

Current reports

A sketch of youth unemployment in selected countries

30th July, 2013

What to expect

Since the great recession in 2008, unemployment has risen in the EU. In 2008, the unemployment in the EU was at 7.1 percent, in 2012 it was at 10.5 percent. The unemployment has increased the most in southern Europe, while Germany today has a lower unemployment than in 2008. By the end of 2012, the euro area was still in recession, and unemployment continues to rise. Young people are especially sensitive to the business cycles, and youth unemployment (15–24 years) has increased from 15.8 percent in 2008 to 22.8 percent in 2012 in the EU. The situation is worst in Greece and Spain with youth unemployment above 50 percent.

In this paper the authors of the International Labour Market Forecasting Network (a cooperation of several researchers related to PES) briefly describe the youth unemployment in Denmark, Estonia, Finland, Germany, Norway and Sweden. Young people face the transition from education to work, which is a vulnerable phase. If the labour market is poor, they struggle to get their first job. If firms have to resign workers they often will be the first to go, because they have temporary contracts and/or short experience. This means that youth unemployment usually is higher than unemployment for people older than 24 years. In the countries named above youth unemployment is about 2–4 times higher than total unemployment (LFS), but most of the young who are unemployed are only unemployed for a short period of time. In some of the countries many of the young unemployed are full-time students looking for a part-time job. In all countries except Germany the youth unemployment is higher than 2008, but since 2010 youth unemployment has stabilized or fallen in most of the countries according to the labour force survey (LFS).

1. Denmark

Statement of the unemployment in Denmark is often based on register data in terms of disbursement of unemployment benefits and social assistance for labour market ready (RAM unemployment). This methodology has many advantages, but is less suitable for international comparisons.

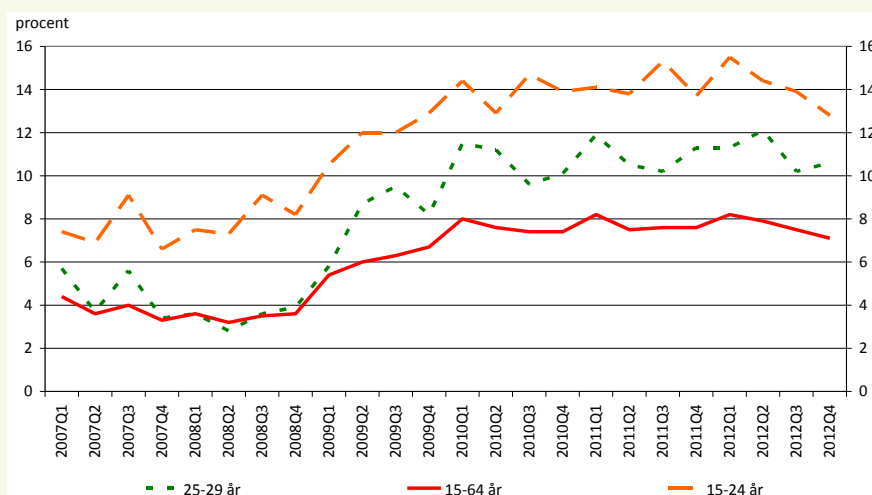
The following is the statement of the youth unemployment rate based on the quarterly sample surveys (AKU) among a representative proportion of the population that follows the same method in all EU countries, and used by Eurostat and the OECD. In Denmark it is Statistics Denmark that is carrying out data collection. The calculation differs from RAM-unemployment in several respects, and there are significant differences between countries regarding the extent to which students and persons in active offers is included. The differences are described in the fact box on the last page.

AKU unemployment – Danish figures

The AKU unemployment in Denmark for the total age group (15–65 years) increased from a level of 3.6 percent in the 4th quarter of 2008 to 8 percent in the 1st quarter 2010, see figure 1. Since then AKU unemployment has practically stagnated at around 7.5 percent to 8.2 percent (Q1 2012). The latest statistics from the 4th quarter of 2012, states that the unemployment rate for the total age group was 7.1 percent, suggesting a slightly declining trend.

For the group of 15 to 24 year olds the AKU unemployment has throughout the period been higher than the unemployment rate for the total group and level of the 25–29 age group. The AKU unemployment for the young group began to rise shortly before the overall unemployment rate and since the 1st quarter of 2012 the level has remained between 13 and 15.5 percent (Q1 2012). After the 1st quarter of 2012 which showed a declining trend for the 15–24 year olds, the 4th quarter of 2012 showed an AKU unemployment of 12.8 percent for the group.

Figure 1:
The development of AKU unemployment in the Nordic countries for the age group 15–24 years, 1st quarter of 2007 to 4th quarter of 2012



Source: Eurostat

For the group of 25–29 year olds the AKU unemployment reached its lowest level in the 2nd quarter of 2008, after which it has shown an increasing trend until the 1st quarter of 2010. Since January 2010 the unemployment rate for the 25–29 age group has broadly varied between 10 and 12 percent. In the 4th quarter of 2012, the AKU unemployment for the 25–29-year-old was 10.6 percent.

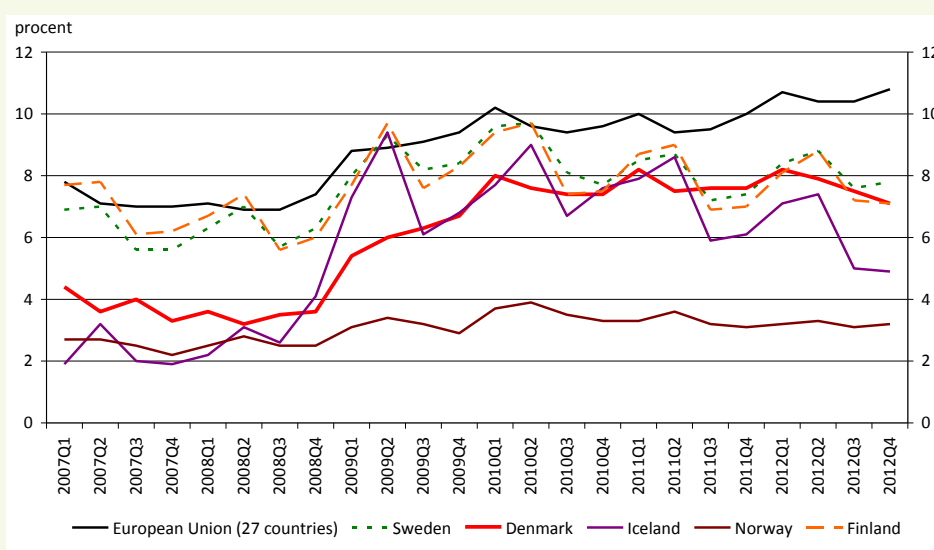
AKU unemployment – in the Nordic countries

The AKU Unemployment for the total age group (15–65 years) for all the Nordic countries remained below the overall EU level in almost the whole period considered, see figure 2.

Unemployment rates has increased the most in Iceland followed by Denmark. While the AKU unemployment in Iceland has shown a declining trend since 2009, Denmark has almost been stagnant for the last 3 years.

Norway has throughout the period had the lowest AKU unemployment (until Q3 2008, along with Iceland). Sweden and Finland have until the beginning of 2011 had a higher AKU unemployment than Denmark, but with a declining trend in recent years.

Figure 2:
The development of AKU unemployment in the Nordic countries for the age group 15–24 years, 1st quarter of 2007 to 4th quarter of 2012

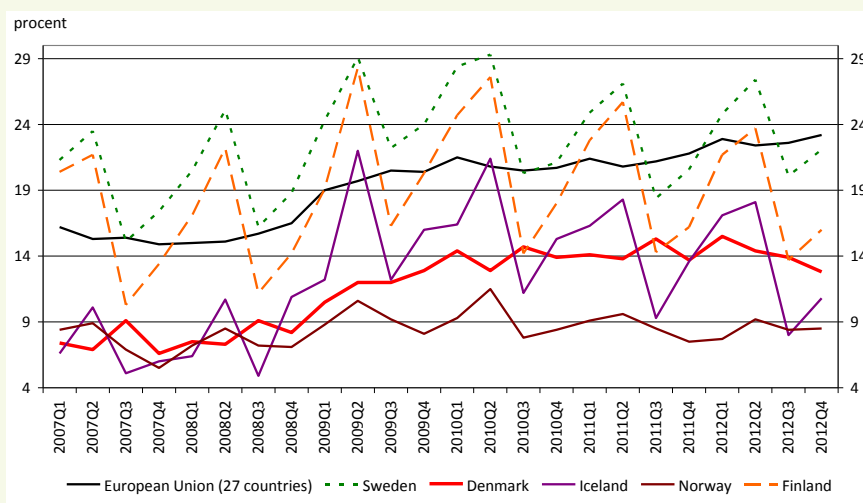


Source: Eurostat

For the group of 15 to 24 year olds, the level of AKU unemployment in all countries is above the level for all age groups together, see figure 3. In Sweden the AKU unemployment for the young group has ranged between 20 and 30 percent since the end of 2008, Finland is slightly below the Swedish level. The AKU unemployment in Denmark for this age group is less seasonal than in the other Nordic countries, but in the last two quarters it showed the same decreasing trend that can be observed in the other Nordic countries.

