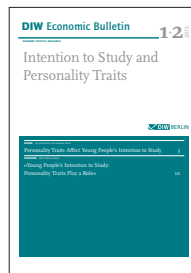


## Youth unemployment

REPORT by Karl Brenke

Youth in Europe: unemployment falling but major labor market problems persist

455



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Satz-Rechen-Zentrum, Berlin

### Sale and distribution

DIW Berlin  
ISSN 2192-7219

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# Youth in Europe: unemployment falling but major labor market problems persist

By Karl Brenke

In spring 2013, youth unemployment in the EU peaked and then declined sharply. Yet at least one in every six members of the economically active population between age 15 and 24 in the EU is still unemployed, and the unemployment rate among young persons is still 2.5 times higher than that of adults. The present study shows how young people's situation in the labor market has developed since 2013. The decline in unemployment was primarily caused both by a drop in the number of young people due to the demographic shift and their diminishing participation in economic life. The increase in employment played a less important role. Virtually all of the additional jobs were for a fixed time only, and the part-time employment rate continued on its upward trend. On average in Europe, the youth among the unemployed have a particularly high risk of unemployment, even with similar formal qualifications. In Central European countries, young people have a more advantageous situation in the labor market—probably as a result of practice-based vocational training. Since professional experience and references play key roles in improving people's prospects in the labor market, measures to improve young people's situation in the labor market should target the vocational training system.

Youth unemployment was a hot media topic several years ago but has since disappeared from the headlines. Policy makers took action in the face of the record unemployment statistics and their coverage in the media.<sup>1</sup> At the suggestion of the EU Commission, the EU member states adopted measures for fighting youth unemployment.<sup>2</sup> The cornerstone of the program is the Youth Guarantee, a commitment to young people who become unemployed or complete their formal education. Within four months, they must be offered a job, an apprenticeship, or an opportunity for continuing education.<sup>3</sup> The EU Commission declared the program a complete success, pointing to the decline in youth unemployment as confirmation.<sup>4</sup>

The present study examines the recent youth unemployment trends in the EU. The analysis is based on the information in the European Labour Force Survey compiled in the Eurostat database.<sup>5</sup> It adheres to the International Labour Organization's (ILO) definition of unemployed persons: those who currently do not have paid employment can begin working immediately, and are actively searching for a job. Whether or not they are registered as unemployed with an institution is not pertinent. As per international convention,<sup>6</sup> people between ages 15 and 24 are considered "youths". Adult members of the economically active population are between ages 25 and 74 (ILO definition).

**1** For example, see reports on Spain: Fiona Govan, "Spain's lost generation: youth unemployment surges above 50 per cent," *The Telegraph* January 27, 2012 (available online, accessed October 10, 2017); and Theo Peters, "Spaniens verzweifelte Jugend: Nehmt mich wenigstens als Regalauffüller," *Spiegel Online* August 5, 2012 (available online). In reality, 50 percent of young Spaniards were not unemployed; the statistics capture only those who were in the labor market. Of all Spanish youth in 2012, just under 21 percent were unemployed.

**2** European Commission, "EU measures to tackle youth unemployment," (European Commission, Brussels, 2014) (available online).

**3** Council of the European Union, "COUNCIL RECOMMENDATION of 22 April 2013 on establishing a Youth Guarantee," (Official Journal of the European Union, Brussels, 2013) (available online).

**4** See European Commission, "Youth Guarantee," (European Commission, Brussels, 2017) (available online).

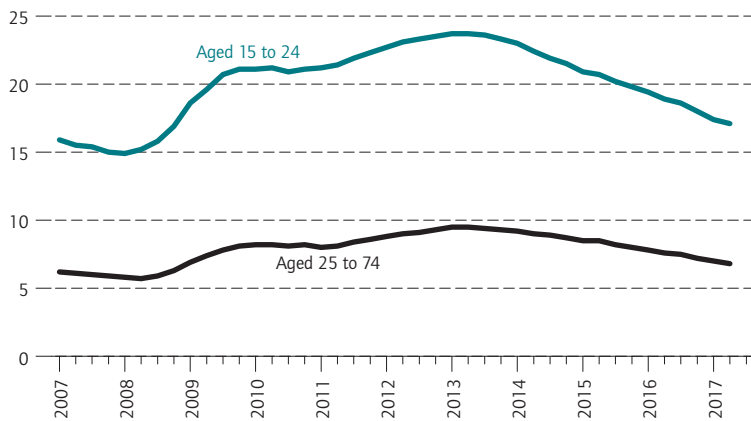
**5** For an overview, see Eurostat (available online).

**6** The UN Convention, for example, see UN (available online).

Figure 1

**Unemployment rates by age groups<sup>1</sup>**

In percent



<sup>1</sup> Seasonally adjusted—BV 4.1.

Sources: Eurostat; authors' own calculations.

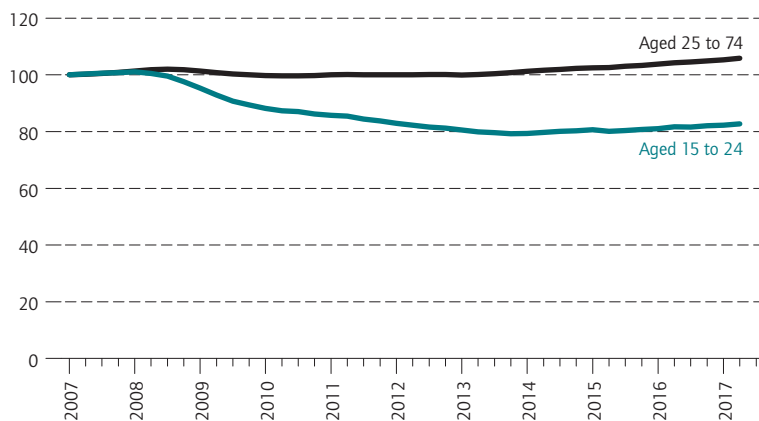
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The youth unemployment rate decreased sharply since 2013.

