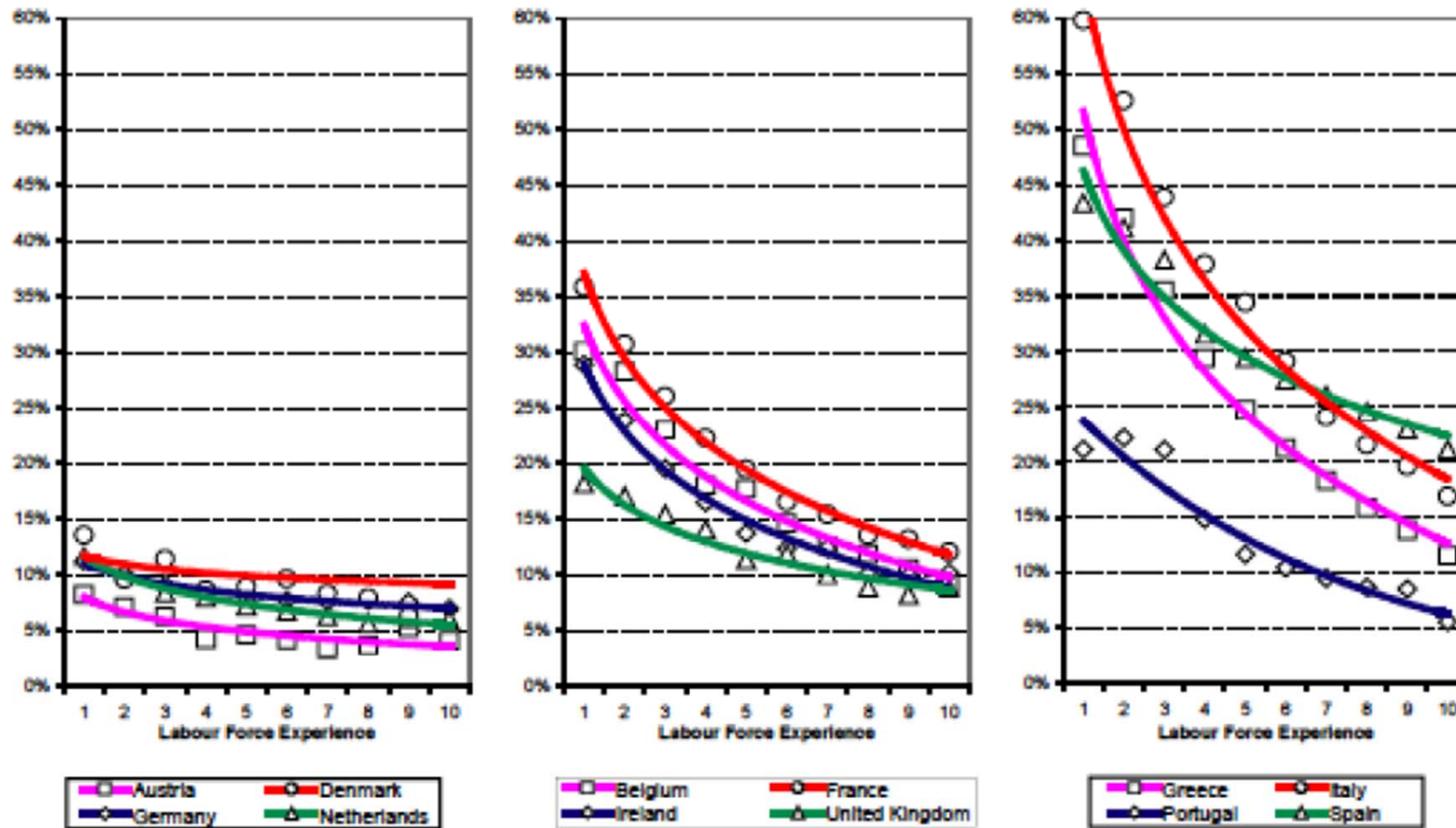
- **Practical learning – including tacit knowledge -no on the job training neccessary**
- **Apprentices are employed not pupils – represented by unions/works councillors – are „insiders“**
- **„Social obligation“ to train – strong pressures from unions and state („pacts“ and CA’s)**
- **Many 1000’s full-time actors supporting the system (Ministries, chambers, BiBB, examination comittees)**
- **High reputation of VET among employers and young people: Modernized occupations not second choice for poor school performers**

