

Fatih Ayhan<sup>1</sup>

## YOUTH UNEMPLOYMENT AS A GROWING GLOBAL THREAT

*The aim of this paper is to explain the importance, causes and consequences of youth unemployment and policies to fight it. Global economic crisis made it clear that youth unemployment is more sensitive than adult unemployment. Since youth unemployment has impact on both today and future economies, it is of a priority to focus on youth unemployment. Increasing youth unemployment creates a hopeless generation and an army of unemployed, thus harming economies deeply, now and in the future.*

*Keyword: youth unemployment; employment; labor market; global crisis.*

Фатіх Айхан

## БЕЗРОБІТТЯ СЕРЕД МОЛОДІ ЯК ЗРОСТАЮЧА ГЛОБАЛЬНА ЗАГРОЗА

*У статті пояснено важливість, причини та наслідки безробіття серед молоді, а також наведено найбільш загальні способи боротьби з нею. Доведено, що в умовах глобальної економічної кризи молодь набагато більше чутлива до безробіття, ніж доросле населення. Продемонстровано, яким чином безробіття серед молоді має вплив як на економіку сьогодення, так і на майбутній економічний розвиток. Безробіття серед молоді вимагає ретельної уваги, насамперед, тому, що вона породжує ціле покоління розчарованого працездатного населення, що стає чинником ризику для національних економік та всього світу.*

*Ключові слова: безробіття серед молоді; працевлаштування; ринок праці; глобальна криза.*

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Фатих Айхан

## БЕЗРАБОТИЦА СРЕДИ МОЛОДЁЖИ КАК РАСТУЩАЯ ГЛОБАЛЬНАЯ УГРОЗА

*В статье пояснена важность, причины и следствия безработицы среди молодёжи, а также представлены наиболее общие способы борьбы с ней. Доказано, что в условиях глобального экономического кризиса молодёжь намного более чувствительна к безработице, чем взрослое население. Продемонстрировано, каким образом безработица среди молодёжи имеет влияние как на сегодняшнюю экономику, так и на будущее экономическое развитие. Безработица среди молодёжи требует пристального внимания, в первую очередь, потому, что она рождает целое поколение разочарованного трудоспособного населения, что является фактором риска для национальных экономик и всего мира.*

*Ключевые слова: безработица среди молодёжи; трудоустройство; рынок труда; глобальный кризис.*

**Introduction.** Youth have special importance for all the countries worldwide. Youth can be seen as an engine for achieving development goals. Youth is more energetic, talented, creative, open-minded, productive and dynamic and it also forms future workers, entrepreneurs, consumers and producers. All these potentials of youth are precious resources for economies. Better world will be created by creative and dynamic youth. Thus, excluding youth from economies, societies and labour market is impossible. Youth must be integrated into labour force and economies in order to achieve development goals. Higher youth unemployment is not a local or developing countries' only problem, it's a real global challenge. Therefore, it must be battled globally.

<sup>1</sup> University of Selcuk, Konya, Turkey.

Youth unemployment rate is approximately three times bigger than the adult one, 4 out of every 10 unemployed persons globally are young people. Lack of sustainable decent work makes young person unprotected. According to the United Nations definition, youth are people of the age group between 15 and 24 years old who has not worked for a specific period of time but has willingness to work and are actively searching for job (Gorlich et al., 2013: 1–2).

According to the ILO estimates, globally 600 mln jobs must be created over the next decade in order to handle currently 200 mln unemployed person and 40 mln new job market entrants each year. Economic conditions for youth are worse than before. Almost 309 mln young people work but live in households that earn less than 2 USD a day, millions of young people have to work part-time or temporary to survive. These types of jobs prevent their further career developments. At the beginning of business life, youth have to fight against challenging work conditions but they can make great contributions to economies locally and globally (ILO, 2015a: 1).