Figure 2

**Development of the number of employed by age groups<sup>1</sup>**

Index 1st quarter 2007 = 100



<sup>1</sup> Seasonally adjusted—BV 4.1.

Sources: Eurostat; authors' own calculations.

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The number of the young employed has increased but is still lower than before the financial crisis.

**Youth unemployment falls sharply despite below-average increase in employment**

Youth unemployment actually did fall after the EU adopted the Youth Guarantee. After a previous sharp rise in the wake of the global financial crisis and the economically weak years in Europe thereafter it reached a zenith in spring 2013. Afterward, it decreased by just below a third. The second quarter of 2017 is the three-month period for which the most current data is available. By that period, the number of unemployed young people decreased by 1.7 million to 3.8 million. At the same time, the unemployment rate also fell sharply: from 23.5 percent to 16.9 percent (Figure 1).

The economic upswing also played a role in the decline in youth unemployment: the number of unemployed persons and the unemployment rate also decreased among adults. However, the unemployment rate among adults fell to a lesser extent than it did among young people. But the decrease in the number of unemployed persons (28 percent) was nearly the same.

The statistics on unemployment shed light on only one aspect of the labor market, the supply of labor, and they do so only partially. After all, the Youth Guarantee programs did have the goal of integrating young people in jobs. Hence, when looking at the development of the labor market, the evolution of employment must also be considered.

What we found when looking at unemployment also manifested when looking at employment: young people were the age group in the EU most affected by the global financial crisis and the weak economy afterwards. The number of employed young people fell sharply just as the crisis hit (Figure 2). Over time, the rate of decline slowed down but held its course until summer 2013. Youth employment increased thereafter. However, the number of employed persons was still just under 20 percent lower than before the crisis. The development among persons 25 and older was much less dramatic. In that group the post-crisis decline in employment was much weaker. Since the middle of 2010, employment plateaued at times and experienced an upswing after spring 2013. Among adults, the number of employed persons is now somewhat higher than it was before the crisis. That group was more affected by the most recent rise in employment than young people. Between the second quarter of 2013 (Q2/13) and the second quarter of 2017 (Q2/17), the number of employed persons rose by 5.4 percent. Among young people, it rose by only four percent, an increase of 700,000 persons (see Table 1). The increase in youth employment was much lower (by one million) than the decrease in unemployment.

Table 1

**Key labour market data for the youth**

|  | EU     | Germany | France | Italy | Poland | Spain | UK    |
|--|--------|---------|--------|-------|--------|-------|-------|
| <b>Unemployment rate</b>                   |        |         |        |       |        |       |       |
| Q2/13                                      | 23.5   | 7.6     | 23.2   | 37.3  | 26.0   | 56.0  | 20.9  |
| Q2/17                                      | 16.9   | 7.0     | 21.9   | 34.2  | 14.6   | 39.5  | 11.6  |
| <b>Number of unemployed</b>                |        |         |        |       |        |       |       |
| Q2/13 (thousands)                          | 5,494  | 326     | 625    | 599   | 386    | 955   | 920   |
| Q2/17 (thousands)                          | 3,777  | 290     | 605    | 514   | 197    | 584   | 492   |
| Change Q2/13 to Q2/17                      |        |         |        |       |        |       |       |
| Thousands                                  | -1,716 | -36     | -20    | -85   | -189   | -371  | -428  |
| Percent                                    | -31.2  | -11.1   | -3.2   | -14.2 | -49.0  | -38.9 | -46.5 |
| <b>Employed</b>                            |        |         |        |       |        |       |       |
| Q2/13 (thousands)                          | 17,916 | 3,941   | 2,069  | 1,005 | 1,097  | 751   | 3,482 |
| Q2/17 (thousands)                          | 18,624 | 3,855   | 2,153  | 987   | 1,148  | 893   | 3,754 |
| Change Q2/13 to Q2/17                      |        |         |        |       |        |       |       |
| Thousands                                  | 709    | -86     | 84     | -18   | 51     | 142   | 272   |
| Percent                                    | 4.0    | -2.2    | 4.1    | -1.7  | 4.6    | 18.9  | 7.8   |
| <b>Population</b>                          |        |         |        |       |        |       |       |
| Q2/13 (thousands)                          | 56,223 | 8,535   | 7,297  | 5,998 | 4,504  | 4,548 | 7,771 |
| Q2/17 (thousands)                          | 54,345 | 8,559   | 7,534  | 5,881 | 3,873  | 4,494 | 7,490 |
| Change Q2/13 to Q2/17                      |        |         |        |       |        |       |       |
| Thousands                                  | -1,878 | 24      | 237    | -116  | -631   | -55   | -281  |
| Percent                                    | -3.3   | 0.3     | 3.2    | -1.9  | -14.0  | -1.2  | -3.6  |
| <b>Participation Rate</b>                  |        |         |        |       |        |       |       |
| Q2/13                                      | 41.6   | 50.0    | 36.9   | 26.7  | 32.9   | 37.5  | 56.7  |
| Q2/17                                      | 41.2   | 48.4    | 36.6   | 25.5  | 34.7   | 32.9  | 56.7  |
| <b>Unemployed—Percentage of Population</b> |        |         |        |       |        |       |       |
| Q2/13                                      | 9.8    | 3.8     | 8.6    | 10.0  | 8.6    | 21.0  | 11.8  |
| Q2/17                                      | 7.0    | 3.4     | 8.0    | 8.7   | 5.1    | 13.0  | 6.6   |

Sources: Eurostat; authors' own calculations.

