

YOUTH UNEMPLOYMENT IN EU MEMBER STATES AND IMPACT OF THE COVID-19 PANDEMIC

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Abstract

Unemployment arises from an imbalance between supply and demand on the labour market and represents a serious economic and social problem. High unemployment means a waste of limited resources and slows down the long-term growth potential of the economy. The current labour market has been extraordinarily affected by the COVID-19 pandemic. The unemployment of young people under the age of 25 requires individual attention within this topic, which is at the level of 16.6% in the EU, while the differences in individual EU countries are significant. Unemployed young people have problem with their own housing, to be independent and they become dependent on government transfers or illegal work. Fair chance in the world of work for youth become a key policy priority. The inability of recent graduates to find a job is a problem that the EU is trying to reduce by implementing various programs to support young people in finding and keeping a job. The aim of the contribution is to analyse the unemployment of young people in EU countries and to point out the consequences of the COVID-19 pandemic.

Key words: youth unemployment, graduates, consequences, EU, COVID-19

JEL Code: J64, J21

Introduction

As the Eurofound survey realised in 2020 revealed, the impact of Covid-19 pandemic on young people in the EU manifested by significant declines in well-being and the fact that young people are the category most affected by job losses (Eurofound, 2021). This is also confirmed by Eurostat statistics. The unemployment rate for young people under the age of 25 for the EU27 Member States for 2021 was 16.6 %, whereas unemployment rate for the adults is 6.5%.

Young people are disproportionately affected by the economic and employment consequences of the pandemic and the recovery rate of youth labour markets in many countries and regions is falling behind that of the labour market for older workers (ILO, 2022).

The contribution is devoted to issue of the unemployment of young people in EU countries with emphasis on factors as gender differences, educational attainment level and the consequences of the COVID-19 pandemic.

1 Youth unemployment and its implications

Young people have to constantly face with risks and an uncertain future, as well as changing the nature of labour markets (Juznik Rotar, 2022). It is the reason why the issue of youth unemployment is important part of the development strategies. High employment rate was a key objective of the European Union's Europe 2020 strategy, and member states invested significant amounts of public funding to tackle youth unemployment and create jobs. Two of its flagship initiatives to improving the employment situation of young people were "Youth on the move", which promoted mobility as a means of learning and increasing employability, and "An agenda for new skills and jobs: a European contribution towards full employment", which aimed to improve employability and employment opportunities for young people (Eurostat, 2020). The issue of youth unemployment also touches on the 2030 Agenda, where young people have the critical role in the implementation of sustainable development efforts at all levels (UN, 2018).

The youth unemployment has a negative impact not only on economy and society but also on the young people themselves - they do not have a job, which means that they do not have financial, there is an absence of work habits, new knowledge, psychological well-being, and life fulfilment. The consequences of youth unemployment are linked with lower living standards and lower probability to own housing (Gousia, Baranowska-Rataj, Middleton, & Nizalova, 2021), lack of finances (Tanveer Choudhry, Marelli & Signorelli, 2012) and psychological stress (Achdut & Refaeli 2020), lower wages (Helbling, Sacchi & Imdorf, 2019), problems with establishing oneself in the labour market (Mizintseva, Sardarian, Petrochenko & Chavykina, 2017) and greater propensity to engage in fraudulent activities and illegal work (Chan, 2019; Lukáč, Freňáková & Kmeťová, 2018; Simionescu & Cifuentes-Faura, 2022).

The experience as important competitive advantages can be a potential reason of the problem in job searching. In practice, requirement of work experience signifies a barrier for many young people, because they are unable to get work experience and at the same time, they cannot find a job due to lack of work experience. However, being employed does not automatically mean that young people have a job that is in accordance with their qualifications or requirements. Especially when they enter the labour market at a very young age, they may

not have the appropriate education to fill a full-fledged position on the labour market in the knowledge economy.

2 Youth unemployment and European labour market

The main indicator of youth unemployment is the youth unemployment rate for the age group 15-24, possibly 15-29. This uses the same standard definition as the unemployment rate for the working-age population. For a given age group, it is the number of those unemployed divided by the total number of people in the labour force (employed plus unemployed) (Eurostat, 2022a). The size of the young labour force has the effect on the unemployment rate. Another indicator of youth unemployment published by Eurostat is the youth unemployment ratio. This has the same numerator as the youth unemployment rate, but the denominator is the total population aged 15 to 24.

