

# YOUTH UNEMPLOYMENT

## Contents

Youth unemployment scars society, researchers find .....p.1

Economist: There is a role for EU policy on overeducation among young people.....p.2

Overeducation: When fish and chips are served by historians .....p.4

Self-employment seen as possible exit door for jobless youth.....p.5

'Resilience strategies' help vulnerable youth out of unemployment .....p.7

Study highlights different drivers of youth unemployment .....p.8



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*Youth unemployment rates are normally twice as high as unemployment rates. [Francisco Osorio/Flickr]*

## Youth unemployment scars society, researchers find

In recent years, the EU has suffered from unsustainably high rates of youth unemployment. A research project now aims to explore the consequences for those affected and for society at large.

Unemployment rates for young people aged 18-25 are generally much higher across European countries, oftentimes more than double the unemployment rate.

Youth unemployment can have many negative personal consequences for the individual, in terms of both material and mental wellbeing.

Before the economic crisis, in the first quarter of 2008, the youth unemployment rate in the EU's 28 member states was already, reaching 15.2%.

But the economic crisis severely hit the young. Though youth unemployment rates have finally begun to decline in the EU - from 21.8% in 2014 to 20.4% in July - some countries still suffer from unsustainably high rates of youth joblessness.

Greece is the hardest hit, according to Eurostat, with 51.8% youth unemployment in May 2015. It

is followed by Spain (48.6%), Croatia (43.1%), and Italy (40.5%).

This is in sharp contrast to the countries with the lowest rates: Germany (7.0%), Malta (8.7%) and Estonia (9.5%).

A research project called Strategic Transitions for Youth Labour in Europe, or STYLE, aims to provide a comprehensive understanding of the causes of very high unemployment among young people.

The researchers behind the project, who come from universities all across Europe, also want to assess the effectiveness of labour market policies designed to mitigate this phenomenon.

Some of the areas related to youth unemployment that it hopes to explore are over-education, skills incommensurability, and self-employment. The research indicates that there is no single factor contributing to youth unemployment in EU member states. Each situation has its own challenges.

While, for example peripheral countries such as Ireland, Spain and Greece have many over-qualified young people, Eastern European countries struggle with their labour markets being less 'dynamic'.

### Future consequences

Being unemployed as a young person can have many negative consequences for the individual,

Continued from Page 1

including later in life. Research has indicated that youth unemployment is likely to have a long-term impact on the individual's life related to lower pay, higher unemployment and reduced life expectancy.

"The evidence of being unemployed when young, especially for longer periods, having scarring effects on future pay and employment prospects seems strong," Ronald McQuaid, a professor of Work and Employment at the University of Stirling, wrote in a blog post.

"There is also considerable evidence that it may influence health and wellbeing, including psychiatric illness during young adulthood and psychological health and an increased likelihood of smoking as well as lower general satisfaction with life."

McQuaid said that employers may consider periods of unemployment on someone's CV to be a negative signal, for example, signalling perceived low productivity. This could increase the likelihood of a person not being hired, or being offered only a lower level job.

Unemployment at the start of a career may lead to having lower skills, McQuaid continued, or to a general loss

of confidence.

### Member states to do the work

The European Commission has recognised the damaging consequences of youth unemployment, with Commission President Jean-Claude Juncker making the issue one of the most important ones to tackle during his first term in office.

As he came into office in 2014, Juncker compared youth unemployment to having a 29th EU member state made up of unemployed young people. He promised that a significant part of his proposed Investment Plan for Europe would be targeted at tackling the issue.

Other initiatives were launched beforehand. During a summit in February 2013, EU heads of state and government set up a €6 billion Youth Employment Initiative (YEI) – a fund made available for the regions in the EU with the highest number of youth joblessness.

Another €2 billion were given to the fund four months later, at another summit, with the bulk available over a two-year period, starting in 2014, and the rest over the full seven years of the

next EU budget.