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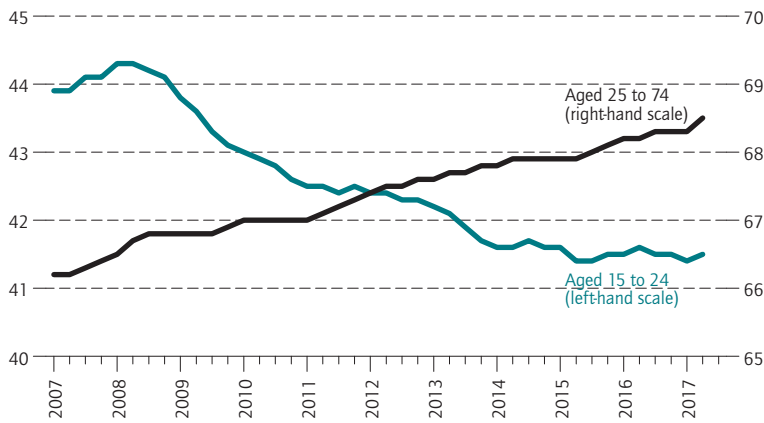
Consequently, the number of economically active persons—the unemployed and the employed combined—must have contracted. First, the demographic shift played a role as the age cohorts of the young have become smaller. From Q2/13 until Q2/17, the number of young people in Europe decreased by just below 1.9 million. This trend reflects the declining birth rate, but employment behavior has also changed. The participation rate is calculated by dividing the economically active population by the total population in the relevant age group. In Q2/13, the participation rate among young people was 41.6 percent. Four years later it was 41.2 percent. The

decrease might not appear significant but is large in absolute numbers. If employment behavior had not changed, in Q2/17 there would have been 200,000 more young people in the labor market than was actually the case.

Among persons 25 and older, the trend took a different course. In that age group, the population in the EU has grown over the past ten years—by around 4.5 million since 2013. And the employment rate, virtually immune to the labor market trend, has risen constantly over a long period. Here, the labor force has grown. For these reasons, the expansion in employment could not reduce the

Figure 3

**Development of the participation rate by age groups<sup>1</sup>**  
In percent



<sup>1</sup> Seasonally adjusted—BV 4.1.

Sources: Eurostat; authors' own calculations.

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The participation rate of the youth fell in the years after 2008 and is stagnating since the middle of 2015 at about 41 percent.

adult unemployment rate as dramatically as it was able to among young people. In that age cohort, the employment rate decreased sharply in comparison because of the contracting labor force potential. That effect actually contributed more to reducing youth unemployment than the growth in employment.

**The demographic shift should remain beneficial in the future**

Considering the current population trend in the EU, it is safe to assume that the number of young people will also decrease in the near future. For example, at the beginning of 2016 the 5–14 age cohort had 2.9 million people less than the 15–24 cohort. In the long term, it appears that the number of young people in the EU will decrease by 290,000 people per year on average—assuming the absence of migration surplus.

However, a participation rate of only 41.2 percent shows that young people who are active in the labor market are in the minority. It is not clear whether their participation in economic life will continue to decline. In the past decade, the employment rate among young people remained on a plateau of around 44 percent. When the global financial crisis hit the EU, it fell sharply (Figure 3). The decline continued until spring 2015, when it reached another plateau. The reduced participation in

economic life from time to time was probably a reaction to the unfavorable situation in the labor market market. If the labor market continues to improve in the near future, participation could pick up.

However, changing behavior with regard to education is counteracting that tendency. For decades the trend has been to earn higher degrees, which in turn necessitates remaining in the educational system longer. University students are often not available to the labor market and when they are, they typically work as helpers or assistants. There is no information on students in Europe in the Eurostat reporting system, but the trend is evident in the number of university graduates reported by the European Labour Force Survey. In the EU, for example, the proportion of people aged 15 to 24 who had an academic degree or comparable qualification rose from seven percent in 2006 to nine percent ten years later. In the 25–29 age cohort, there was an increase from 29 percent to 37 percent.

**Youth unemployment rate still 2.5 times higher than that of adults**

Although the youth unemployment rate is subject to above-average fluctuation, youth unemployment is not an isolated phenomenon. Its magnitude depends on the general situation in the labor market: the higher the adult unemployment rates in the EU member states, the higher the youth unemployment rate. This correlation is very strong.<sup>7</sup>

Nevertheless, the youth unemployment rate remains much higher than that of adults: in the EU as a whole, it is 2.5 times higher (Figure 4). The relationship has not changed in the last years. In all European member states, the risk of unemployment is much higher than average for young people. The age-specific differences in the unemployment rate in Sweden, Romania, and Finland are particularly high, followed by the UK, Italy, and Poland. In some non-member states, such as Norway and Iceland, young people fare just as poorly in comparison to adults when it comes to unemployment statistics. The differences with regard to age-specific unemployment rates in Central Europe (e.g. in Germany, Austria, and Switzerland) are relatively minimal. Here the youth unemployment rate is far below the EU-average.

In almost all European countries, the youth unemployment rate has fallen in recent years; it only rose in Finland (Table 2). To a great extent, the same applies to adults. Alongside Finland, the only exceptions are Austria, Norway, and Turkey. In some countries, the unemployment

<sup>7</sup> For example, in 2016 the correlation between the youth unemployment rate and that of adults was 0.84.

rates of young people and adults have converged. The trend is particularly apparent in Croatia, Slovenia, Sweden, and Finland. In other countries, e.g. Iceland, Ireland, Poland, and Germany, the gap has widened.

The lower the qualification level, the higher the unemployment rate—this holds true for both young people and adults (Figure 5). But, youth unemployment in the EU is far higher than average. One reason for this could be that its unemployed young people are poorly qualified in comparison. Qualification is measured by the International Standard Classification on Education (ISCED). But there is not much evidence to support this reasoning. Naturally, there is a lower proportion of young unemployed persons with university degrees (ISDED level 5 and higher) (Figure 6). But the share of unemployed young people who have completed an apprenticeship, vocational training, or high school (ISCED level 3 and 4) is higher than among the unemployed adults. With regard to the proportion of those without any training (approx. 40 percent), there were no significant differences. In recent years, the qualification structures of the unemployed population have remained virtually unchanged, since the unemployment rate has fallen among persons with lower and average qualifications, as well as those with university degrees.