Figure 3:

The development of AKU unemployment in the Nordic countries for the age group 15–24 years, 1st quarter of 2007 to 4th quarter of 2012



Source: Eurostat

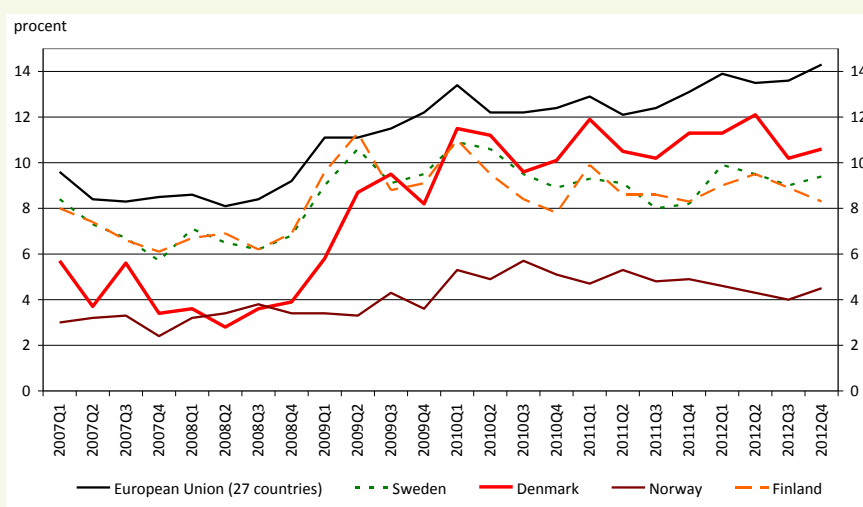
As mentioned previously, the AKU unemployment in Denmark for the group of 25–29 year olds has shown stagnating tendency since the 1st quarter 2010, see figure 4.

In contrast, the AKU unemployment in Sweden and Finland has shown a decreasing trend from the 1st quarter of 2010 to the end of 2010, after which it has evolved within a given level between 8–10 percent. The lowest level had been reached in the 2nd quarter of 2008, after which it has shown an increasing trend until the 1st quarter of 2010.

In Norway, the unemployment rate for the age group 25–29 – similar to the other considered age groups – is relatively low throughout the period.

Figure 4:

The development of AKU unemployment in the Nordic countries for the age group 25–29 years, 1st quarter of 2007 to 4th quarter of 2012



Note: There are no updated data to Iceland for this age group.

Source: Eurostat

Fact box: AKU unemployment

The Labour Force Survey is based on a quarterly sample. 85 000 Danes aged between 15 and 74 years participate in the study. The Labour Force Survey (AKU) is the Danish contribution to the Eurostat Labour Force Survey, and is included in Eurostat and the OECD unemployment figures. Data is collected and processed according to uniform principles in all EU countries.

The unemployment rate as defined in AKU follows the European statistical agency Eurostat and ILO operationalization of labor market attachment. Within the AKU those people are counted as unemployed who said that they were not employed in a given week, and that they have actively sought work within the past four weeks and that they are able to start a new job within the next two weeks.

The main difference between the register-based unemployment and the AKU unemployment is found among people under 30 years. This is primarily due to the students. Those young may be included in the group of AKU unemployed, but rarely in gross and net unemployment as they are often not entitled or activated. In practice, there will generally be no students seeking a part-time or job for extra support. This is also a reason why the largest disparity between the register-based unemployment and AKU unemployment is found in the youngest age group 15–24 years.

In the 4th quarter of 2012 unemployment benefits and cash benefits (including activated) amounted around 53 percent of AKU unemployment among the 15–64 year olds, whereas student represented about 21 percent. The approx. remaining 26 percent consisted of people who received no unemployment benefits, social assistance or were students, but in the survey expressed that they met the three conditions (which were not employed, was seeking employment and be able to receive a job). Thus, it may include recipients of disability, persons in flex, recipients of unemployment assistance, etc.

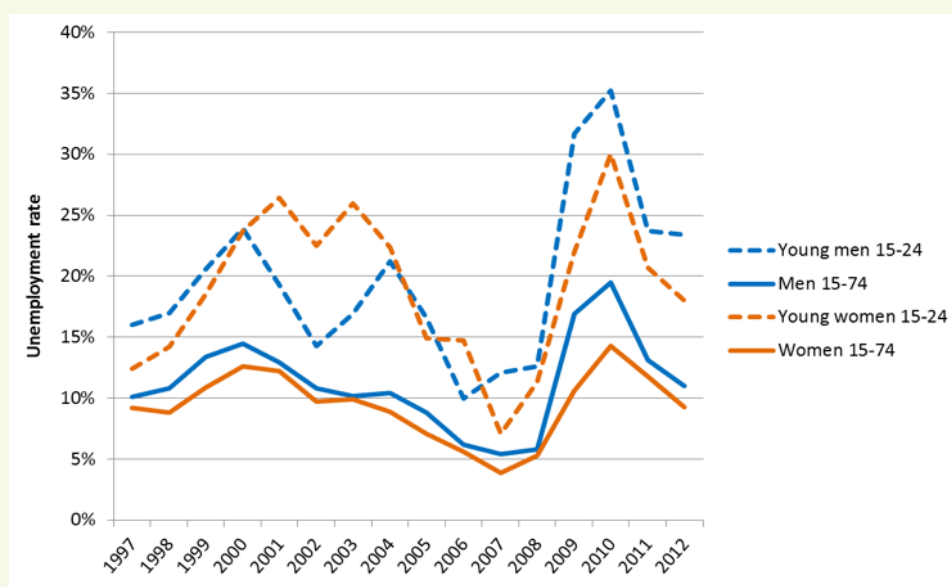
2. Estonia

The unemployment of young people has been a challenge for Estonia for a longer period of time. The unemployment rate of young people (age 15–24) has been considerably higher than the overall unemployment rate in 1997–2012 (see Figure 1). The difference in percentage points was smaller during the period of fast economic growth in 2006–2008 when it was easier for young people to find a suitable job. During the economic crisis in 2009–2010 the youth unemployment rate increased rapidly and it reached to 35 percent for young men and 30 percent for young women in 2010. In 2011 the Estonian labour market started to recover and the unemployment rate decreased quite quickly. However, in 2012 the decrease slowed down and the youth unemployment rate remained high at 21 percent. Nevertheless, this rate is lower than the EU average youth unemployment rate.

Figure 1 shows that the unemployment rate for young women tended to be higher in the earlier years but in recent years the unemployment of young men has risen higher. One of the reasons is that many young men were occupied in the fields of construction and real-estate which were strongly affected by crisis.

Figure 1:

Unemployment rate by age and sex in Estonia, 1997-2012

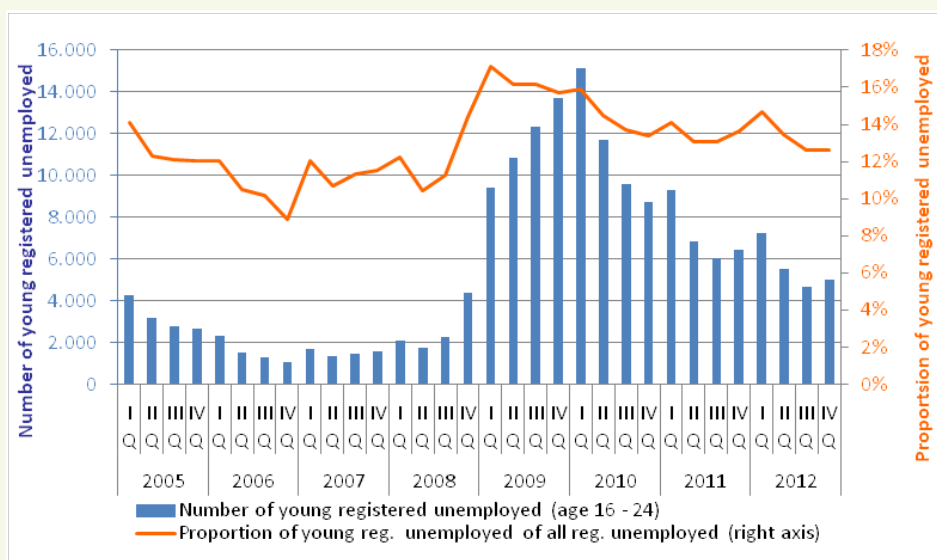


Source: Statistics Estonia

The number of young registered unemployed has changed accordingly to the overall unemployment (see Figure 2). The number of young registered unemployed started to increase in the end of 2008 and reached its peak in the 1st quarter of 2010 when there were 15,100 young registered unemployed. Since then the number of young unemployed has decreased with small seasonal increases in the 1st and 4th quarter. The proportion of young registered unemployed among all registered unemployed increased in the beginning of the economic crises to 17 percent and has slowly decreased to 13 percent by the end of 2012. Along with the decreased number of unemployed people also the period of registered unemployment has shortened among young people. Hence, the share of long-term registered unemployment among young registered unemployed has decreased.