EU countries also signed up to a proposed "Youth Guarantee" aimed at providing young people under 25 with a quality job offer, an apprenticeship or training within four months of leaving school or losing a job.

In February, Marianne Thyssen, the Commissioner for Employment, Social Affairs, Skills and Labour Mobility, proposed unlocking €1 billion from the YEI and increase the pre-financing rate by up to 30 times for eligible member states in order to boost youth employment.

EU countries with the highest rates of youth unemployment now have to do their part and implement the Youth Guarantee scheme.

Allan Päll, the Secretary General of the European Youth Forum, told EurActiv that the labour market activation policies, such as promoted those by the Youth Guarantee, are vital.

"Member states still need to step up efforts to properly implement the youth guarantee by providing adequate funding for public employment services and by also targeting young people in more vulnerable situations far from the labour market," Päll said.

## INTERVIEW

# Economist: There is a role for EU policy on overeducation among young people

If overeducation is explained by factors such as excess supply of graduate labour, then there is a role for policy, says Adele Bergin.



Ireland, Spain and Greece host Europe's most overeducated youth population. [Novartis AG/Flickr]

Adele Bergin is a senior research officer at the Economic and Social Research Institute (ESRI) in Dublin. Bergin spoke with EurActiv's Henriette Jacobsen.

### What are the common characteristics among those countries where overeducation is at the highest, or where it is on the rise?

Although there is a lot of variation across countries, we did find some patterns or similarities in the factors that determine overeducation across EU countries. Our results suggest that overeducation tends to rise if there is an increase in the share of workers with temporary employment contracts, an increase in the graduate share of employment, or an increase in the economy-wide unemployment rate. In addition, overeducation growth

Continued on Page 3

Continued from Page 2

tends to fall for any given rise in the unemployment rate of low-skilled workers, and for any given rise in the percentage of workers actively seeking alternative employment.

### **What was the impact of the financial crisis on overeducation?**

Although this is beyond the scope of our study, it is important to note that if we look at the trends in overeducation rates across EU countries over time, for most countries, there was no significant change in the trend of overeducation during the financial crisis.

### **What was the worst example/case of overeducation that you came across during your research?**

Our findings show that overeducation tends to rise over time in a number of European countries. However this is by no means a universal pattern, as overeducation was found to be static, even declining, in some European countries. Indeed, it is a positive finding that overeducation has not risen in the majority of countries in our study. Our estimates suggest that overeducation rates are highest in some of the EU peripheral countries, particularly in Spain, Ireland and Greece.

### **Did you find that there were specific sectors where overeducation was more common?**

We do not have information on field of study in our quarterly dataset, so we could not examine this question. However other research has shown that overeducation rates vary considerably across fields of study, with lower rates for “professional” fields of engineering, mathematics, sciences, law and medicine, while graduates from fields such as arts and social sciences tend to have higher rates of overeducation.

### **Do you think that governments in the EU are aware of the problem and doing enough to prevent it?**

It is important to think about the causes and drivers of overeducation. A number of possible effects could potentially explain the existence and persistence of overeducation at a national level. Overeducation could arise due to the supply of educated labour outstripping demand, primarily as a result of the tendency of governments in developed economies to continually seek to raise the proportion of individuals with third-level qualifications. Alternatively, it may be that the quantity of educated labour does not exceed supply, but that there exists imbalances in composition, i.e. individuals are being educated in areas where there is little demand, leading to people from certain fields of study being particularly prone to overeducation.

Finally, labour demand and supply might be perfectly synced, yet overeducation might still arise due to frictions arising from asymmetric information, institutional factors that prevent labour market clearance or variations in individual preferences related to either job mobility or work-life balance. If overeducation is explained by factors such as the excess supply of graduate labour, or imbalances in composition, then arguably there is a role for policy.

While there was a relatively high degree of cross-country consistency in the direction of particular variables on the growth of total overeducation, the direction of impacts for youth overeducation were more inconsistent across countries. The study indicates that there are strong similarities in both the general evolution, and the factors determining total overeducation across many European countries. However, while labour market variables were found to be important in determining youth overeducation, observed impacts varied substantially across countries suggesting that a bespoke policy

response is likely to be necessary in most instances.