We can counter the hypothesis that the high rate of youth unemployment in the EU is the result of an unfavorable qualification structure among youths based on the following phenomenon: the higher the formal qualification level, the greater the gap between the unemployment rates of young people and adults (Figure 7). In comparison to people aged 25 or older with the same formal qualifications, highly skilled young people in particular are at a disadvantage. In recent years, the gap has only narrowed somewhat within the group of people with university degrees. Particularly noticeable is this fact: in the EU, young people with an ISCED 3 or 4 level have a higher unemployment rate than unskilled adults. The phenomenon is particularly apparent in Romania, the English-speaking countries, France, Belgium, and Southern Europe.<sup>8</sup> In Central Europe, qualified young people fare better than unskilled adults.

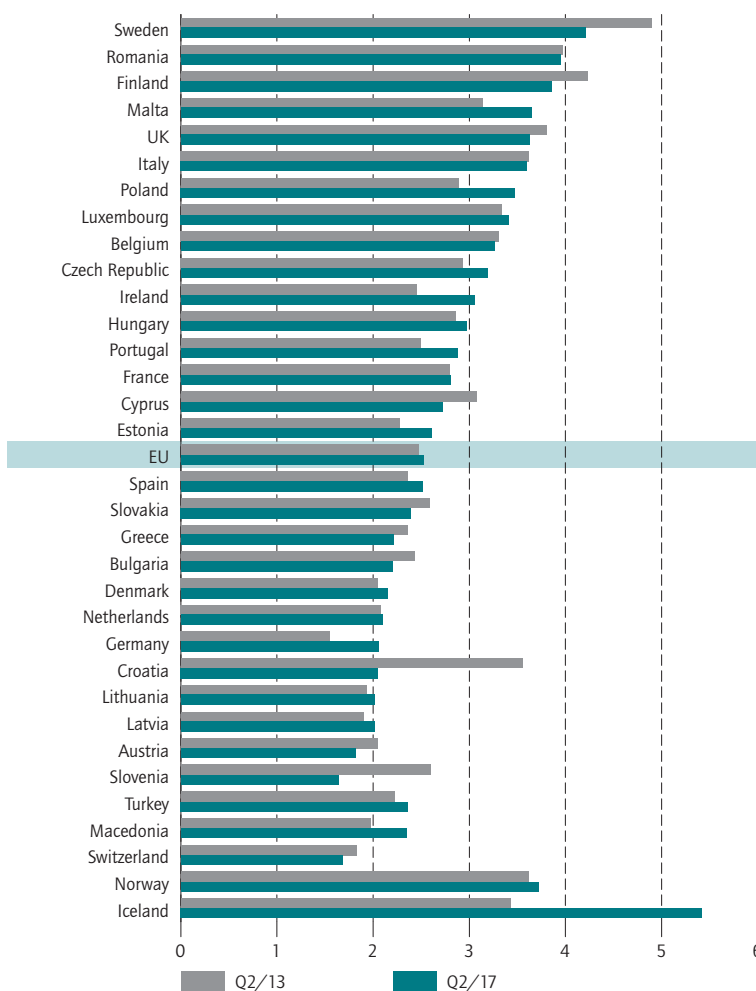
### Disparate labor market trends in larger EU member states

The following section contains more detailed information on young people’s situation in the labor market in

<sup>8</sup> Due to the low number of cases in many countries, the data source we used does not contain quarterly information on the unemployment rate for young people with university diplomas quarterly. For this reason, we ignored that group when examining youth unemployment in individual member states.

Figure 4

### Youth unemployment rate as a multiple of the unemployment rate of adults by countries



Sources: Eurostat; authors' own calculations.

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The youth unemployment rate is on average 2.5 times as high as the unemployment rate of the adults.

individual member states in the period between Q2/13 and Q2/17. To generate a more meaningful overview, we considered only the larger EU member states: France, the UK, Poland, Spain, Italy, and Germany.

### Unemployment

In France, youth unemployment decreased slightly. The increase in employment was greater than the decline in unemployment. A labor force expansion fueled by the growth in the youth population mitigated the drop in the number of unemployed persons.