Fig. 1: Youth unemployment rate, youth unemployment ratio and unemployment rate in 2021 (%)



Source: Own processing based on Eurostat, 2022a

From Fig. 1 is obvious that people between 15 and 24 years belong to the most vulnerable groups in our society. Also, the figure confirms the significant disparities exists among member states. The lowest youth unemployment rate in 2021 was recorded in case of Germany (6.9%) and the highest in Greece (35.5%) and Spain (34.8%).

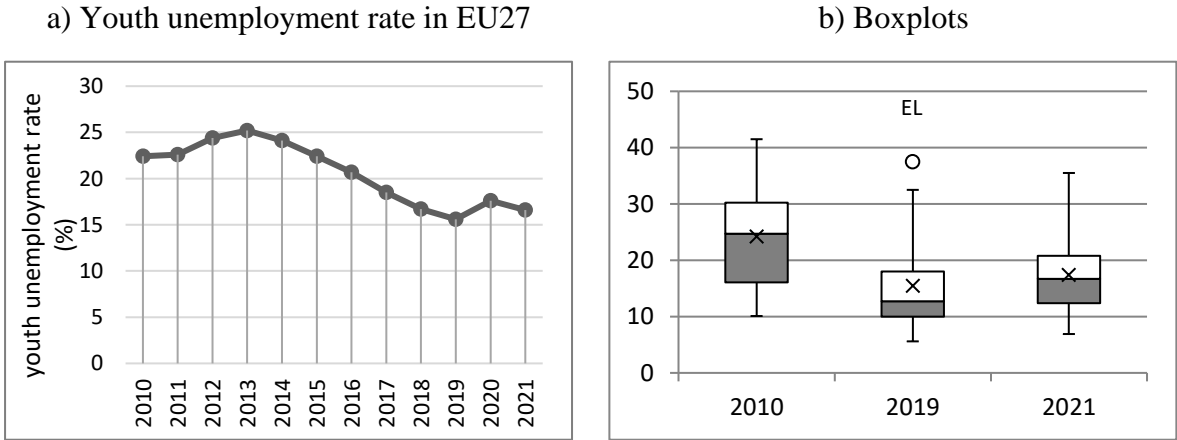
The youth unemployment rate was below 10 % in four countries: Germany, Czech Republic (8.2%), Netherland (9.3%) and Malta (9.6%). On the other hand, the youth unemployment rate exceeded 20% in six Southern European counties: Greece, Spain (34.8%), Italy (29.7%), Portugal (23.4%), Croatia (21.9%) and Romania (21.0%); in one Northern European state: Sweden (24.7%), and in one Central European country: Slovakia (20.6%).

The youth unemployment rate achieves higher level than overall unemployment rate in all surveyed countries and the differences between youth unemployment and total unemployment deepen with raising youth unemployment rate.

As for the youth unemployment ratio, its value is already by definition always smaller than the youth unemployment rate (given the difference in the denominators). If young people in the labour force overlap more closely with the total population of the same age, the values of the rate and ratio are closer. That is case of Netherland, Germany, Denmark, Malta, and Austria, where the difference between youth unemployment rate and ration is less than 5%. On the contrary, this difference is more 20% in Greece, Spain, and Italy.

The situation in labour market and work opportunities for many young people were already precarious and insecure before COVID-19 pandemic (ILO, 2021). The current situation is even more complicated, because in reaction to pandemic, there were business closures, redundancies and increasing rates of job insecurity. Based on Fig. 2, the effects of the COVID-19 pandemic on youth unemployment in EU can be identified.

Fig. 2: Youth unemployment rate in EU member states – time comparison (%)



Source: Own processing based on Eurostat, 2022a

The development of youth unemployment rate points out positive trend of the indicator decline in European Union in period of years 2013-2019 (Fig. 2a). Subsequently, young people did not escape the economic and social impacts of the COVID-19 pandemic, which was reflected in the increase of youth unemployment rate in 2020 (17.6%). Young employees were among the first to be fired, or they were moved onto insecure work contracts and consequently they have to face the problems with job searching. When comparing the years 2020 and 2021, we observe a moderate decrease in the youth unemployment rate, specifically by 1%.

A boxplot as a standardized way of displaying the distribution of data, allows us to see the differences in the youth unemployment rate between individual member states (Fig. 2b). To highlight changes over time and the consequences of the pandemic, the values of the indicator in 2010, 2019 and 2021 are analysed. The highest variability of values was recorded in 2010 (minimum 10.1% in Austria and maximum 41.5% in Spain). At the same time, the highest average youth unemployment rate was also achieved in this year. In 2019, the range of variation decreased, but we recorded one outlier. This is the rate of youth unemployment in Greece, which reached the level of 37.5%. The boxplot also confirms the above-mentioned positive trend of the decrease in the youth unemployment rate. The difference between the mean values in 2010 and 2019 was at the level of 8.7%. On the other hand, in 2021 we observe an increase again in the variation range as well as in other number characteristics. This development was influenced by the pandemic.