Our study confirms the view that imbalances between the demand and supply for educated labour are an important influence in explaining the existence and development of overeducation. Our results indicate that the growth in overeducation could be more effectively managed in most European countries by accounting for the level and composition of labour market demand within the educational planning process. The results suggest that greater attention should be given to the capacity of the labour market to absorb any given increase in educational supply, taking specific account of both the level and composition of current and future labour demand.

### **What are the consequences for countries with high levels of overeducation among young people - for example, migration?**

This is beyond the scope of the study. However, other research has shown that, in terms of consequences, mismatched workers have generally been found to suffer substantial penalties in terms of both earnings and job satisfaction.

What are the consequences for the individual if nothing is done about overeducation (for example are these people more likely to become depressed, to be forced into self-employment or moving to another country)?

This is beyond the scope of this study. However, there is a large (body of) literature that highlights the important implications overeducation has at an individual level. Overeducated workers, on average, earn less and have lower levels of job satisfaction than their well-matched counterparts. They also tend to have higher levels of job mobility, although they do not necessarily move to better job matches.

## Overeducation: When fish and chips are served by historians

In some EU countries, up to one-third of young people aged 18-25 are overqualified for their jobs, a new research project has revealed. Many of them are highly educated and multilingual, with university degrees, who are taking on low-paid jobs to avoid unemployment.

If you are dining out in Edinburgh tonight, Ilaria Marchi, a 24-year old history graduate, might be the one serving you fish and chips.

Despite having a degree in History and International Relations from the University of Aberdeen, Marchi, who comes from Italy and speaks several languages, was unable to find a job that fits her education.

"After my graduation, I hoped I could find an occupation related to the subjects I studied, so I decided to move to Edinburgh, since I could not see any good opportunity for me back in Italy," Marchi told EurActiv.

"However, I quickly discovered that job opportunities linked to history are very scarce, and they all require considerable experience or connections that, as a recent graduate, I did not have," she said.

Despite having relocated to a bigger city, Marchi, like many other young Europeans, started to apply for jobs which she is well over-qualified for. Eventually, she was forced to settle for a job as a waitress where she earns £6.50 (€8.9) per hour.

"My wage allows me to pay the rent, bills and, thanks to my tips, I pay my food shopping. However, I need to rely on my savings for any extra," she said.

Marchi has decided to go back to



*Many young Europeans are too educated for their jobs. [Ed Yourdon/Flickr]*

school and get an MA degree in Gender History, despite the cost, in order to raise her chances of finding a job she can be passionate about.

### Overqualified generation

Marchi's case is far from being isolated. A research project by STYLE, the Strategic Transitions for Youth Labour in Europe, found that 33% of young people in Ireland are overqualified for their jobs. This is the highest level in the EU, followed by Cyprus (31%) and Spain (30%). The lowest rates can be found in Slovenia and Slovakia, where it's below 10%.

Adele Bergin is a senior research officer at the Economic and Social Research Institute (ESRI) in Dublin, and one of the study's authors. She told EurActiv that the number of overeducated youth has risen as a result of the tendency in developed economies to continually seek to raise the proportion of individuals with third-level qualifications.

It could also be that individuals are being educated in areas where there is little demand, leading to people being particularly prone to overeducation, the researcher said.

She pointed to other research which has shown that there are lower rates

of overeducation within the fields of engineering, mathematics, sciences, law and medicine, while graduates in the arts and social sciences tend to have higher rates of overeducation.

"If overeducation is explained by factors such as an excess supply of graduate labour, or imbalances in composition, then arguably there is a role for policy," Bergin stated.

Growth in overeducation could be more effectively managed in most European countries by accounting for the level and composition of labour market demand within the educational planning process, Bergin suggested.