Table 2

**Unemployment rates in european countries by education and age groups**

|                | Total <sup>1</sup> |             |                |            | ISCED 0 to 2   |             |                |             | ISCED 3 to 4   |             |                |            |
|----------------|--------------------|-------------|----------------|------------|----------------|-------------|----------------|-------------|----------------|-------------|----------------|------------|
|                | 15 to 24 years     |             | 25 to 74 years |            | 15 to 24 years |             | 25 to 74 years |             | 15 to 24 years |             | 25 to 74 years |            |
|                | Q2/13              | Q2/17       | Q2/13          | Q2/17      | Q2/13          | Q2/17       | Q2/13          | Q2/17       | Q2/13          | Q2/17       | Q2/13          | Q2/17      |
| Germany        | 7.6                | 7.0         | 4.9            | 3.4        | 11.4           | 11.2        | 12.3           | 9.1         | 5.4            | 4.3         | 5.0            | 3.3        |
| Czech Republic | 17.6               | 8.3         | 6.0            | 2.6        | 44.0           | 24.7        | 23.2           | 12.5        | 14.9           | 5.9         | 6.0            | 2.5        |
| Austria        | 9.0                | 8.9         | 4.4            | 4.9        | 13.7           | 16.5        | 8.8            | 11.7        | 7.0            | 6.8         | 3.9            | 4.7        |
| Netherlands    | 12.7               | 9.0         | 6.1            | 4.3        | 17.2           | 12.5        | 8.3            | 7.4         | 9.5            | 6.6         | 6.9            | 4.6        |
| Slovenia       | 24.1               | 10.0        | 9.3            | 6.1        | 30.8           | 15.7        | 16.7           | 10.3        | 23.0           | 9.0         | 9.8            | 6.0        |
| Denmark        | 11.9               | 10.1        | 5.8            | 4.7        | 14.2           | 12.5        | 9.9            | 7.0         | 9.1            | 7.6         | 5.0            | 3.5        |
| Hungary        | 25.7               | 11.0        | 9.0            | 3.7        | 43.4           | 23.5        | 21.3           | 10.5        | 22.1           | 8.3         | 9.0            | 3.4        |
| Malta          | 15.7               | 11.3        | 5.0            | 3.1        | 25.5           | 20.6        | 7.7            | 4.8         | 11.7           |             |                |            |
| UK             | 20.9               | 11.6        | 5.5            | 3.2        | 35.9           | 21.9        | 10.6           | 5.5         | 18.8           | 10.6        | 5.6            | 3.3        |
| Lithuania      | 21.0               | 13.1        | 10.9           | 6.5        | 40.7           |             | 33.4           | 21.3        | 19.3           | 11.8        | 13.7           | 8.5        |
| Bulgaria       | 28.7               | 13.2        | 11.8           | 6.0        | 54.4           | 28.1        | 27.9           | 17.7        | 24.6           | 10.6        | 11.0           | 5.1        |
| Poland         | 26.0               | 14.6        | 9.0            | 4.2        | 31.7           | 25.0        | 19.2           | 10.3        | 26.3           | 13.9        | 10.0           | 4.8        |
| Romania        | 23.4               | 15.4        | 5.9            | 3.9        | 18.6           | 13.3        | 5.8            | 5.5         | 25.5           | 18.0        | 6.6            | 4.1        |
| Luxembourg     | 18.0               | 15.7        | 5.4            | 4.6        |                |             |                | 6.6         |                |             | 5.8            | 4.0        |
| Estonia        | 16.4               | 15.9        | 7.2            | 6.1        |                |             | 10.9           | 13.7        | 16.5           | 14.2        | 8.2            | 6.9        |
| Ireland        | 29.6               | 16.5        | 12.1           | 5.4        | 46.5           | 32.8        | 20.3           | 10.1        | 29.6           | 16.7        | 14.7           | 6.3        |
| Latvia         | 20.1               | 16.5        | 10.6           | 8.2        | 31.5           | 28.9        | 22.5           | 19.4        | 18.9           | 15.2        | 12.1           | 9.7        |
| EU             | <b>23.5</b>        | <b>16.9</b> | <b>9.5</b>     | <b>6.7</b> | <b>32.0</b>    | <b>25.4</b> | <b>17.5</b>    | <b>13.4</b> | <b>20.6</b>    | <b>14.3</b> | <b>8.5</b>     | <b>5.9</b> |
| Slovakia       | 32.3               | 17.7        | 12.5           | 7.4        | 60.2           | 42.0        | 37.7           | 26.4        | 28.8           | 13.6        | 12.4           | 7.1        |
| Belgium        | 22.5               | 19.9        | 6.8            | 6.1        | 38.2           | 34.4        | 13.4           | 12.7        | 17.9           | 16.8        | 6.2            | 6.0        |
| Croatia        | 50.1               | 20.5        | 14.1           | 10.0       | 75.3           |             | 19.7           | 18.8        | 46.5           | 18.6        | 14.7           | 10.1       |
| France         | 23.2               | 21.9        | 8.3            | 7.8        | 36.8           | 40.6        | 14.1           | 14.3        | 22.0           | 21.2        | 8.3            | 8.3        |
| Sweden         | 27.9               | 21.9        | 5.7            | 5.2        | 48.5           | 39.7        | 12.3           | 13.8        | 17.8           | 12.8        | 5.1            | 4.0        |
| Portugal       | 37.4               | 22.7        | 15.0           | 7.9        | 40.8           | 29.8        | 16.8           | 9.0         | 33.7           | 19.5        | 14.6           | 7.8        |
| Cyprus         | 40.3               | 25.3        | 13.1           | 9.3        | 54.9           | 38.8        | 17.0           | 12.5        | 36.2           | 21.5        | 14.2           | 9.1        |
| Finland        | 26.2               | 27.4        | 6.2            | 7.1        | 42.1           | 43.0        | 10.8           | 13.1        | 18.0           | 18.1        | 7.2            | 8.3        |
| Italy          | 37.3               | 34.2        | 10.3           | 9.5        | 44.2           | 46.7        | 14.2           | 13.8        | 34.7           | 29.6        | 8.7            | 8.3        |
| Spain          | 56.0               | 39.5        | 23.7           | 15.7       | 62.9           | 49.0        | 32.3           | 23.2        | 52.6           | 36.9        | 23.4           | 14.9       |
| Greece         | 59.2               | 43.8        | 25.1           | 19.8       | 60.8           | 46.2        | 28.3           | 22.9        | 61.5           | 42.0        | 27.6           | 21.9       |
| Iceland        | 16.1               | 10.3        | 4.7            | 1.9        | 19.3           | 12.5        | 5.7            |             | 10.7           | 8.2         | 4.0            | 1.8        |
| Norway         | 9.4                | 11.9        | 2.6            | 3.2        | 12.6           | 17.8        | 5.4            | 6.6         | 5.8            | 7.1         | 2.4            | 3.4        |
| Switzerland    | 7.5                | 6.9         | 4.1            | 4.1        | 7.4            | 6.9         | 8.2            | 8.1         | 7.6            | 6.8         | 3.8            | 4.0        |
| Macedonia      | 51.7               | 47.1        | 26.2           | 20.1       | 46.2           | 55.4        | 33.5           | 24.2        | 49.7           | 45.6        | 25.0           | 20.1       |
| Turkey         | 14.9               | 19.6        | 6.7            | 8.3        | 12.1           | 14.1        | 6.6            | 7.9         | 18.3           | 24.4        | 7.7            | 8.9        |

<sup>1</sup> Includes ISCED 5 and higher.