Global youth unemployment rate has increased after the global crisis. As it is seen in Figure 1, the number unemployed young people was around 72 mln in 2007/8, it peaked 76.6 mln in 2009 and then comparatively settled with 73.9 mln in 2013. It was estimated as 73.3 mln in 2014 and projected to be 73.4 mln in 2015. The number of unemployed youth decreased by about 3.3 mln from the crisis peak years in 2009 to 2014. World youth unemployment rate increased rapidly between 2007 (11.7%) and 2010 (13%) and then settled at 13.0% in 2012 to 2014. Small improvements in youth unemployment happened as well. The share of youth in unemployment is getting smaller. Youth share was 36.7% in the global unemployment for 2014, while it was 41.5% in 2004, that is 10 years ago (ILO, 2015b: 1).

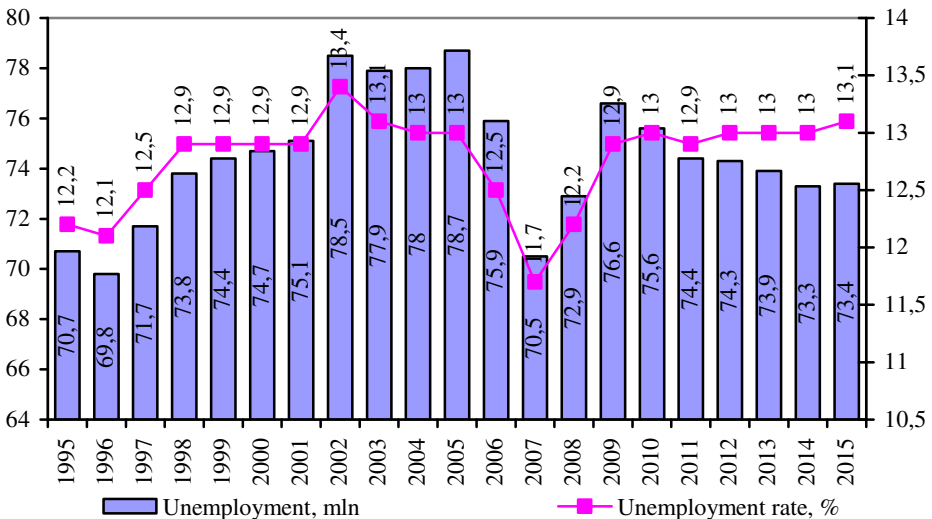


Figure 1. Global youth unemployment rates, 1995–2015 (ILO, 2015b)

Entering first job is crucial for the young. It often determines the rest of one’s life. If young person starts with higher or stable position in a career, he/she will have better chances for further career steps. If young people are out of labour force at the beginning of their working life, they feel desperate, idle and useless.

**Literature review.** There are micro- and macroeconomic reasons for youth unemployment according to the related literature. Macroeconomic reasons consist of production level and general unemployment rate in an economy. Determinants of youth unemployment are sustainable growth (Ryan, 2001), decreasing unemployment rate, crisis (Eichhorst et al., 2015), labor costs (Banerji et al., 2015), population growth, transition from school to work and mismatch between education systems and labor market demands (Conenjaerts et al., 2009). While the microeconomic level causes most often consist of insufficient job experience (Conenjaerts et al., 2009) and youth's inclination to resign (O'Higgins, 2001; Gorlich et al., 2013).

Consequences of young unemployment are explained in literature as economic, social and psychological ones. Economic results of youth unemployment are the decrease in total output, increasing poverty, loss of human capital (Morris, 2006) and social effects include social unrest, crimes, illegal trade, immigration, brain drain, drug and human trafficking (ILO, 2015b). Psychological results from young people unemployment are: mental disorders, depression, suicide attempts, feeling desperate, idle, useless and excluded from the society (Bolton and Oatley, 1987; Taris, 2002).

**1. Causes of young unemployment.** There is a number of reasons for youth unemployment. The most important one is poor macroeconomic performance. Lack of insufficient economic growth affects everyone in the economy and youth especially (Ryan, 2001). The other crucial reason for youth unemployment is insufficient employment creation. When economy cannot create new jobs, youth will be the most effected group.