If governments fail to act, Bergin said, overqualified workers could be at risk of earning less, and have lower levels of job satisfaction than their better-matched counterparts.

### Educational policy

Marianne Thyssen, the EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility, reacted to the study, saying young people should never be discouraged from getting a better education.

"Good education and the right skills are the best unemployment insurance.

Continued on Page 5

Continued from Page 4

And a highly skilled workforce is the most important comparative advantage Europe has in a globalised world," the Commissioner told EurActiv.

She said that the Commission is working to improve the forecasting of skills needs, adapt curricula and enable young people to make informed education and career choices. This will require increased collaboration between employers and the education system, Thyssen said.

Next year, the EU executive will present a union-wide skills agenda.

"It will focus action to help more

people to develop and upgrade their skills, including basic skills such as literacy, numeracy and digital competences. It will also set out measures on how we can better anticipate skills needs and improve the recognition of qualifications," Thyssen added.

Allan Päll, the Secretary General of the European Youth Forum, commented that the reasons behind overeducation relate to educational policy, where lifelong learning is not being encouraged enough.

"Many go on to academic studies, as vocational education has been

shunned or seen as a dead end. By no means should we discourage learning, but we should make sure there is better counseling and that all routes to different kinds of education are always available," Päll said.

The Secretary General added that skills mismatch is also a consequence of lack of jobs, and lack of quality jobs for young people.

"Young people do often go back to school if they cannot enter the labour market. Therefore public and private investment in job-rich sectors such as ICT and the green economy is needed," he explained.

## Self-employment seen as possible exit door for jobless youth

Across the EU, governments are encouraging young people to become self-employed, with limited success so far.

Self-employment rates among young people remain low in the EU, on average just over 4%.

According to Marianne Thyssen, the EU Commissioner for Employment, Social Affairs, Skills and Labour Mobility, self-employment can bring the necessary flexibility to the labour market and be instrumental to create jobs and develop skills.

With 23% of young people currently jobless, according to Eurostat, Europe probably needs this kind of flexibility in the labour markets

While many young people express interest in starting a business and although the Commission supports training in business skills for young people via different funds, youth entrepreneurship is unlikely to be

a panacea for solving the youth unemployment problem, Thyssen told EurActiv.

Still, it can be a valuable part of the response, Thyssen claims.

Spain and Germany are two interesting examples of countries where young people's self-employment. In Spain the self-employment rate among young people is above the EU average, at 9.4%. In Germany, it's almost half that rate of Spain, at around 5%.

While Spain has witnessed devastating youth unemployment rates at around 50% over the past couple of years, Germany is the EU's best performing country with a stable rate of 7%.

But many challenges prevent young people from setting up their own businesses. These include a lack of 'start-up mentality', financing opportunities and bureaucracy, according to EU-funded research. STYLE, 'Strategic Transitions for Youth Labour Europe', is an EU-funded research project which brings together researchers from across Europe who are looking into the consequences of youth unemployment.

### Lack of experience: The biggest obstacle in Spain

María C. González Menéndez and

Begoña Cueto from the University of Oviedo have focused their research on the situation in Spain.

The Iberic country has 3 million self-employed workers, one of the highest in the EU. This can be explained by an entrepreneurial tradition and dynamism in the country, according to Menéndez and Begoña Cueto. But in Spain's case, it is more a sign of lack of opportunities for salaried employment after the financial crisis hit the country.

The sectors with the largest proportion of self-employment among young people is within retail (20%) and hospitality (15%), followed by education and services to businesses, with less than 5%.

While multi-level bureaucratic procedures are a problem, the researchers found that the procedure to create a start-up as a self-employed person is much simpler than it used to be. Financing opportunities are also being put in place at national level via the government's Strategy of Entrepreneurship and Youth Employment 2013-2016.

These include reductions in social security contributions which have benefitted 255,367 young self-employed people. At the regional level, there are

Continued on Page 6

Continued from Page 5

a number of support programmes for start-ups.