Source: Eurostat.

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In the UK, youth employment rose sharply, which is the main cause of the decline in youth unemployment. At the same time, there was a decrease in the number of young people—unlike the case in France. The level of participation in the labor market remained the same.

In Poland, the number of unemployed young people dropped sharply: in the period observed, the rate nearly halved. However, the employment trend was not responsible for the decline. The key driver was a massive drop in

the number of young people in Poland. The population in that age group decreased by almost one-seventh, resulting in a marked contraction in the labor pool despite an increase in participation in the labor market.

Spain experienced a similar development: here as well the number of unemployed young people markedly decreased. Employment increased sharply, but that gain was also not the main cause of the decrease in unemployment. As in Poland, a contracting labor force



was the main factor. In the case of Spain, however, it was not contingent on demographics but due instead to the fact that a growing portion of young people has rejected the labor market. Less than one-third of young people in Spain are still participating in it. However, one in eight young people in Spain is unemployed.

In Italy and Germany, youth unemployment decreased despite a decrease in employment. In Italy, the decline in the number of young people was a contributing factor, but the main cause was decreasing participation in the labor market. In Germany, the employment rate alone fell, as a result of changes in behavior with regard to education.

### Types of additional employment

What types of employment pursued by young people were newly created in the period studied? We were initially able to determine that throughout the EU, the number of employees has increased while the number of self-employed people has fallen sharply (by 100,000 persons or seven percent). Young people who are self-employed are often relatives who work in family-owned businesses.

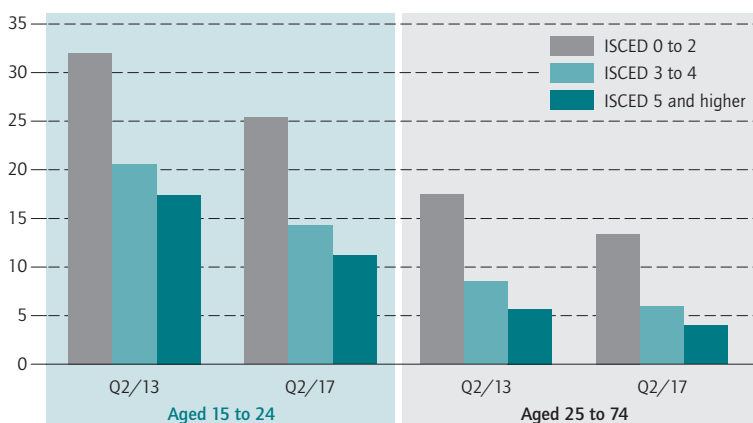
Many of the additional jobs for the young people were part-time jobs. This applies to a good 40 percent of additional jobs (Table 3). Among persons 25 and over, however, mainly full-time employment increased, and only 16 percent of employment growth can be attributed to part-time jobs. Accordingly, the high part-time employment rate among young people has increased slightly. Now almost one in every three working young people has a part-time job. As a matter of fact, in Germany, Italy, and France, in the past four years only the number of part-time employees among young people has risen whereas full-time employment fell, or as in the case of France, plateaued. In Poland and the UK, on the other hand, the number of part-time employees decreased while those in full-time employment increased. In the former Eastern Bloc, behavior with regard to employment has traditionally focused on full-time employment. In the wake of an upswing in employment, Poland was able to maintain this pattern. In Spain, the number of part-time and full-time jobs increased, the latter to a somewhat greater extent. Here the part-time rate that had been far above the EU average fell slightly.

With regard to fixed-term employment contracts, the gap between the 15–24 age cohort and those 25 and over was much wider than the gap between part-time and full-time employment: 44 percent of young people in the EU have a fixed-term contract but only 12 percent of adults do. It must be taken into account that many young people accept fixed-term contracts because of their vocational training. Because Central Europe has dual vocational training systems, this is often the case in the region.

Figure 5

### Unemployment rates by education and age groups in the EU

In percent



Sources: Eurostat; authors' own calculations.

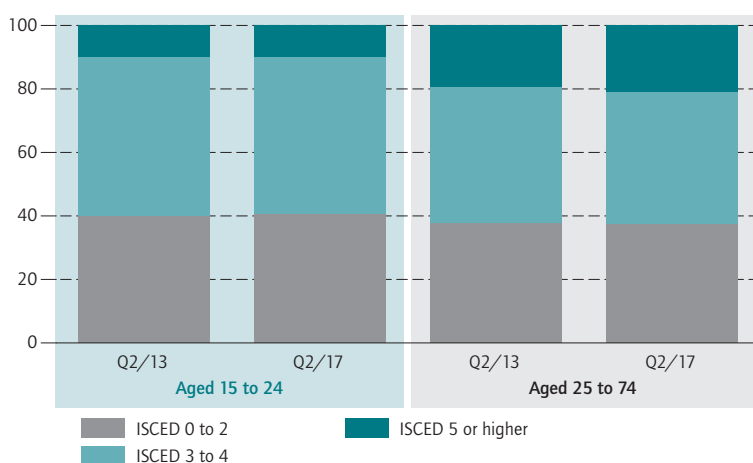
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The lower the education level, the higher unemployment risk. This applies both to youth and adults.

Figure 6

### Structure of the unemployed by education and age groups in the EU

Share in percent



Sources: Eurostat; authors' own calculations.