1.1 Youth unemployment and gender differences

Gender difference can be described with a gender gap, which is calculated as the difference between the value of the indicator for the male category and the value of the indicator for the female category. Positive gender gap means that men achieve a higher value in the monitored indicator and negative gender gap informs us that females recorded a higher value in the indicator. Gender differences in the youth unemployment rate are shown in Tab. 1.

Tab. 1: Gender gap in EU member states

	EU27	BE	BG	CZ	DK	DE	EE	IE	EL	ES	FR	HR	IT	CY
2010	+0.6	0.0	+1.1	-0.3	+4.7	+2.0	+6.9	+13.8	-13.5	+3.5	-5.6	-2.1	-2.4	-1.3
2019	+0.1	+4.0	+0.4	-0.6	+0.7	+1.9	-0.8	+3.6	-6.5	-3.6	-1.6	-5.3	-3.3	+5.0
2021	-0.2	+3.7	+0.8	-1.5	-0.3	+0.9	+3.4	-0.1	-9.8	-1.5	+0.2	-7.5	-5.1	+1.5
	LV	LT	LU	HU	MT	NL	AT	PL	PT	RO	SI	SK	FI	SE
2010	+2.5	+7.4	+7.4	+4.2	+2.6	+3.4	+0.6	-2.5	-1.4	-0.2	+1.6	+0.2	+5.0	+2.0
2019	+4.6	+4.8	+1.8	+1.8	+2.5	+2.5	+1.9	-0.7	-5.9	-1.6	-1.8	-7.7	+3.6	+0.5
2021	+0.3	-1.0	+1.6	-3.5	+6.7	+0.7	-0.6	-1.0	-5.4	-0.3	-2.9	-2.2	+1.4	+1.2

Source: Own processing based on Eurostat, 2022a

The average values for the EU27 indicate only minimal differences between the unemployment of young men and women. However, in a more detailed analysis, we find that the differences between the countries are significant. The minimum and maximum value for each analysed year is marked. The most significant gender differences are observed in 2010. The largest positive gender gap in youth unemployment was in Ireland (+13.8) and the largest negative gender gap was in Greece (-13.5). The gender gaps recorded in 2019 and 2021 across

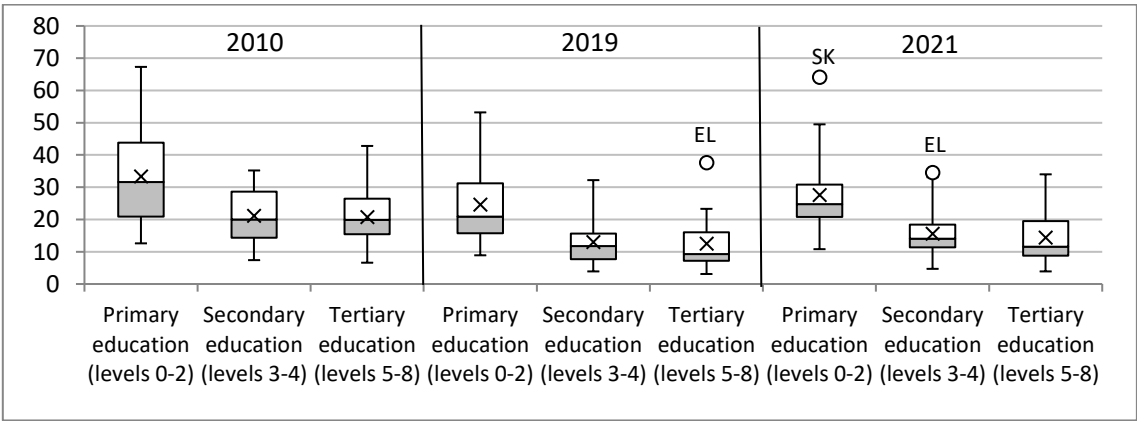
the member countries are already not so pronounced. Even if they have increased slightly due to the pandemic. In 2021, the largest positive gender gap in youth unemployment was in Malta (+6.7) and the largest negative gender gap was again in Greece (-9.8). The countries such as Belgium, Bulgaria, Germany, Latvia, Luxembourg, Malta, Netherland, Finland, and Sweden have positive gender gap in youth unemployment in all surveyed years. On the other hand, there is negative gender gap in Czech Republic, Greece, Croatia, Italy, Poland, Portugal, and Romania.