Figure 2:

Number and proportion of young registered unemployed, end of quarter



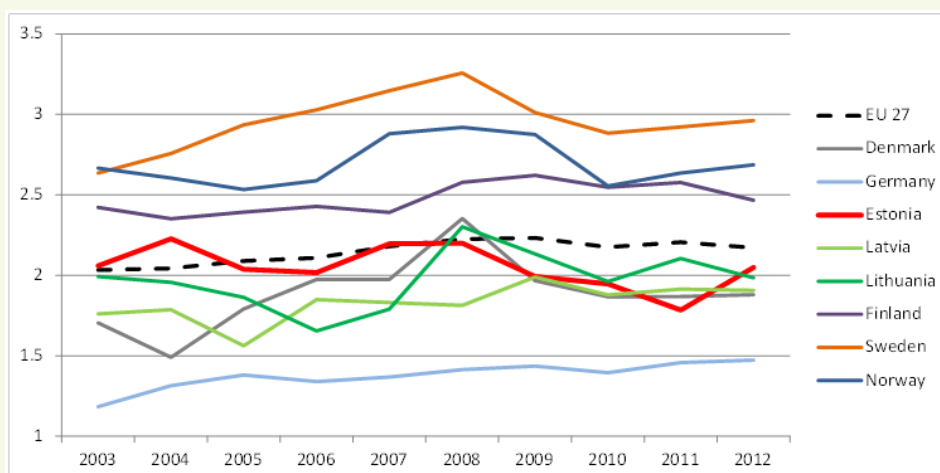
Source: Estonian Unemployment Insurance Fund

Youth unemployment is a challenge in most European countries as the youth unemployment rate is significantly higher than the overall unemployment rate. In Estonia the youth unemployment rate has been about two times higher than overall unemployment rate over the years (see Figure 3). At the same time, in several neighbouring countries like Sweden, Norway and Finland, the youth unemployment rate is 2.5 or 3 times higher than the overall unemployment rate. This indicates that in Estonia the labour market conditions for young people are not that different from the overall situation as in several other European countries (the difference between the overall unemployment rate and the youth unemployment rate in Estonia is similar to the EU average or even smaller).

Although the situation of young people has improved over the last three years, the proportion of young people not in employment and not in any education and training (i.e. the NEET rate) is still relatively high (see Figure 4). In 2012, the share of people aged 16–24 not in education/ training or employment was 12.5 percent which is a bit lower than the EU average NEET rate, though it has increased compared to 2011. The increase was influenced mainly by the fact that the share of non-employed young people who participated in training or education decreased from 56.7 percent to 54.5 percent. From the surrounding countries only Latvia has a higher NEET rate than Estonia.

Figure 3:

Ratio of youth unemployment rate (age 16–24) and overall unemployment rate

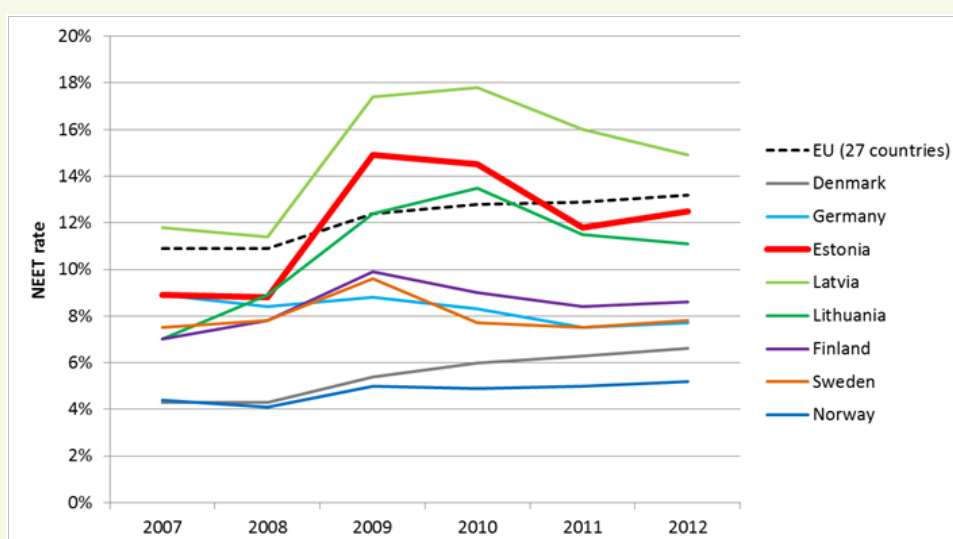


Source: Eurostat

The NEET rate for the age group 15–29 is higher and increased from 14.9 percent in 2011 to 15.3 percent in 2012. This NEET rate also includes those young people who are in military service or on parental leave. A study carried out by Praxis Centre for Policy Studies and University of Tartu showed that the NEET rate in the age group 15–29 when excluding those who are in military service or on parental leave and were not previously unemployed has decreased from 14.1 percent in 2011 to 13.5 percent in 2012. So this modified NEET rate indicates that the labour market situation for the young people was improving in 2012 after all.

Figure 4:

Young people not in employment and not in any education and training (NEET rate, age 15–24)



Source: Eurostat

3. Finland

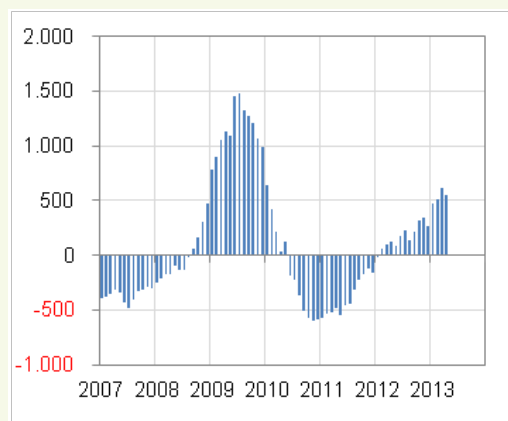
Youth unemployment has increased during the economic downturns – but not extremely strongly

The economic crisis has increased the youth unemployment in almost all European countries, and in most of the countries the unemployment rate of the young has increased more than the overall unemployment rate. Youth unemployment increased also in Finland in 2009 (by 5 percentage points both for 15–19 years and 20–24 years). The change in youth unemployment in 2009 was much stronger than that of overall unemployment. Since 2012, youth unemployment and the number of registered unemployed young have increased again, but less rapidly than in 2009.

However, youth unemployment has not been continuously increasing in Finland – before the latest economic down-turn, the youth unemployment rate decreased in Finland between 2010–2012.