3.9 In most education and VET systems school leavers remain „outsiders“

A Heuristic Typology of European VET Systems

<i>Type of VET system</i>	<i>Countries</i>
Apprenticeship-based	Austria, Germany, Denmark
Continental school-based	Netherlands, France
Market-led	UK, Ireland,
General Education	Greece, Spain, Polen, Hungary
Egalitarian School-based	Finland, Sweden

3.10 Transition from Education to Work: Unemployment rates and labour force experience (in years): ISCED 3 leavers (1990's)



3.11 Month needed to find a first job after leaving school, United States and Europe, late 1990s- early 2000s

	Mean	Median	75 th percentile	90 th percentile
United States	5.6	0	4.4	18.8
North East	5.3	0	4.1	17.9
North Central	4.1	0	2.3	14.1
South	6.6	0	6.5	22.4
West	5.4	0	3.5	18.5
Europe	16.9	3	23.0	59.0
Austria	5.7	0	12.0	14.6
Belgium	17.5	3	23.0	67.4
Denmark	6.3	0	5.0	17.1
France	14.4	2	21.0	54.0
Germany	5.0	0	3.0	14.0
Greece	24.4	12	38.3	71.0
Ireland	8.3	0	6.0	25.8
Italy	33.1	24	53.0	95.0
Luxembourg	21.6	3	18.8	95.0
Portugal	15.6	3	17.0	61.8
Spain	22.1	12	31.0	73.4
United Kingdom	5.8	0	2.0	12.0

a) Finland is excluded from this table because the presence of missing values did not allow us to derive a reliable estimate for the time needed to find the first job after leaving education.

Source: Secretariat calculations based on the National Longitudinal Surveys of Youth 1997 and the European Community Household Survey (1994-2001).

4.1 Youth guarantee in Europe

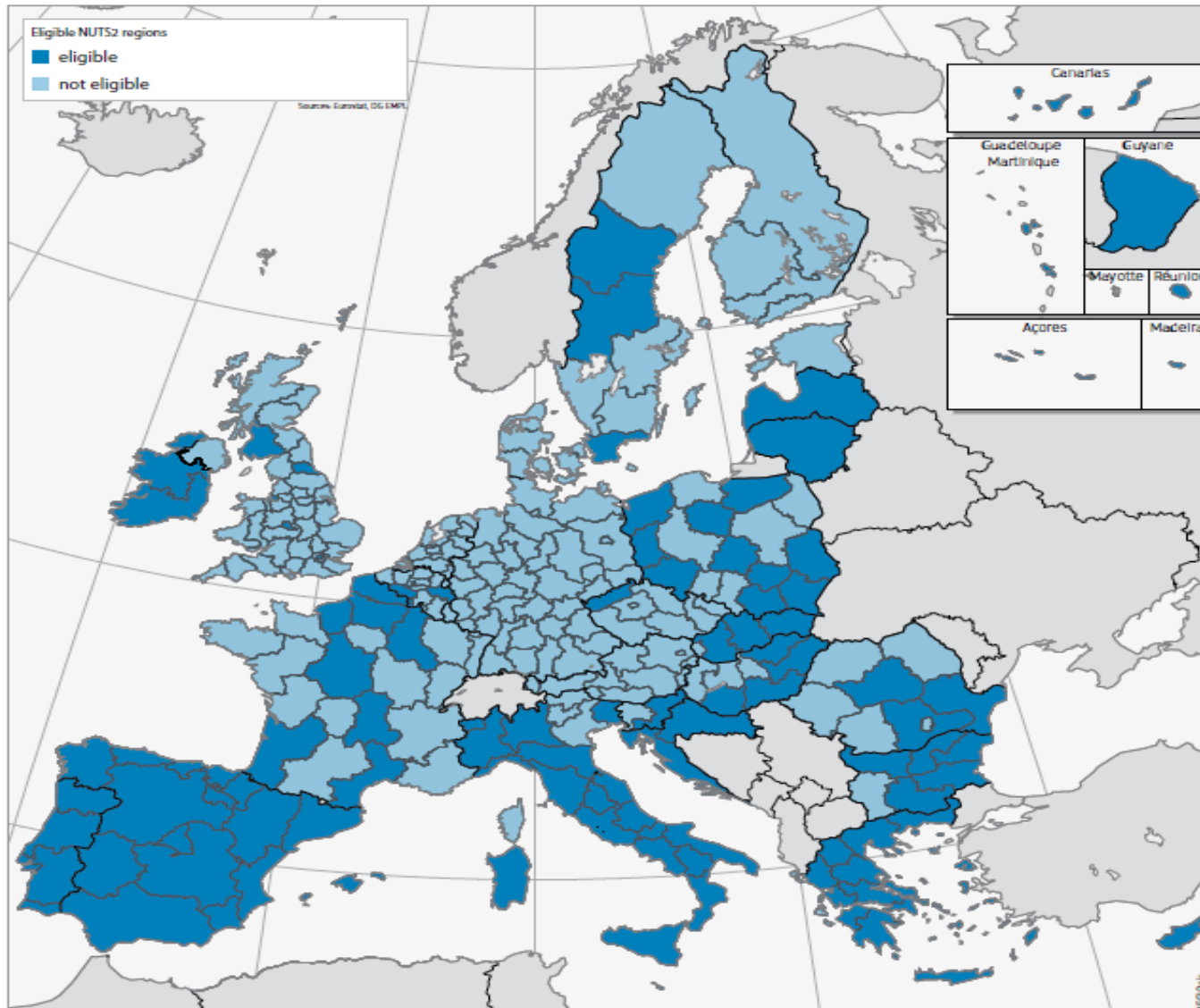
Long EU debate on Youth guarantee: 2008 European Council „... every unemployed person is offered a new start before reaching 4 month of unemployment“