Other determinants of unemployment are length of the education process, increasing participation in education, increasing education level, higher wages, unwanted working conditions, being unexperienced, lack of information about the labour market, mismatch between skills and labour market needs etc.

Young people are generally affected deeply by the crisis, because they are the weakest group at the labour market. So special attention must be put to youth when policy regulation is evaluated. Young persons are vulnerable because of inadequate work experience, low social capital, less distinctive company-specific knowledge, fewer years of service and the resulting low redundancy payments. Thus, employer prefers to dismiss first of all young people in case of a recession (Eichhorst et al., 2013: 5).

Inadequate growth performance in economies is the most important determinant of young unemployment level, especially during the crisis period. Sharp decrease in economic performance can on average explain about 50% of youth unemployment increase during the crisis (Banerji et al., 2014: 5).

The level of youth unemployment depends on output gap and labor market factors. These factors are labor costs (especially for low-skilled labor, minimum wage rates, high payroll tax, social security contributions), the opportunity cost of working (unemployment benefits) and spending on active labor market policies. Insufficient vocational training and pervasive labor market duality can also be the determinants of youth unemployment. Higher labor costs means higher youth and adult unemployment rates. And if there are higher unemployment payments in an economy, the willingness of searching for a new job will decrease and sometimes people prefer not to work at all (Banerji et al., 2014: 5–14).

Youth may also be more likely to resign voluntarily than adult workers because they prefer to explore different job opportunities (O'Higgins, 2001: 40). Rising youth population also causes higher youth unemployment rates. This problem distorts the demand and supply balance at the labour market.

Youth also faces higher barriers when entering the labour market because of the lack of work experience. Shorter credit history and lack of access to business networks prevents young people from becoming successful firm owners (Coenjaerts et al., 2009: 6). And in a recession period, firms cannot go on hiring before laying off. So job searching youth is affected disproportionately (O'Higgins, 2001).

The mismatch between demand and supply of skills possessed by young workers is also contributing to higher youth unemployment rates (Coenjaerts et al., 2009). Successful transition from school to work often cannot be achieved by the young today. Lots of training program are not suitable for today's business life. This mismatch between youth's skills, knowledge and education destroys their hope about finding a job.

**2. Consequences of youth unemployment.** Being unemployed at the first stage of life for young people causes persistent negative results for all their further lives and careers, because it harms their productive potential and future employment opportunities (O'Higgins, 2007; Ryan, 2001). Rising youth unemployment brings about a lost generation problem for many economies. If youth stays out of the labour market, this affects the economy not only today but also tomorrow. Youths' starting point to business life is crucial for both themselves and their countries, since today's young people will become once parents and will build world's future.

Youth unemployment is also a type of searching unemployment. Youth have an inclination to change work in order to find best suitable job for them. Higher youth unemployment rate is caused mainly by searching unemployment; it's temporary and less harmful (Gorlich et al., 2013: 5). But if this rate is large and persistent (both youth and adult unemployment), it causes the decrease of economies' total output because of hysteresis effects (loss of skills and depreciated human capital), brain drain and migration of precious labor force and the consequent hardships in implement social and political reforms. Briefly, no matter the type of unemployment, if it is persistent and long-term one, the hysteresis effects would be inevitable and devastating (Banerji et al., 2014: 7).

The unemployed youth feels desperate, idle, excluded, discouraged, scarred and thus they have to accept worse working conditions, part-time and temporary jobs and lower income. If young people do not find regular job, these negative feelings and costs can impact whole their life (ILO, 2006: 3). Being unemployed at the beginning of working life causes different mental disorders (depression, suicide attempts, desperation) and these affects all further life if being unemployed continues for a long period (Bolton and Oatley, 1987: 453; Taris, 2002: 53). The unemployment period make youths' skills and motivation obsolete (Ryan, 2001), non-used skills will become invaluable because of rapid organizational or technological changes (De Grip and van Loo, 2002).