Figure 1:

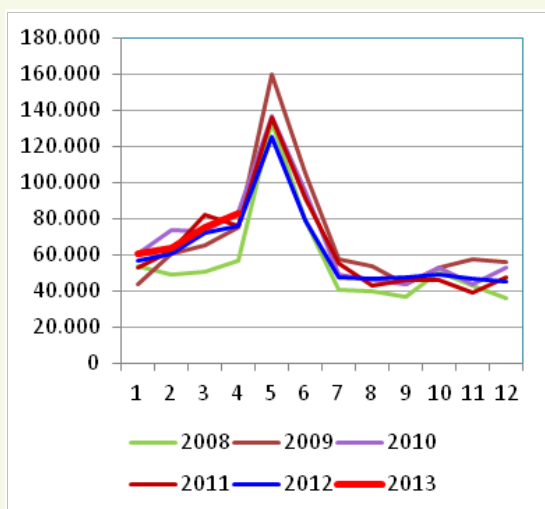
Change in registered unemployed young compared to the same month of year before



Source: Ministry of Employment and the Economy (MEE)

Figure 2a:

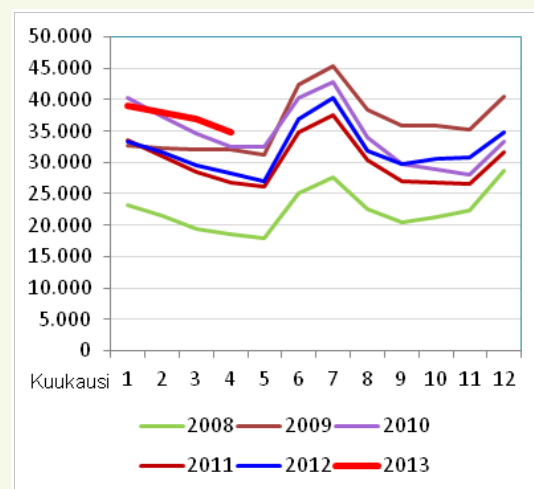
Youth unemployment (15.24) by month in 2008–2013



Source: Labour Force Survey. (LFS))

Figure 2b:

Registered unemployed (under 25) by month in 2008–2013



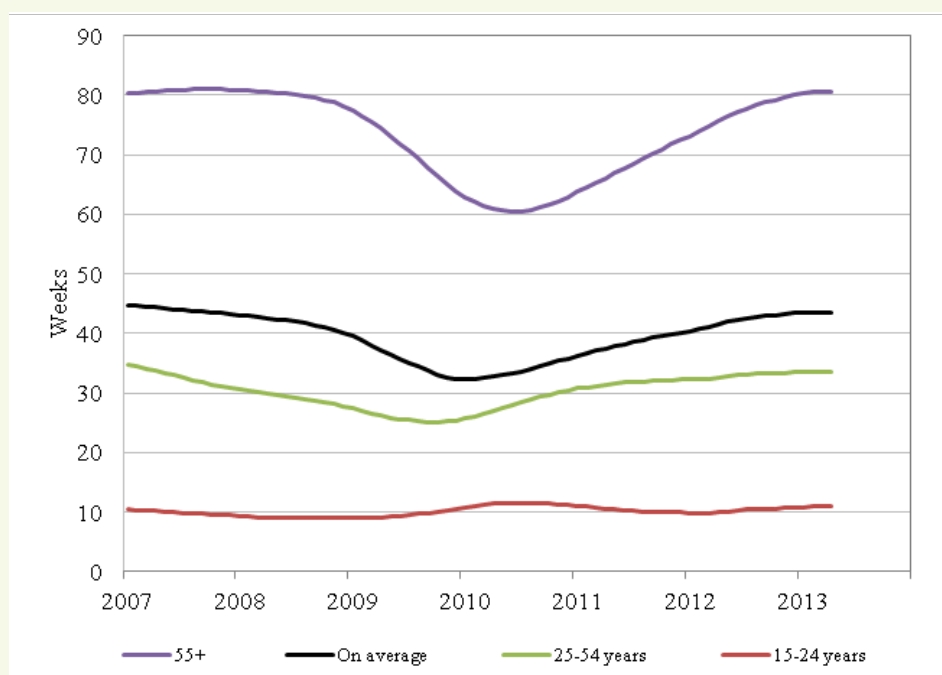
Source: MEE

In general, youth employment and unemployment react more strongly on economic downturns and upturns than overall employment and unemployment. In that sense it could be argued that Finnish labour market reactions have been more or less “normal” during the last years.

Moreover, youth unemployment in Finland has been – and still is – mostly short-term unemployment. In other words, the share of long-term unemployment among the unemployed young is very low (about 4 percent of unemployed young – Larja 2013), and also unemployment spells of the young have remained short even during the economic downturns. Hence, the longer average unemployment spells are mainly explained by the prolonged unemployment spells of those over 25 years old, and especially by those over 55 years.

Figure 3:

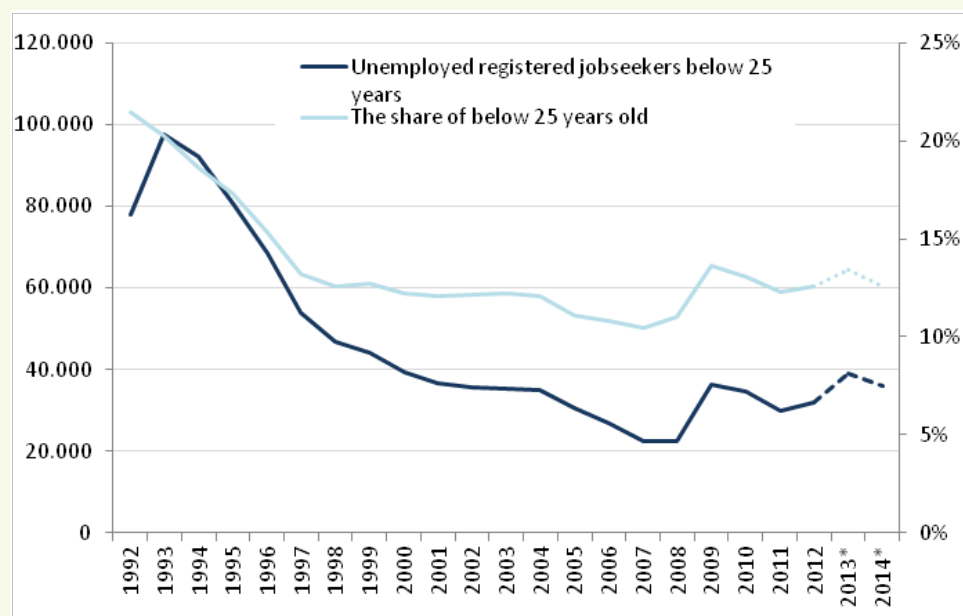
Unemployment spells on average and by age



Source: MEE

Since the economic prospects have again weakened, overall unemployment as well as youth unemployment are forecasted to increase again (figure 4 shows the forecast for the registered young jobseekers). The change in youth unemployment – as well as in overall unemployment – is not forecasted to be dramatic. However, since the level of youth and overall unemployment is already quite high, reflecting the fact that the recovery in the Finnish labour market was only partial in 2010–2011, (youth) unemployment is likely to reach or even slightly exceed the peak level of 2010.

Figure 4:
Development and forecast of the young registered jobseekers



Source: Alatalo – Koponen –Saijets (2013)

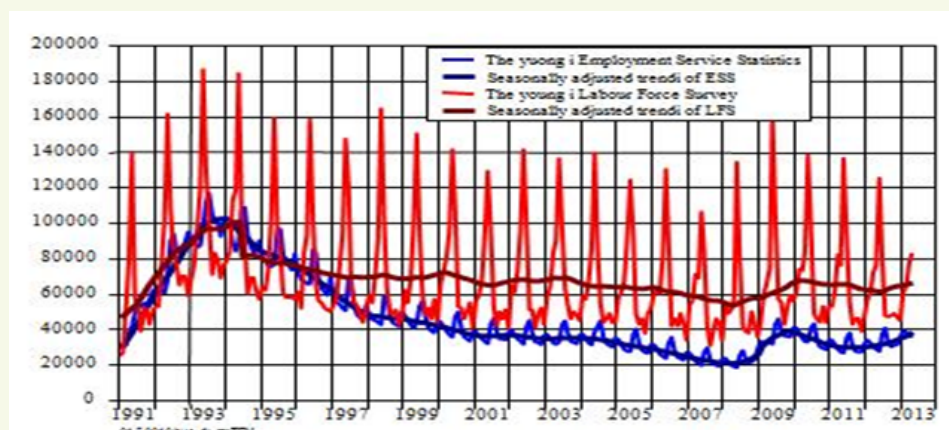
Also in the long-run, and not only during the economic crisis, youth unemployment is typically two-three fold compared to overall unemployment rate, or the unemployment rate of those between 25–64. All that applies also to Finland – the unemployment rate of the young was in 2012 19 percent, while the overall unemployment rate was 7.7 percent. In the long-run (from 1990's) both overall unemployment rate and youth unemployment rate have decreased, and the change in youth unemployment has been larger than the decrease in overall unemployment.

Youth unemployment rate almost 20 percent – the unemployment share half of that

Unemployment rate of the young is based on the Labour Force Survey (LFS), which provides reliable and comparable data. However, in countries like Finland the large majority of the young are students. This means, that in Finland the majority of the young are outside the labour market.