But Menéndez said the biggest obstacle to self-employment is the lack of experience.

“Without some labour experience it is more difficult to know how an industry works, the competition, the occupation itself, and to have useful contacts in the industry,” the researcher told EurActiv.

“It is true that without labour experience you are also less likely to know how to get access to funding and what are the legal requirements to start a business, but the provision of information on these has become better and better,” she added.

### Lack of entrepreneurial culture Germany

Meanwhile in Germany, young people show little interest in self-employment. Only 17% of Germans regard it as desirable compared to 34% in the EU as a whole.

Renate Ortlieb and Silvana Weiss from the University of Graz say this can be explained by a general lack of an entrepreneurial culture, a lack of infrastructure and little financing opportunities for start-ups.

Various programmes have been put in place in the last decade in order to encourage self-employment in Germany. As in Spain, these include support in the way of finance, counselling and creation of networks.

ICT and creative industries are the most attractive to young self-employed Germans, although state policies promote new technologies in all sectors, Ortlieb said. And while the ‘self-

employed’ label applies both to young freelancers and entrepreneurs with several employees, most have a high chance of becoming working poors, she warns.

However, Ortlieb still recommends self-employment support programmes, for example by boosting the entrepreneurial spirit in schools and universities.

“According to previous findings, initiatives that aim at the creation of an entrepreneurial mind-set and entrepreneurial skills, such as teaching programmes in schools or summer camps were well-received by both teachers and pupils,” she said, adding that reducing bureaucracy and complexities attached to legal obligations as well as financial loan support should be facilitated.



Governments in the EU like to see more young people becoming self-employed. [Francisco Osorio/Flickr]

## 'Resilience strategies' help vulnerable youth out of unemployment

While it can be tough being unemployed, putting individuals at risk of poverty, the situation can be even worse for vulnerable youngsters who can sink into depression and homelessness.

Some researchers have developed 'resilience tools' for jobless young people who are considered vulnerable because they cannot count on others for support.

The new approach takes into consideration all aspects of a young person's life in order to pull them out of unemployment.

Research has shown that youth unemployment is significantly associated with mental health difficulties. 40% of jobless young people report symptoms of declining mental health, including feeling of self-hatred, suicidal thoughts and panic attacks.

The new approach is aimed at disadvantaged young people - those who come from families of low aspirations, those who live in poverty or who are in foster care. For them, the likelihood of unemployment and time out of training and education is usually much greater. For example, young carers are twice as likely as their peers to be out of work for over six months.

An interactive toolkit is now available which young people and professionals can use to promote resilience. The toolkit was developed by fifteen young people from Greece and the UK as part of the STYLE project - Strategic Transitions for Youth Labour in Europe.



*Many young unemployed people have mental health problems. [Francisco Osorio/Flickr]*

### Socially isolated

"Resilience strategies," the researchers explain, are mechanisms that enable people get through tough moments in life. Such mechanisms include the personal environment, such as family and peers, or social services which can support the resilience process.

If young people are able to better understand the dynamics of resilience, they have a better chance of reaching a more favourable outcome when the going gets tough, it is claimed.

Vulnerable young people often feel excluded and marginalised, said Professor Angie Hart from the University of Brighton, who helped develop the toolkit. They are often de-motivated to find work and can be overwhelmed by simple barriers such as finding money to buy suitable clothes for job interviews. They also often worry about personal debt and whether they will ever become homeowners later in life, she explained.

"Through their work, the young people shared stories and role models

that had been significant in supporting their own resilience, such as Malcolm X, and such stories are illustrated for the benefit of other young people," the researchers write in a study called Aspirations of vulnerable young people in foster care.

"The resource details the young people's pathways through foster care and the resilient moves that have been important in their lives in overcoming barriers to success," they add. Those following the programme learn to develop resilience mechanisms, including a sense of belonging, learning, coping, and interpersonal skills.

In recent years, Greece witnessed devastating youth unemployment rates.