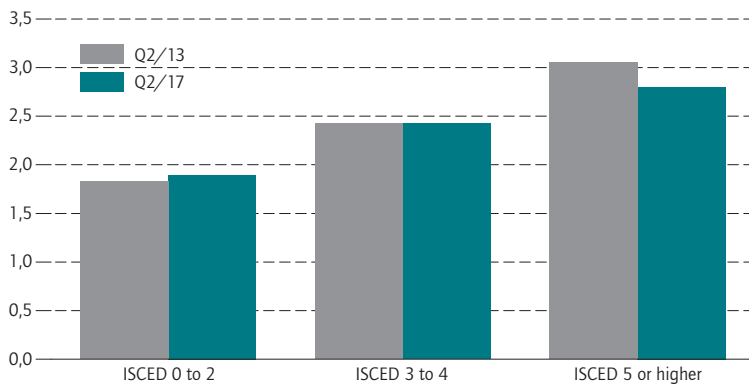
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The shares of low-skilled do not differ between age groups.

Another contributing factor is that many young people often have entry-level jobs and have to prove themselves before they are offered permanent employment

Figure 7

**Youth unemployment rate as a multiple of the unemployment rate of adults by education**



Sources: Eurostat; authors' own calculations.

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The higher the education level, the higher the differences between the youth unemployment rate and the unemployment rate of adults.

contracts. Nevertheless, the gap with regard to contract terms between young people and adults is enormous.

Overall, for both young people and adults, fixed-term employment has significantly increased since Q2/13. Among young people, however, most of the growth in employment—90 percent—came from jobs with fixed-term contracts. The UK was the exception, the only larger country in which permanent employment contracts increased among young people. Fixed-term contracts are not the rule there, even for young people. In the other large EU member states, where fixed-term contracts are widespread, the number of permanent employment contracts for young people has either decreased (Germany, Italy, and Spain) or increased slightly (Poland and France) in the past four years. However the number of young people with fixed-term jobs rose—with the exception of Germany, where fixed-term employment among young people also decreased. Spain and Poland are special cases: in these countries 70 percent of young people have temporary posts.

**Conclusion**

Youth unemployment has decreased strongly in recent years. The EU Commission deems this a consequence of its Youth Guarantee, initiated and adopted in April 2013. And youth unemployment did indeed decrease immediately after the resolution was passed. However, the decline was primarily the result of an overall rise in employment in the wake of an economic upswing,

which in turn triggered a decline in unemployment. It was greater among young people than adults, but that was due to the contraction in the labor pool among young people that countered the general trend as a result of the demographic shift and decreasing participation in the labor market. If the Youth Guarantee had truly had the effect the EU Commission attributed to it, this would have been reflected in the employment trend. However, employment among young people rose to a lesser extent than among adults in the past four years.

And on balance, virtually all of the jobs for young people added in recent years were temporary positions. Further, 40 percent of the additional employment contracts were for part-time jobs. Among persons 25 and over, employment increased primarily due to added permanent positions. Fewer part-time positions than full-time ones were added.

The Youth Guarantee did not fulfill its promise to place all young people who became unemployed in an employment or qualification program within four months. For example, in Q2/17, just below half of unemployed young people had no jobs for at least six months. It remains to be seen, as scholars have claimed, whether the Youth Guarantee did not meet the expectations of some because not enough funding was available.<sup>9</sup> Or as the European Court of Auditors has criticized, the problem could also have been that member states did not pay adequate attention to implementing the resolution.<sup>10</sup> The more likely reason is the overestimation, yet again, of the options for action available to “active labor market policy.” After all, experience says that it cannot create additional jobs in the mainstream labor market, and its measures were not able to mitigate the basic difficulties that confront the young generation as it enters working life.

These problems have not disappeared. The unemployment rate among young people is still 2.5 times as high as that among adults. Qualification is not the root of the problem. After all, unemployed young people in the EU do not have a lower level of formal training than other unemployed people. We even found that the gap in the unemployment rates of young and older is particularly wide among the well qualified.

This is probably a case of the insider-outsider phenomenon: people who do not have any references find it difficult to get their foot in the door. The labor market

<sup>9</sup> See Verónica Escudero and Elva López Mourelo, “The Youth Guarantee programme in Europe: Features, implementation and challenges,” *International Labour Office Research Department Working Paper* no. 4 (2015).

<sup>10</sup> European Court of Auditors, “Jugendarbeitslosigkeit – Haben die Maßnahmen der EU Wirkung gezeigt?” *Sonderbericht* no. 5/2017 (2017) (available online).