Figure 5:

Unemployed aged under 25



Source: Ministry of Employment and the Economy, ESS and Statistics Finland, LFS

Larja (2013) and Hämäläinen (2012) have calculated that while the unemployment rate of the young was about 20 percent in 2011, about 10 percent of the 15–24 years were unemployed in the same year (the unemployment share of the cohorts). In other words, roughly 50 percent of unemployed young (in LFS) are students in Finland. This fact is also related to the fact that a large share of unemployed young search part-time jobs and/or temporary job. However, the other side of the coin is that hidden unemployment of the young is quite high in Finland, and during the economic downturns especially the young give up active job searching, and instead concentrate on full-time studies.

Dual labour market features not strongly related to the young

Altogether, youth unemployment, even though it fluctuates, has not increased dramatically, and the long-run trend has been decreasing. Moreover, about 50 percent of the unemployed young are students, searching for part-time jobs. Roughly 10 percent of the younger cohorts are unemployed, and for those 10 percent, a very low share is long-term unemployment.

What are the main explanations for the relatively good labour market performance of the young? That could be explained either by the nature of the economic shocks behind economic downturns or by the effects of labour market institutions. In other words, in the case of the shocks harming the production sectors strongly occupied by the young and/or dual labour markets could explain the significant increase in youth unemployment (Karjanlahti – Vanhala 2013).

In dual labour markets temporary contracts are strongly occupied of the young or other vulnerable groups, and moreover, the difference between the employment protection legislation between permanent and temporary contracts is large. Hence, one reason for increasing youth unemployment could be that during an economic downturn temporary contracts decrease quite strongly. Hence, this explanation, related to dual labour market features – or lack of them – could also explain partly the fact that the increase in the

youth unemployment remained relatively low, taking into account the dramatic drop in GDP in 2009. The young – as well as women – are overrepresented in temporary employment also in Finland, and to some extent it can be argued that the features of dual labour markets exist also in Finland. However, temporary employment in Finland is not only related to the young, which partly explains that youth unemployment has not increased that much.

What about the nature of the negative shocks? In Finland, especially in 2009, the negative shock in export demand did not strongly (directly) harm the young, since the share of the young in those production sectors is relatively low. However, this external shock had indirect negative effects on employment in other production sectors also, and hence on (un)employment of the young – but not only the young. The same applies more or less to the structural changes in Finnish industry – loss of employment has been faced probably even more seriously by prime-aged than by the young

To conclude, it could be argued that both the nature of the shock in 2009 and the lack of very strong dual labour market features for the young explain the fact that youth unemployment did not increase dramatically in 2009–2010. However, the present economic downturn is forecasted to decrease employment in services as much as in manufacturing sectors and that could result in a (relatively) larger loss of employment among the young than it was seen in 2009.

Youth unemployment is mainly short-term – but lasting scarring effects for individuals

Although youth unemployment is slightly below EU27 average in Finland and the change in youth unemployment has not been dramatic, these are not arguments to conclude that youth unemployment would not be a problem. The (long-term) goal is to reduce it. There are robust empirical research results, both national and international, which indicate that unemployment experience at a younger age, especially repeated unemployment spells, has long-standing effects on the labour market position. The negative effects of short-term unemployment spells on employment and incomes, experienced in the young age, do vanish in the long-term. However, the long-standing or repeated experiences of unemployment can have lasting scarring effects (Asplund – Vanhala 2013). Asplund and Vanhala cooperate in a Nordic project comparing youth unemployment in Nordic countries (http://www.etla.fi/to/youth_unemployment/publications.html).

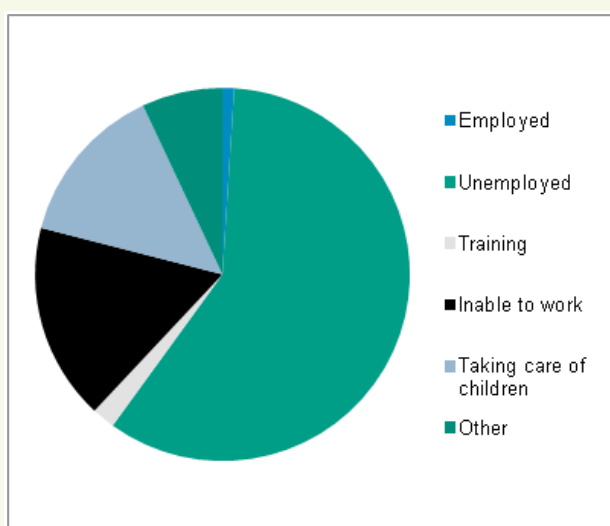
Asplund and Vanhala (2013) have analysed the transitions from school to employment, or from school to unemployment or outside labour market, based on longitudinal data. Especially, the focus is on those of low education. Those who had only basic education at age of 21 had a diversity of paths or transitions – although also some common features could be seen. Altogether, 10 different transition paths were identified. While the large share of the young integrates on the labour market without problems, the small minority has problems in transition. The results show that among this minority the transition paths or risky trajectories and reasons behind them are diversified. To tackle these problems Asplund and Vanhala (2013) call tailored individual solutions as well as closer cooperation between municipalities.

Youth Guarantee tackles the exclusion from the labour market and education (NEETs)

Above it was argued that youth unemployment is slightly less a serious problem than it might be expected based on the youth unemployment rate. Moreover, the youth unemployment rate is not a perfect indicator to monitor the risk of exclusion of the young, either. The NEET indicator measures those who are Not in Employment, Education or Training. However, not all NEETs are at risk of exclusion from the labour market and/or education. The experience of being outside labour market and education has a negative influence on many – but at the same time for others that could mean a period between jobs, a period before studies or a period of taking care of children, for example. The figure below illustrates the numbers and reasons behind NEET- indicator.

Figure 6:

The categories of NEET in 2011, based on own answer



Source: Eurostat/Larja 2013

Based on the Labour Force Survey 4 percent of the young cohorts (15–24 years) were unemployed and did not study in 2011 – altogether 25 000 young (Larja 2013). At the same time 5 percent of the same cohorts were outside the labour market – 32,200 young. Myrskylä (2011) has also evaluated that the number of those of 15–29 years outside the labour market – not employed, not studying, not in army, not taking care of children – includes about 82 000 young. The estimates are close to each other, taking into account the differences in age limits.

To summarize the numbers from different statistical sources and based on different definitions, we can conclude that there were roughly

- 63 000 unemployed young in 2012 (LFS/Eurostat)
- ...of which about 50 percent are fulltime students (Hämäläinen 2012, Larja 2013)
- the youth unemployment rate was 19 percent in 2012 (LSF/Eurostat)

- ... and the unemployment rate without students would be slightly below 10 percent (Hämäläinen 2012, Larja 2013)
- 32 000 registered unemployed in 2012 (MEE)
- the longterm unemployment share of unemployed young was only 4 percent in 2011 (Larja 2013)
- 82 000 young (15-29 years) not in employment, education, army, or taking care of children (Myrskylä 2011)
- 4 percent of the age cohorts 15–24 years were unemployed and did not study – 25 000 (Larja 2013)
- 5 percent of the age cohorts 15–24 years were outside the labour market – 32 000 (Larja 2013)
- the share of NEETs was 8,6 percent in 2012 (Eurostat)
- ... of which about 40 000 are estimated to be at the risk of exclusion (MEE)
- 110 000 young (20–29 years) have completed only basic education

Even though youth unemployment is mainly short-term and the level of youth unemployment is not extremely high, there are good reasons to tackle youth unemployment. Especially the long-standing effects of unemployment spells at the individual level can be serious. Youth Guarantee (<http://www.youthguarantee.fi/youthguarantee>) was implemented in the beginning of this year. It was partly implemented to tackle youth unemployment – but only partly, and not meant to tackle the increase in unemployment caused by the economic downturn. Those at risk of exclusion from education are an at least as serious – or rather, a more serious – problem than those unemployed, and the Youth Guarantee was implemented to tackle this second problem as well.