Youth unemployment causes loss of production (output) and poverty, especially in developing countries. Youth is of primary importance but can't be always used effectively. If its productive capacity is applied to industries, economies can develop

more quickly. Otherwise, there can be a partial loss of human capital (Morris, 2006: 8).

Being unemployed pushes youth to agree to temporary and part-time jobs, and this has several major disadvantages:

- This type of jobs are least protected and more sensitive to changes temporary workers are offered lower payments, and they have no job security. In time their quality of life decreases due to temporary jobs, since such a job prevents getting credit and mortgage (Boeri, 2009).

- Temporary jobs do not have provide training opportunities for workers, and this influences youths' future employment possibilities (Arulampalam, 2001).

- Globalization and outer economies problems affect temporary workers first of all (Gorg and Gorlich, 2011).

Unemployment for the period greater than 12 months can increase the stress level and long-term unemployment is an important factor for health problems of the youth (Dietrich, 2012: 7; ILO, 2015b: 21). When youth don't find suitable jobs according to their qualifications, they may choose to migrate abroad. But young migrants also have harsh conditions abroad, they can face human trafficking, worse living conditions and abusive behaviors (ILO, 2015b: 50). According to the UN World Youth Report the global number of international migrants aged 15 to 24 was estimated as 27 mln, that is about one-eighth of the global migrant stock of 214 mln (UN, 2013).

**Remedies and policies for youth unemployment.** There is no single way to solve the youth unemployment problem. Policies against youth unemployment should be comprehensive, country-specific, and focused on reviving growth and advancing structural reforms (Banerji et al., 2014: 5). Strong sustainable growth will be crucial to create new employment possibilities for all including the youth.

Labor market costs are important determinants for employment decisions. Therefore, reforms should be adjusted to lower labor costs by reducing tax load and minimize wage policies (which largely affect youth) in order to increase labor demand. Policies that provide wage subsidies, reductions in pay-roll taxes and increased firm incentives to hire young workers are among useful tools in fighting youth unemployment.

Active Labour Market Policies (ALMP) can help alleviating youth unemployment. These policies can be adjusted to the transition from school to work through improved young skills and more work-focused training. The relation between education systems and labour qualifications (skills, job specific and technical knowledge) for firms can be organized by ALMPs. ALMPs consist of entrepreneurship trainings, career guidance and job search assistance (OECD, 2006).

Youth unemployment problem highly depends on the general unemployment level. Improving macroeconomic conditions makes the greatest contribution to employment. In order to solve the unemployment issue, policies must be focused on the sectors with high employment potential and "youth-friendly" sectors such as tourism, wholesale and retail trade, manufacturing, hotels and restaurants, ICT, social services, environmental management (Coenjaerts et al., 2009; Banerji et al., 2014: 11). Agricultural regulations in rural areas of developing countries may also reduce youth unemployment by shifting it from subsistence farming towards com-

mercial use (Coenjaerts et al., 2009). Using Internet provides individuals with trade possibilities to become part of global markets, there for, it can also provide new work opportunities to youth.

Implementing the dual system which consists of part-time apprenticeship in a company for the purpose of vocational training and part-time technical education may help solve youth unemployment problems. This system makes it easy transit school to work from (OECD, 2006). There is a strong linkage between work-based training and apprenticeship, and school-based education in this system which is effectively used by Germany and Japan. Besides school-based vocational education, it gives the opportunity to developing countries to adjust workers' skills certified informally (Coenjaerts et al., 2009).

There are also global institutional efforts to fight youth unemployment. "Call for action" on youth employment was initiated by ILO at the International Labour Conference in 2012. This conference call covered first of all:

- increased job creation and providing more financial opportunities;
- changing the education system to ease the school-to-work transition and reduce the skills' mismatch;
- focusing on youth employment primarily directly;
- increasing to youth entrepreneurship and self-employment;
- providing standard international labour rights (ILO, 2015b: 63).