1.2 Youth unemployment and educational attainment level

The issue of unemployment and the quality of education are closely related because high quality education presents a direct way to employment. Specific skills and competencies such as financial literacy (Kubák, et al, 2018; Mihalčová, Csikosova & Antošová, 2014) or ICT skills (Barna & Epure, 2020) also play an important role. Education attainment and training systems are essential determinants of youth employment outcomes (Marques & Hoerisch, 2019), as they can provide young people with the right skills and attitudes to prepare them for the labour market, thereby facilitating the transition from school to work.

The ISCED 2011, which consists of nine levels of education, classification presents the basic approach to education levels. Based on Fig. 3 and Tab. 2 we compared youth unemployment rate by educational attainment level for EU member states.

Fig. 3: Youth unemployment by educational attainment level (%)



Source: Own processing based on Eurostat, 2022b

The highest variability of values was recorded in 2010 for less than primary, and lower secondary education (minimum 12.6% in Austria and maximum 67.3% in Slovakia). Overall, the biggest differences between countries are observed in terms of primary education. The

boxplots confirms that pandemic interrupted positive trend of the decrease in the youth unemployment rate for all education level. As can be assumed, mainly young people with primary education have a problem to get a job. The differences between the unemployment of young people with secondary and tertiary education are not fundamental.

Tab. 2: Youth unemployment by educational attainment level – Descriptive Statistics

	2010			2019			2021		
	Primary education (levels 0-2)	Secondary education (levels 3-4)	Tertiary education (levels 5-8)	Primary education (levels 0-2)	Secondary education (levels 3-4)	Tertiary education (levels 5-8)	Primary education (levels 0-2)	Secondary education (levels 3-4)	Tertiary education (levels 5-8)
Mean	33.28	21.13	20.65	24.53	12.91	12.47	27.50	15.55	14.30
Median	31.60	20.00	19.90	20.90	11.80	9.30	24.80	14.00	11.55
Std. Dev	14.88	8.81	8.19	12.53	7.26	8.45	12.28	7.20	7.92
Var. range	54.70	27.80	36.20	44.30	28.30	34.50	53.30	29.80	30.10
Min	12.6	7.4	6.6	8.9	3.9	3.1	10.8	4.7	3.9
	AT	DE	DE	DE	DE	DE	DE	DE	CZ
Max	67.3	35.2	42.8	53.2	32.2	23.3	49.5	33.1	34.0
	SK	LV	EL	SK	EL	ES	EL	ES	EL
Outliers	None	None	None	None	None	37.6	64.1	34.5	None
						EL	SK	EL	

Source: Own processing based on Eurostat, 2022b

Tab. 2 points to significant differences between the member states. This is mainly confirmed by the high values of the variation range and standard deviation for all monitored indicators, which reaches values above 25 in all cases. As we can see during the monitored period, Germany achieves the best results across all levels of education. Although in 2021 the Czech Republic achieved the lowest unemployment rate of people with tertiary education (3.9%). Slovakia dominates among the countries with the highest unemployment rate of people with primary education. In case of secondary and tertiary education, it is Greece.

Conclusion

The Covid-19 pandemic interrupted the positive trend of the development of youth unemployment rate in European Union. Nowadays, the young people between 15 and 24 years belong to the most vulnerable groups in our society. The results also confirm the significant disparities exists among member states. During the observed period the gender gap has decreased in size, however they have increased slightly due to the pandemic again. As for educational attainment level, the most significant differences among member states were observed in terms of the primary education. The differences between the unemployment of

young people with secondary and tertiary education are not fundamental. Overall, the achieved results confirmed significant disparities between European countries, while because of the pandemic, there was an increase in youth unemployment across gender or different levels of education. Overall, the markedly problem with youth unemployment were recorded in the case of southern European countries.

The main lesson learned over the past decades and during the COVID 19 crisis is the need for integrated policy responses, which requires intensive cooperation between government departments. Post-COVID pandemic recovery policy in field of youth employment needs an integrated approach that include the whole-of government, social partners, and other relevant stakeholders, developed in close dialogue with young people (ILO, 2021). The creation of clusters in the sense of cooperation between companies and educational institutions can support youth employment, although the conditions for building and functioning of clusters are different in the member countries (Burger et al, 2015). Entrepreneurship, creativity, and innovativeness belong to the key competencies of young people that help develop their potential. Even today, increasing competitiveness, education and practical competences stay the best way how young people can gain a better position on the labour market.

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