Sources

Alatalo – Koponen – Saijets (2013). Työ- ja elinkeinoministeriön lyhyen aikavälin työmarkkinaennuste, Kevät 2013. http://www.tem.fi/ajankohtaista/julkaisut/tem_analyyseja/tyo- ja_ elinkeinoministerion_lyhyen_aikavalin_tyomarkkinaennuste_kevat_2013.97987.xhtml

Asplund Rita – Vanhala Pekka (2013): Heikosti koulutettujen nuorten polut työelämään. Työpoliittinen Aikakauskirja 1/2103. <http://www.tem.fi/files/36078/tak12013.pdf>

Hämäläinen Kari (2012): Näkökulmia Suomen ja Ruotsin työmarkkinoihin. In Valtioneuvoston kanslian raporttisarja 4/2102: Kilpailukyky ja työn tarjonta – oppia ja kokemuksia Ruotsista? <http://vnk.fi/julkaisut/listaus/julkaisu/fi.jsp?oid=375016>
http://www.etla.fi/to/youth_unemployment/publications.html
<http://www.youthguarantee.fi/youthguarantee>

Karjanlahti Kristiina – Vanhala Juuso (2012): Ovatko työmarkkinainstituutiot kohdistaneet työttömyyden nuoriin?. BoF Online, 10/2012. http://www.suomenpankki.fi/fi/julkaisut/selvitykset_ ja_ raportit/bof_online/Pages/BOF_ONL_10_2012.aspx

Larja Liisa (2013): Nuorten elinoloja ei voi kuvata pelkän työttömyysasteen avulla. Hyvinvointikatsaus 1/2013.

Myrskylä Pekka (2011): Nuoret työmarkkinoiden ja opiskelun ulkopuolella. Työ- ja elinkeinoministeriön julkaisu. Työ- ja yrittäjyys 12/2011. http://www.tem.fi/files/29457/TEM_12_2011_nettti.pdf

4. Germany

At the beginning of adulthood, young people face the shakiness of more transitional stages than adults on average: They move from education to apprenticeship and first job. They leave their parents house to live in an own flat, earn their own money and start their own family. Thus, the challenges that young adults face are manifold, especially as interruptions at the early stages often imply long-lasting disadvantages for the whole professional career. To circumvent (long-term) unemployment and to mitigate the process from education into the labour market is therefore one of the most fostered targets in labour market policy. It aims at keeping periods of benefit receipt short, supporting occupational choice, and reintegrating young adults quickly into a job or at least into training. Despite these targets weighting high, the labour market for the young in Germany can be qualitatively appreciated as being in good shape. We use national statistics by the Federal Employment Agency to shed some light on the situation of people aged 15 to 24. These numbers stem from the registers of the public employment service regarding either employment covered by social security or unemployment. People in measures of active labour market policy are not counted as unemployed. Unlike the ILO definition, however, people that just work 1 to 15 hours per week and register themselves, are unemployed.

Young workers

By the end of 2011, about 9.04 million people in Germany were of age 15 to 24. Their share in the total population amounts to 11.6 percent. Many of these young people are in the education system either at schools, professional schools, in apprenticeship, or at universities. In the third quarter of 2012, about 3.42 million of the people aged 15 to 24 were employed subject to social security, which is equivalent to a share in the population of the same age of about 39 percent. The share of young employed in total employment corresponds to the age distribution of the whole population and equals 12 percent. Among the employed young, 46 percent were female and 8 percent were migrants.

Not surprisingly, the young are underrepresented in occupations where higher education is demanded but also in sectors like logistics, information & communication, real estate and public administration. On the other end of the line, agriculture, construction, trade & repair as well as gastronomy are sectors where the share of young workers is above average.

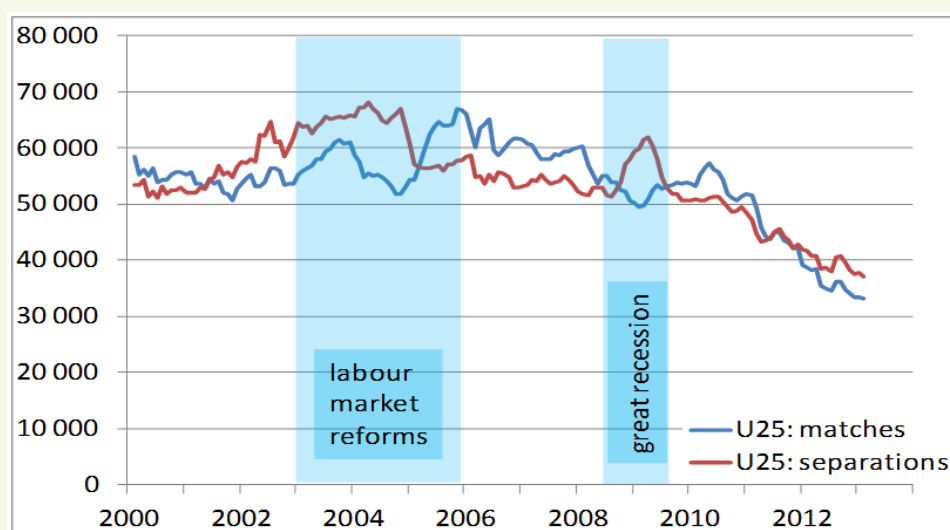
Chances and risks on the labour market

As starting into adulthood is connected to many profound decisions and several transitions, chances as well as risks on the labour market are higher for the young than for other age groups. On average of the months April 2012 to March 2013, 6.5 percent of the unemployed in one month have found a job in the subsequent month. The value of this job finding rate amounts to 13.2 percent for the age group 15–24. As a consequence, young unemployed have shorter unemployment duration. For most of them, unemployment does not become persistent.

Regarding the reverse direction of labour market transitions, 0.8 percent of the workers of one month were unemployed in the subsequent month. The value of this separation rate was also twice as high for the young – 1.5 percent. Thus, young workers are more prone to dismissals (and quits) as they often negotiate fixed-term contracts or have to orientate themselves which occupation to choose and where to work. Often, the decision for a special occupation or employer as well as the employer's decision in favour or against that match depend on the work experience and has to be rethought maybe more than once.

Figure 1:

Matches and separations of young adults, 2000–2013



Source: Federal Employment Agency

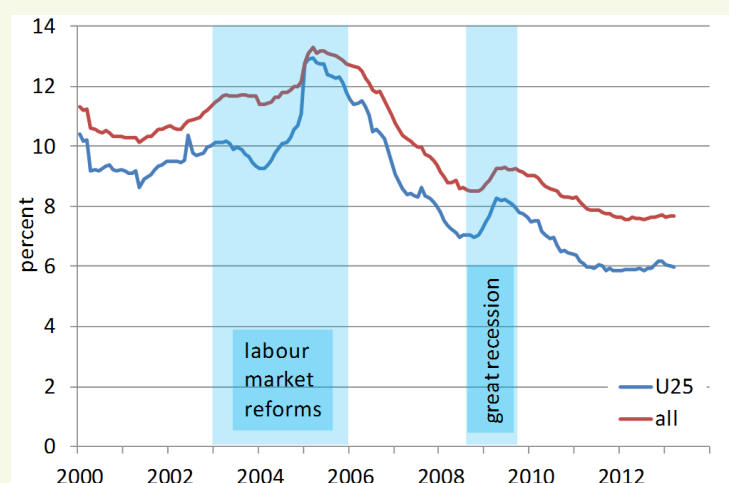
The flexibility of work contracts for the young as well as the relatively low share of firm-specific human capital – compared to older workers with longer job tenure – makes them more vulnerable to dismissals during economic slumps. Thus, youth employment and unemployment seem to be more closely connected to the business cycle than average employment and unemployment. Figure 1 shows, for example, the dramatic increase of separations during the Great Recession. Although companies hoarded labour in an unknown manner in 2008 and 2009, the ones who were dismissed were people with highly flexible contracts: temporary agency workers, for instance, – and young workers. At the same time, the number of job findings shrank heavily. For a couple of months, the labour market for the young was almost as sclerotic as it used to be before the severe labour market reforms of the years 2003 to 2005. Consequently, youth unemployment rose more sharply than total unemployment during the Great Recession (see figure 2). Labour market flows had recovered after the crisis. Meanwhile, however, with a tough recession in the Euro zone and slow GDP growth in Germany, labour market dynamics deteriorated altogether. With separations having exceeded job findings in mid-2012 (and labour market measures not fully absorbing this effect), unemployment stagnated and has currently started to rise slightly.

Unemployment

Nonetheless, youth unemployment has always been smaller than average unemployment. After a huge statistical increase in 2005 youth unemployment almost halved in the aftermath of the reforms. In March 2013, unemployment in relation to the whole civil labour force amounted to 6.2 percent for the age group 15–24 but 7.3 percent on average of all age groups. The unemployment rate corresponds to 290'000 concerned young adults which implies a share in total unemployment of 9 percent – lower than their share in employment or total population. Females do better in the labour market – their share in youth unemployment is 40 percent which is lower than their share in employment. Migrants, however, have greater difficulties to hold their ground on the labour market: Their share in youth unemployment amounts to 14 percent, substantially larger than their share in employment. About three out of four young unemployed leave unemployment during the first 6 months. Hardly any young person becomes long-term unemployed (longer than 1 year).