The European Commission has launched the "Youth Opportunities Initiative" to support the unemployed youth by providing funds for apprenticeship and entrepreneurship schemes, help with company placements and giving advice for young people about their business ideas (Gorlich et al., 2013: 1).

As a consequence of a partnership between the World Bank, the United Nations and the ILO Youth Employment Network (YEN) tries to develop a comprehensive global strategy for young people. YEN cooperates with governments in implementing national youth employment programs. Briefly, youth employment policy should have the following features:

- it must be harmonious with macroeconomic policies and focus on youth directly;
- offering fiscal support to developing sectors that can provide more employment for youth;
- setting link for matching sector/firm needs and youths' skills;
- targeting school-to-work transition;
- increased spending for higher youth labor market participation;
- better working condition and social protection for young people;
- coordination of finding better jobs for youth (ILO, 2015b: 9–10).

According to Turkish Statistical Institutes data, Turkish labor force was 24.6 mln in 2014, 2.86 mln people were unemployed. The unemployment rate in Turkey is 9.9% while youth unemployment rate is 18%. In 2009 this rate peaked at 22.9%. So, unemployment and youth unemployment are indeed serious matters for Turkish economy. In Turkey, ALMPs are organized by ISKUR (Turkish Labour Employment Agency – TLEA). A call for action to strengthen the employment and vocational training was initiated by TLEA back in 2010 already. According to this action, lifelong learning programs are required for more effective labour market policies that are tar-



geted to reduce unemployment (Ozaydin, 2013: 138). According to TLEA's 2014 Action report, the number of courses and trainings in the ALMP framework was 33.1 thousand. The total quantity of participants was 220.1 thousand, noteworthy, the number of male participants was 94.9 thousand, while the number of female participants was approximately 105.5 thousand. The number of vocational training is 5.3 thousand. The number of total participants is 107.2 thousand (that is 46.8 thousand of males and 60.4 thousand of females). The total number of entrepreneurship programs is 1.2 thousand (TLEA, 2015).

**Conclusions.** Unemployment is a problematic issue for many years already and reducing unemployment is a challenging task for all economies worldwide. As a type of unemployment, youth unemployment has a special importance. Youth unemployment is not only related to today, but also to the future. Being unemployed at early stages of one's life scares young people deeply and affects all further life. Young people are more vulnerable to crisis than adults, the recent global crisis has shown that recession hits first of all with youth unemployment in all countries. Generally it is accepted that the main factors of youth unemployment are insufficient production growth and not enough employment capacities of an economy. Other macrocauses include insufficient demand, recession and crisis, increases of the youth share in the total population, demographic factors such as age, being ethnical or religious minority, gender, deficiency in labour market policies and problems with the education system. a mismatch between training systems and labour market is the most problematic cause of youth unemployment increase.

Increasing youth unemployment rate is a crucial problem because it causes both economic and social problems. To sum up, it generates loss of resources (human capital), leads to social unrest, increased crime rate, drug use and mental disorders (depression, suicide attempts, feeling desperate etc.).

Battling with the problems described above is not easy for governments. Policies to cope with youth unemployment are complicated. They must be comprehensive, country-specific, focused on revitalising economic growth and advanced structural reforms. Beyond the local efforts, global efforts should also contribute to lessening youth unemployment. ILO, the UN and the World Bank already make some important contributions to fighting global youth unemployment such as "Youth Employment Network" (YEN).

Active labour market programmes (ALMP) are so for the best tools in reducing youth unemployment. These programmes consist of counselling and guidance services, reinforced vocational training and work experience (via apprenticeship and internship), subsidies for employers, direct job creation by governments and support for youth entrepreneurship and self-employment.

Well organized school-to-work transition is the crucial point in decreasing youth unemployment rate. Vocational trainings should be also regulated in accordance with labour markets' needs. Dual vocational training system as applied successfully in Germany, for example can make great contributions to solving youth unemployment problem. Allocating more budget funds for effective education and vocational training can also make great contributions to increasing youth employment capacities of national and regional economies.

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