European Council 7- 8 February 2013 proposed Youth Employment Initiative (YEI) with a budget of 6 Billion €

- YEI targets young people 15- 24 years old NEET's
- Regions eligible with high youth unemployment rates (more than 25% or increases of more than 30%)
- Target individuals rather than systems or structures
- Focus: on partnerships, early intervention, tailored support, training – especially apprenticeships, increase of regional mobility, wage subsidies and reduction of non wage labour costs
- Country youth guarantee implementation plans
- Supposed to complement and not replace national commitments

4.2 Regions eligible for YEI funding

Targeted support for regions most hit by youth unemployment



Source: Bussi, Margherita, Itschert, Patrick, Doreste, Ignacio (2014 forthcoming), The Youth Guarantee in Europe, pp. 15

4.3 Youth guarantee in Europe

Last year only 15,32 Million € used (SZ 9.10. 2014) – 0,2% of available budget.

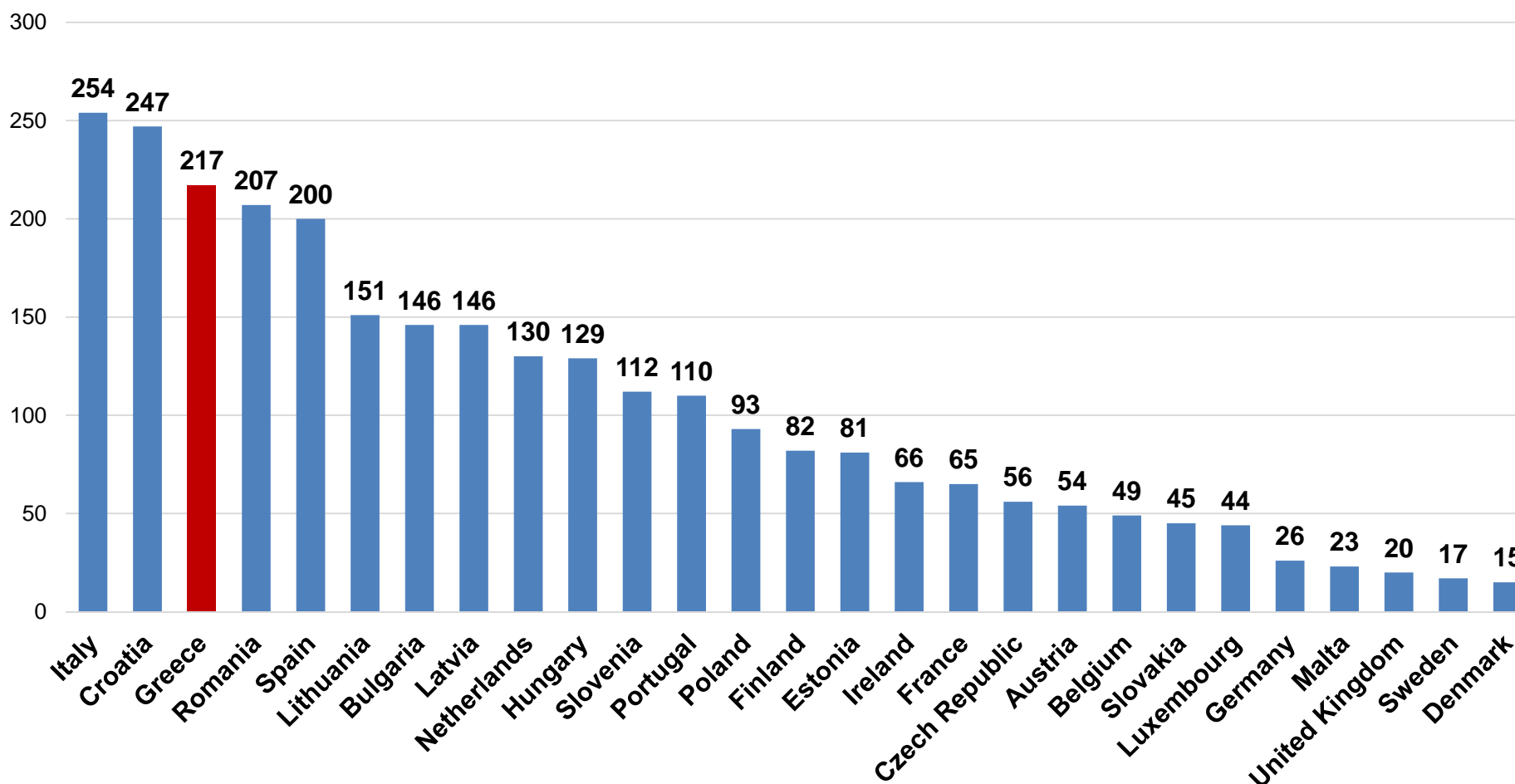
Evaluations not yet available – 7 Hypothesis why such a low use of funds:

- 1. Links with employment difficult to establish in crisis**
- 2. Lack of capacities to implement new programmes**
- 3. Deregulation weakens collective actors who could help implement the programm (Examples: Deregulation of mandatory membership in chambers in Spain, weaking of industry wide collective bargaining)**

4.4 Youth guarantee in Europe

- 4. Lack of cooperation between central state and regions (Spain)**
- 5. Co-finance not available**
- 6. Some from OECD recommended instruments do not work in a crisis (like wage subsidies)**
- 7. Export of institutions difficult – especially of apprenticeship systems which require strong social partners, chambers, trainers in companies, employers offering apprenticeships – countries have to develop own approach**

4.4 Number of registered unemployed for every PES employee in the EU 2012



Source: Cicciomessere (2015): The main reasons for the low use of Youth Guarantee in Italy, p. 1

Conclusions (I)

- **Skills always matter – but also not always explaining youth unemployment - younger generation better qualified than older**
- **Structural problems: Difficult transition from education to work in many countries – aggravated in crisis**
- **YEI may contribute reducing youth unemployment in countries with economic growth and well developed infrastructures in VET and ALMP but not in countries with low or no economic growth and weak supporting infrastructures and actors**
- **Introduction of elements of apprenticeship systems is a long term project**

Conclusions (II): Different problems dominating

	Youth unemployment low	Youth unemployment high
Vacancies Low	No problem	Demand problem
Vacancies High	Shortages	Matching problem

Conclusions (III)