Table 3

**Change of employment from Q2/2013 to Q2/2017 by work contracts and age groups**

|   | EU    | Germany | France | Italy | Poland | Spain | UK    |
|---|-------|---------|--------|-------|--------|-------|-------|
| <b>15 to 24 years</b>                   |       |         |        |       |        |       |       |
| <b>Full-Time Employed<sup>1)</sup></b>  |       |         |        |       |        |       |       |
| Thousands                               | 405   | -112    | -2     | -50   | 67     | 98    | 342   |
| Percent                                 | 3.4   | -3.8    | -0.1   | -6.9  | 7.4    | 22.5  | 16.7  |
| <b>Part-Time Employed<sup>1)</sup></b>  |       |         |        |       |        |       |       |
| Thousands                               | 287   | 26      | 86     | 32    | -17    | 44    | -70   |
| Percent                                 | 4.9   | 2.7     | 17.5   | 11.3  | -9.0   | 14.0  | -4.9  |
| <b>Part-Time Ratio<sup>1)</sup></b>     |       |         |        |       |        |       |       |
| Q2/13                                   | 32.7  | 24.6    | 23.8   | 28.1  | 16.6   | 42.1  | 41.1  |
| Q2/17                                   | 33.0  | 25.8    | 26.8   | 31.8  | 14.5   | 40.3  | 36.3  |
| <b>Temporary (Fixed-term) Employees</b> |       |         |        |       |        |       |       |
| Thousands                               | 710   | -17     | 66     | 85    | 56     | 199   | 40    |
| Percent                                 | 10.2  | -0.8    | 5.8    | 19.2  | 8.6    | 47.2  | 8.8   |
| <b>Non-temporary Employees</b>          |       |         |        |       |        |       |       |
| Thousands                               | 89    | -60     | 8      | -66   | 14     | -33   | 217   |
| Percent                                 | 0.9   | -3.2    | 1.0    | -16.0 | 4.4    | -13.1 | 7.7   |
| <b>Temporary Employment Ratio</b>       |       |         |        |       |        |       |       |
| Q2/13                                   | 41.8  | 52.1    | 56.5   | 51.6  | 67.8   | 62.9  | 14.0  |
| Q2/17                                   | 44.0  | 52.7    | 57.7   | 60.2  | 68.6   | 74.1  | 14.1  |
| <b>25 to 74 years</b>                   |       |         |        |       |        |       |       |
| <b>Full-Time Employed<sup>1)</sup></b>  |       |         |        |       |        |       |       |
| Thousands                               | 9,456 | 1,284   | 729    | 571   | 890    | 1,457 | 1,500 |
| Percent                                 | 5.9   | 5.0     | 3.7    | 3.3   | 6.6    | 10.4  | 7.7   |
| <b>Part-Time Employed<sup>1)</sup></b>  |       |         |        |       |        |       |       |
| Thousands                               | 1,847 | 539     | 331    | 300   | 29     | 58    | 363   |
| Percent                                 | 4.9   | 5.4     | 7.8    | 8.1   | 2.9    | 2.4   | 5.5   |
| <b>Part-Time Ratio<sup>1)</sup></b>     |       |         |        |       |        |       |       |
| Q2/13                                   | 19.3  | 28.2    | 17.9   | 17.4  | 6.9    | 14.9  | 25.3  |
| Q2/17                                   | 19.2  | 28.2    | 18.5   | 18.1  | 6.7    | 14.0  | 24.9  |
| <b>Temporary Employees</b>              |       |         |        |       |        |       |       |
| Thousands                               | 2,380 | 81      | 435    | 429   | 189    | 787   | -30   |
| Percent                                 | 13.5  | 3.1     | 18.0   | 23.9  | 7.2    | 28.1  | -2.8  |
| <b>Non-temporary Employees</b>          |       |         |        |       |        |       |       |
| Thousands                               | 8,928 | 1,939   | 409    | 594   | 791    | 668   | 1,381 |
| Percent                                 | 6.1   | 6.8     | 2.2    | 4.2   | 9.3    | 6.3   | 6.6   |
| <b>Temporary Employment Ratio</b>       |       |         |        |       |        |       |       |
| Q2/13                                   | 10.8  | 8.4     | 11.6   | 11.3  | 23.6   | 20.9  | 4.9   |
| Q2/17                                   | 11.5  | 8.1     | 13.1   | 13.2  | 23.2   | 24.1  | 4.4   |

<sup>1</sup> Includes self-employed.

Sources: Eurostat; authors' own calculations.

seeks professional experience and knowledge gained in practice. Older workers have had the opportunity to acquire both on the job but young people have not. Such is the case, in particular, when professional training is largely decoupled from company practice, as it is in most of Europe. In Central Europe, however, there are dual systems for education and vocational training. This is why the gaps in age-specific unemployment rates are comparatively small in the region—and unlike the situation in many other European countries—qualified young people have better opportunities for employment than adults without professional training. Policy makers would do well to focus on leveraging vocational training systems.<sup>11</sup>

Regulatory hurdles that create advantages for adults, the “insiders,” could be another reason for high youth unemployment.<sup>12</sup> This would be an argument in favor of loosening the laws that protect employees from dismissal. However, there is no documentation to support the pre-

sumption that making it easier to fire employees would lead to more jobs.<sup>13</sup> And lower levels of protection against dismissal or its equivalent, fixing the terms of employment contracts, would give employers less incentive to invest in qualifying their employees.<sup>14</sup> This would directly affect young people.

Regardless of age, the risk of becoming unemployed is particularly high among the low skilled. For this reason, it is also important to ensure that young age cohorts are well educated and trained for professions. Appropriate education policy is a precondition for tackling youth unemployment and tapping the potential of the decreasing new age cohorts entering the labor market.

Young people’s situation in the labor market has its idiosyncrasies, but it is important to remember that it is part of the general labor market trend. To influence it, other areas of policy—financial, monetary, and wage policies—must also be mobilized.

**11** For the relationship between vocational training systems and high youth unemployment in comparison to adults, see Richard Breen, “Explaining Cross-national Variation in Youth Unemployment. Market and Institutional Factors,” *European Sociological Review* no. 2/2005 (2005); and Karl Brenke, “Unemployment in Europe: Young People Affected Much Harder Than Adults,” *DIW Economic Bulletin* no. 9 (2012); 15–23 (available online). Long in favor of expanding university education and a critic of the dual system, the OECD has revised its position in the face of high youth unemployment in Europe. See Mihály Fazekas and Simon Field, “OECD-Studien zur Berufsausbildung: Postsekundäre Berufsbildung in Deutschland,” OECD, Paris (2013).

**12** Breen “Explaining Cross-national Variation.”

**13** See, for example, Stephen Nickell and Richard Layard, “Labor Market Institutions and Economic Performance,” in *Handbook of Labor Economics* vol. 3, eds. Orley Ashenfelter and David Card (Amsterdam: Elsevier, 1999); and John Addison and Paulino Teixeira, “The Economics of Employment Protection,” *Journal of Labor Research* no. 1/2003 (2003).

**14** Ivan Harslof, “Processes of marginalization at work: integration of young people in the labor market through temporary employment,” in *Youth Unemployment and Social Exclusion in Europe. A comparative study*, ed. Torild Hammer (Bristol: Policy Press, 2003).

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JEL: J21, J24, J60

Keywords: Youth unemployment, youth guarantee, labor market developments