Figure 2:

Unemployment rates



Remarks: Unemployed in relation to whole civil dependent labour force (employees+unemployed).
Source: Federal Employment Agency

Measures to ease the transitions

The young have been defined as a special focus group for active labour market measures. 37 percent of major measures are filled with unemployed aged 15–24 – a much higher share than young workers obey in total employment or total unemployment. This apparent disproportion stems from the two categories that measures for the young can be assigned to. On the one hand, several measures are especially tailored to smooth the transition from educational system to work. For instance, in December 2012 about 210'000 young people took part in occupational choice and job entry measures. Thus, the young account for almost all participants of this kind of measures. Typically, the participants would not be unemployed if they did not participate. They are pupils potentially failing at finishing school and finding a job, or they already search for an apprenticeship. Measures of that kind usually start during the school year and terminate 6 months after the beginning of vocational training within a firm. On the other hand, young people that became

unemployed and need to be reintegrated into the labour market are offered the same kind of measures as other age groups. Taking the high job finding rates of young persons into account, it is clear, however, that typical reintegration measures are applied to a minor extent. Dependent job subsidies or start-up subsidies were given to 10 000 young unemployed and further vocational training to another 14 000 – however, the shares of this age group in all participants lie between 7 and 8 percent, substantially below the average participation rate and slightly lower than the share of the young in total employment. Altogether, 350 000 young adults participated in measures.

Source

Up to date information on the labour market for the young can be found in monthly data reports (in German): Statistik der Bundesagentur für Arbeit, Analytikreport der Statistik, Analyse des Arbeits- und Ausbildungsstellenmarktes für unter 25-Jährige:

<http://statistik.arbeitsagentur.de/Navigation/Statistik/Statistische-Analysen/Analytikreports/Zentral/Monatliche-Analytikreports/Analyse-Arbeits-Ausbildungsstellenmarkt-Juengere-nav.html>

see also:

http://infosys.iab.de/infoplattform/dokSelect.asp?pkDokSelect=87&title=Jugendliche_und_junge_Erwachsene_im_SGB_II&show=Lit

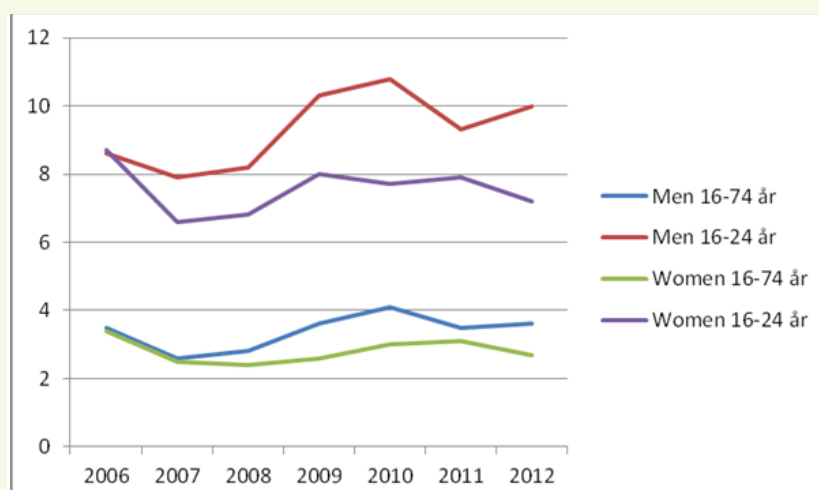
http://infosys.iab.de/infoplattform/dokSelect.asp?pkDokSelect=110&title=Junge_Migranten_in_Ausbildung_und_Beruf&show=Lit&sortLit=2

5. Norway

Although youth unemployment is low in Norway compared to most other countries, the unemployment rate is higher than the overall unemployment rate. Figure 1 shows that unemployment amongst men and women less than 25 years of age is 2.5 to 3 times higher than overall unemployment. Young men have the highest unemployment rate. From late 2008 to 2010 overall unemployment rose due to the financial crisis, and the increase was especially big for young men. After a period of declining unemployment, the unemployment among men has again started to increase the last year.

Figure 1:

Unemployment rate by gender and age in Norway, 2006 – 2012



Source: Statistics Norway

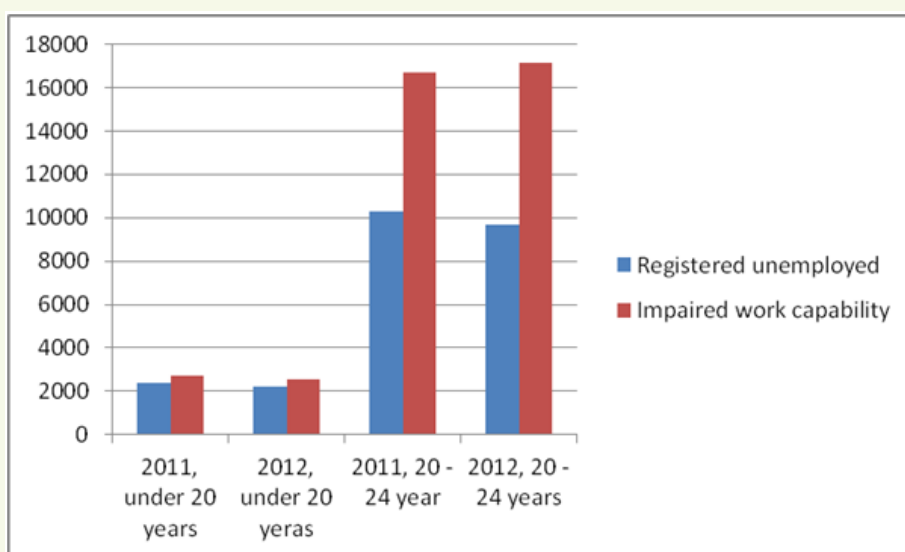
The unemployment rate for those under the age of 20 years is lower, and more stable over the business cycles than for young persons in the age of 20 – 24 year. Many of the unemployed under the age of 20 years have dropped out of school. Everyone in the age of 16 – 21 is entitled to upper secondary school. More than 9 out of 10 start in secondary school, but after a period of 5 years 30 per cent of these students are without a final exam. The drop out rate is highest amongst young men and amongst students in vocational education.

The unemployment rate is usually highest in the age group of 20 – 24 year, and higher among young men than young women. The unemployment, especially amongst men, is more sensitive to the business cycles in this age group than in other age groups.

Unemployment is very low in Norway, but there is a concern about the number of young people registered as persons with impaired work capability. The number of young persons registered with impaired work capability has increased very much the last ten years, and now outnumber young persons registered as unemployed, see figure 2. This is a group who needs closer follow-up from the public employment service to be able to get a job.

Figure 2:

Number of persons registered unemployed and registered with impaired work capability by age, yearly average 2011 and 2012



Source: NAV

6. Sweden

The Swedish youth unemployment rate is high, both compared with previous years and in comparison with unemployment among older age groups. In recent years, relative unemployment among young people (15–24 years) has been more than four times higher than unemployment among adults (25–54 years), according to statistics from Statistics Sweden who measure the official unemployment rates by means of the Labour Force Survey (LFS).

However, it is important to remember when discussing young people's labour market that in several respects it differs from the market for older groups. Young people are in a phase of their lives when they are to establish themselves on the labour market while most people in older age groups are already established. This is seen, inter alia, by young people moving to a greater extent than older age groups between different jobs or between jobs and studies, movements that often include a period of unemployment. Another important dividing line between young and older people who are unemployed is that a relatively small proportion of young people are long-term unemployed. This shows that for most unemployed young people the period without work is temporary.

Unemployment rate in relation to the labour force and the population

A common misapprehension is that unemployment among young people refers to a ratio to the age group as a whole and not to the labour force. To modify the picture of how widespread unemployment is within a group, unemployment can be put in relation to the whole age group instead of to the labour force, which is the established method. In 2012, youth unemployment (15–24 years) amounted to 23.6 per cent of the labour force according to the Labour Force Survey. If instead it is chosen to relate unemployment to the whole population in the age group, it amounted to 12.3 percent. Over 40 per cent of the young people classified as unemployed in the statistics are full-time students seeking work and this group constitutes a large component in youth unemployment. A very large proportion of these regard themselves in the first instance as students and not as job seekers and if they are excluded from the unemployed group, the unemployment rate drops to 14.7 per cent of the labour force and 6.8 per cent of the population in the age group. This shows that the level of unemployment among young people varies depending on whether it relates to the work force or to the age group population. One interpretation of this is that on average 6.8 percent of all young people in the age group, excluding full-time students, were unemployed full time in 2012.