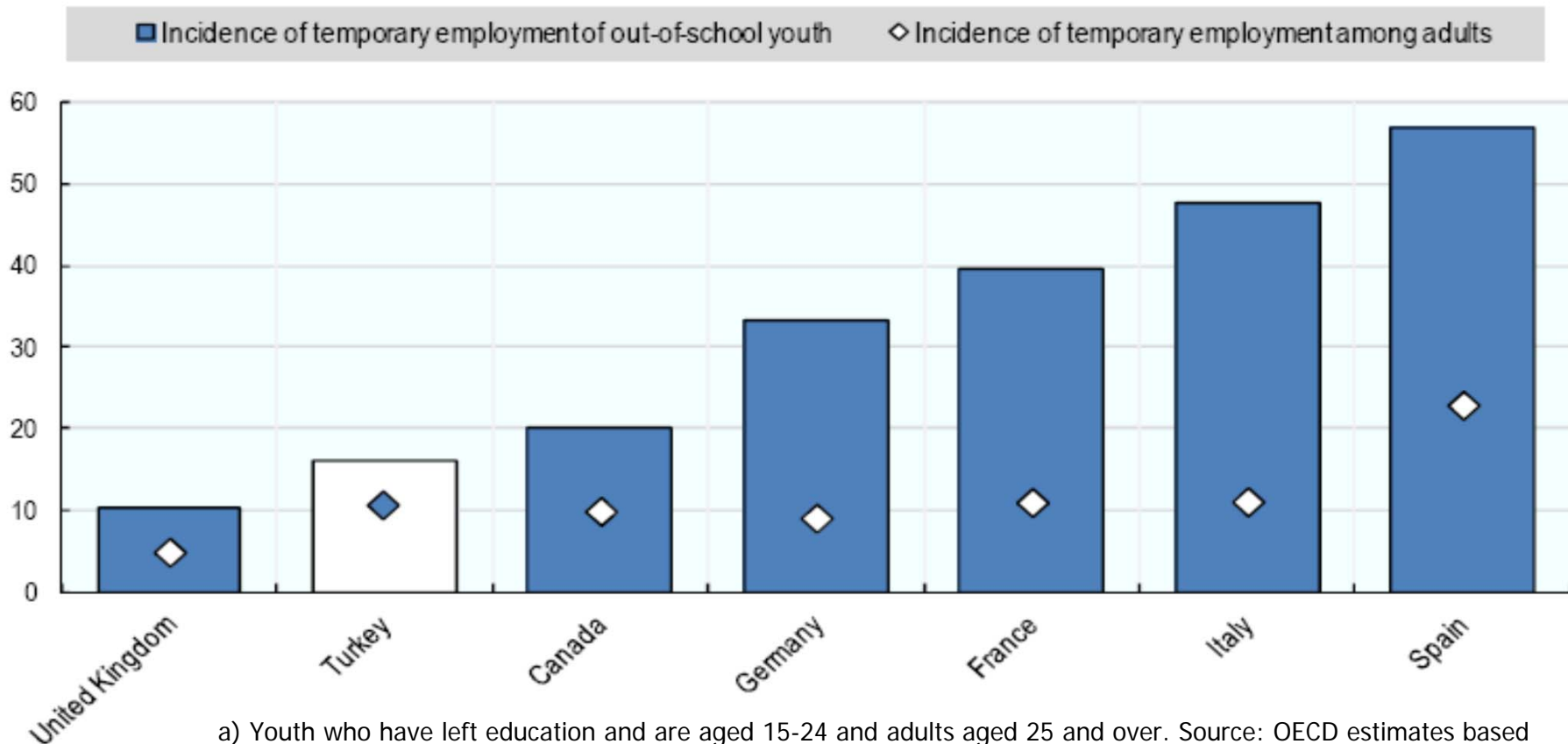
- **Danger of further disappointments in the EU through EU „placebo programs“ which are not designed to work in countries with highest youth unemployment**

New approach needed

- **link YEI with the planned EU-investment to create growth**
- **not only focus on individuals: Finance infrastructures – like PES or YEI boards**
- **develop more realistic time horizon for structural reforms for the VET systems Introduction of elements of apprenticeship systems is a long term project**

Incidence of temporary jobs, by age group

Incidence of temporary employment among employed out-of-school youth and adults, 2011



a) Youth who have left education and are aged 15-24 and adults aged 25 and over. Source: OECD estimates based on various national sources.