The latest data published by Eurostat from May 2015, showed that currently 51.8% of young people in Greece are unemployed, presenting huge societal and economic challenges for the country now and in the future.

Meanwhile, during the same month, the UK had the fourth lowest youth unemployment rate in the 28 EU member states, at 5.6%.

## Study highlights different drivers of youth unemployment

The drivers behind youth unemployment are remarkably divergent across the EU due to the different ways labour markets are designed at national level.

Researchers from the project STYLE, Strategic Transitions for Youth Labour in Europe, looked at how Spain and the Czech Republic's labour markets responded to the recent financial crisis

from 2007-2010, particularly related to youth unemployment.

While Spain's youth unemployment rate has been the second highest in Europe for years at around 50%, only beaten by Greece, the Czech Republic, on the other hand, has had one of the lowest unemployment rates among 18-25 year-olds, currently at 5%, coming after Germany, at 4.7%.

However, both countries saw their youth unemployment rates double during those years, while the number of unemployed in other age groups did not climb as rapidly.

But the drivers behind youth unemployment in Spain and the Czech Republic are quite different. This was the conclusion of a research paper 'Youth Labour Flows and

Exits from Unemployment in Great Recession', drawn up by Vladislav Flek, an associate professor at the Metropolitan University of Prague, and two researchers, Martin Hala and Martina Mysíková.

According to the research, the high rate of youth unemployment in Spain was due mainly to layoffs, whereas in the Czech Republic, young people were simply unable to find work after graduation.

The researchers emphasise that these two unemployment situations - being at a high risk of losing your job, or failing to get a job in the first place - are typical for young people whose jobless rates are usually twice as high

Continued on Page 9



*New graduates are often only offered short-term contracts. [Mathematical Association/Flickr]*



Continued from Page 8

as the rates for the established prime age workers.

Only a fraction of school-leavers and university graduates are able to immediately find a stable and satisfactory job. The rest are likely to be affected by layoffs. For example, this can be due to the fact that many young people are only offered fixed-term labour contracts, or many companies using 'last-in first-out' rules in the workplace.

Others face frequent job changes attributed to educational mismatches on youth labour markets, a lack of work experience, or a lack of firm-specific skills.

### Lack of reforms during the good times

But Flek and Mysíková indicate that high youth unemployment can be due to political shortcomings, as well. In another research paper, 'Unemployment Dynamics in Central Europe: A Labour Flow Approach', they argue that during better economic times (between 2004 and 2007), the Czech government could have initiated labour market reforms that could have prevented some of the later increases in youth unemployment.

The research showed that compared with other Eastern European countries, the Czech labour market had for example a remarkably lower capacity to absorb the least qualified and elderly unemployed workers.

And while structural unemployment diminished by less than one percentage point in the country during 2004–2007, it declined during the same period by 2.7 percentage points in Slovakia, and 5.7 percentage points in Poland.

"This should trigger a response in active labour market policy, the system of benefit provision, labour taxation, supporting more flexible forms of employment contracts, and stronger measures against illegal work

in the Czech Republic," the researchers wrote.

"Shortcomings in these institutional areas are typically responsible, at least to a certain extent, for insufficient dynamics of labour market flows, above all with respect to flows from unemployment to employment," they continued.

Allan Päll, the secretary general of the European Youth Forum (EYF), a non-governmental group which promotes the rights of young people, said that not only has access to the labour market become more challenging for youth, but access to regular and quality employment has also decreased for young workers, resulting in lower job stability, and an even greater divide between young and old.

"As a way of promoting flexibility in the labour market, many countries have eased regulation on non-regular contracts, whilst retaining stricter regulations of permanent contractual arrangements. This has resulted in a polarisation of the labour market, only heightened with the onset of the crisis," Päll told EurActiv.

This also means, he added, that young people are often in very precarious positions, and are the first to be laid off en masse in case of an economic downturn.

To further smooth the transition from education to employment, the EYF recommends vocational education and training as a way to equip people with the skills required on the labour market.

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