Youth unemployment consists of many short periods of unemployment

However, unemployment among young people has risen in recent years, both in number and as a share of the labour force. Since 2003, the number of unemployed young people has increased by over 40 000 to 134 000 in 2012. Almost all of this increase is primarily explained by more young people with short periods of unemployment. If, on the other hand, most of the increase had consisted of more young people with long periods of unemployment, it would have indicated that youth unemployment had acquired a larger element of young people having major problems in finding work.

However, the cause of the increase in the number of short periods of unemployment is not altogether clear. There are two factors that probably can be used to some extent as explanations. One is the increase in the number of temporary employed and the other is that more young people seek jobs alongside their studies. They are classified as unemployed in the Labour Force Survey. As a result of the increase in the number of temporary appointments on the labour market, which is a common form of appointment among the young, young people probably sandwich short periods of unemployment with periods of

employment. Furthermore, the increase in the number of full-time students seeking jobs indicates that we have a growing element in youth unemployment of young people whose job seeking is limited to certain periods, for example around school holidays. The conclusion from this is that youth unemployment is largely characterised by young people who tend to move into and out of the labour market and that this is manifested in the fact that youth unemployment consists of many short periods of unemployment.

More than one in ten young people neither work nor study

A large number of young people aged 16–29 neither work nor study. A substantial number of these are not at the disposal of the labour market and are not included in the unemployed group described above. In the group young people who neither work nor study there are many who find themselves in a vulnerable position and early in life have had long periods without work or studies.

In 2008, the number of young people who neither worked nor studied was over 160 000, corresponding to 10 percent of the age group. In 2009 the number increased considerably to 194 000 while the number decreased only slightly the following year to 191 000, corresponding to 11 percent of the age group. Developments show that the strong increase in 2009 can largely be ascribed to weak economic activity but the figures show that even in periods of more favourable economic development there are many young people who neither work nor study.

The composition of the group of young people who neither work nor study shows that the proportion increases with age, that those born abroad are overrepresented and that there are about the same proportions of young people with primary and lower secondary education and those with upper secondary education in the group. On the other hand, young people with post-secondary education tend to a considerably less extent to find themselves without work or studies.

Of the 190 000 young people who neither worked nor studied in 2010, a fifth, or 38 000, were registered with the Public Employment Service for most of the year and were acquainted with the agency's efforts. Developments in recent years show that an increasingly large proportion of the young people who neither work nor study apply to the Employment Agency. But, despite this development, a very large proportion of young people who neither work nor study are not registered with the Employment Agency and hence do not have any real contact with the labour market. Almost one in three young people, over 59 000, of those who neither worked nor studied in 2010 had no known activity. This group includes those who were not in contact with the Public Employment Service, the municipality or the Social Insurance Agency. How these young people supported themselves during the year is a vital question which, however, cannot be answered.

Results at regional and local levels show that the largest proportion of young people who neither work nor study, about 13 percent of the age group in 2010, are to be found in Vastmanland, Skane and Blekinge counties. Among the country's municipalities the corresponding share is highest in Landskrona, 19 per cent, followed by Perstorp and Klippan municipalities, 18 and 17 percent respectively. In the chosen districts LUA (local develop-

ment agreement) and URB (urban development work areas), the proportion of young people who are outside work and studies is consistently higher than the national average of a little more than 11 percent. The proportion is highest in the Herrgarden district (Malmö) 31 percent, and in the districts Kronogarden (Trollhattan) and Rinkeby (Stockholm), 26 percent.

Greatest increase in Blekinge county

The number of young people who neither work nor study has increased at a more rapid pace than population growth in all counties. But there are regional and local differences in the rate of increase. The group of young people who neither work nor study is sensitive to economic recessions. This is manifested by the fact that the group is increasing considerably in many of the regions most seriously affected by the financial crisis in 2009. The number increased most in Blekinge county by over 25 percent in the period 2008–2010. The opposite is Stockholm and Norrbotten counties where the increase is 11 percent. In these two counties, labour market developments have been more favourable than in many other counties.

In almost all municipalities the number of young people who neither work nor study increased over the years 2008–2010. The greatest increase was in Ragunda and Harjedalen municipalities in Jamtland county where the number increased by over 50 percent. At a more overall level, the number of young people who neither work nor study increased most in municipalities with a large industrial component and in municipalities with a weak population base. In the chosen districts the number has increased most in districts outside conurbations, Araby (Vaxjö) and Hertson (Luleå).

77 000 have neither worked nor studied for three years in a row...

A large number of young people (16–29 years) have been without work or studies for several successive years. The number without work or studies for three consecutive years, 2008–2010, amounts to over 77 000, corresponding to 4.5 percent of the population. This means that a large number of young people have found themselves outside work and studies for very long periods. Their absence from work and studies for such long periods indicates that many of them have a problem in becoming established on the labour market. Of the young people who neither worked nor studied in 2008 almost half were still without work and studies the following two years, which reflects the high probability that those who end up in this group will remain outside work and studies for a long time. In this group, young people who have at most primary and lower secondary education are in the majority, both in number and as a proportion of the population, which is connected with the fact that they proceed to work or studies to a lesser extent than young people with higher education. Every third was born in a country other than Sweden and, of these, 40 percent had resided in Sweden for less than five years. Furthermore, it was about the same number of men and women who neither worked nor studied over a three-year period. This differs from the young people who neither worked nor studied for just one year where there are more women than men. The explanation as to why these differ-

ences between the sexes have been evened out is that women start work or study to a greater extent than men.

When the results are broken down at local level, it may be seen that in half of the municipalities the proportion of young people who neither worked nor studied over a three-year period is higher than the national average of 4.5 percent. In more than a third of the country's municipalities, half or more of the young people who neither worked nor studied in 2008 were also outside work and studies in 2009 and 2010. The share is highest in Perstorp and Grums municipalities, 8 percent. In the selected districts, the share is highest in Rinkeby (Stockholm), 13 percent, followed by Kronogården (Trollhattan), 12 percent.

...and over 20 000 of these have no known activity – there are many young people here with major difficulties in becoming established

Three quarters of the young people who neither worked nor studied for three consecutive years were to varying degrees registered in different activities during those years. The remainder had no known activity.

There is good reason to focus in particular on the large number of young people who have no known activity, amounting to slightly more than 20 000. This group comprises the young people who neither worked nor studied over a three-year period and, in addition, were not in contact with the Employment Agency, the municipality or the Social Insurance Agency during the period. There is presumably a core of young people here with very great difficulties in becoming established on the labour market and who are in all probability in danger of ending up permanently outside society. Their absence from the labour market, studies and other activities for so many years indicates that many in this group have a limited network of contacts which further obstructs their opportunities to become established and reinforces their need for support. Many young people with shorter education are to be found here, over half are aged 25–29 and a quarter are younger than 20. In terms of number, more of them are born in the country than abroad and a large proportion of those born in another country had a period of residence less than five years.

The Employment Agency's efforts for young people

The Public Employment Service makes efforts to come into contact with young people who neither work nor study and are not registered with the Employment Agency. One example of this is Unga in (Youth integration). The aim of this project is to get in touch with young people who are not registered with the Employment Agency and who need support in order to approach the labour market. The project applies several different methods to reach out; among other things by taking part in network groups for persons who meet the target group in their work such as, for example, the police, teachers and social welfare officers. But also by being visible and distributing information at events and trade fairs and also meeting young people in their arenas, for example recreation centers, activity centers, guidance centers, and in unorganized arenas such as, for example, out on the streets or in the home.

Imprint

Publisher

Institute for Employment Research,
Regensburger Str. 104,
D-90478 Nuremberg

Authors

- Johanna Alatalo (Finland)
- Jorunn Furuberg (Norway)
- Håkan Gustavsson (Sweden)
- Kristian Krüger Henriksen (Denmark)
- Sabine Klinger (Germany)
- Anne Lauringson (Estonia)
- Johannes Sørbø (Norway, co-ordinator)
- Kristi Villsaar (Estonia)

All rights reserved

Reproduction and distribution in any form, also in parts, requires the permission of IAB.

Internet

<http://www.iab.de/en>

Download

http://doku.iab.de/aktuell/2013/aktueller_bericht_1303.pdf (PDF)