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### YOUNG UNEMPLOYMENT AS A SOCIAL PROBLEM

*This article shows the reasons, consequences and possibilities of the solutions of young unemployment who are one of the most vulnerable groups of a modern society. The selection of the topic was influenced by the fact that unemployment as such is a matter of all of us and it's a contemporary phenomenon in every single economics. The aim of the article is to define the prognosis of further development in the following period based on the analysis of contemporary state of a selected group of young people in the Slovak Republic endangered by the unemployment, with the help of quantitative prognosis method that is based on the analysis of a processing the historical data in specific relations and their extrapolation for the prognosis period.*

**Key words:** economy, unemployment, young people, society

**Introduction.** Unemployment and social situation are the most vigorous topics that people and governments deal all around the world today with. The rate of unemployment is a rate of economic health of the nation, therefore is understood as a serious problem representing the lost potential value of all the economics but even a social indicator connected with a social phenomenon presenting bad mental and physical health, increased criminality etc. The unemployment does not impact just the overall economics but even the life of an individual. A long-term existence of an unemployment prevents the ability and the interest to employ oneself and the participation of a citizen in his self-sufficiency (Gluchman, 2014). The problem of the unemployment becomes not just an economic but even a social threat, that's the reason why it's a current topic of politicians, economists, psychologists and sociologists.

Did the unemployment come into existence by itself or economic conditions of industrial revolution make it? It came into existence as a consequence of a market economy. In its short historical intersection, this article approaches the reason of its origin, factors influencing its development the most, approaches and measurements as well as strategies and policies of its solution in the Slovak Republic in a period from 1989 till now. It's an attempt for a synthesis of a core problem.

The problem of an unemployment appeared in Europe at the beginning of the 19<sup>th</sup> century, however, at first, it was just a temporary matter. Unemployment in the Slovak Republic has begun to be active after the transformation of the economics from a state control to the market economy after the social-political changes in 1989. It was a consequence of the fact that basic role in the field of unemployment policy became the realization of the transition "from the policy of full employment" (at any cost) to "the active employment policy" (Kováčová, 1995). The unemployment, as an unknown state of social society for relatively long time, and its rapid increase predicted the decay of the Czechoslovak Federation at the beginning of 1990s and influences and is still influencing now a lot of social and political processes.

The unemployment is a serious social problem but is mostly related to certain groups of unemployed people who consider getting rid of the status of the unemployed difficult regardless if they want to or not, they simply belong to the certain group of people facing the problem to get or keep the occupation. These applicants for the occupation are denoted as a disadvantaged applicants for the occupation regarding certain handicaps in relation to the sex, higher age, insufficient education, low or any work experience or reduced work capacity according to the law No. 5/2004 Col. Employment Services.

According to Paukovič (2007), among long-term registered applicants for the occupation facing some difficulties in labor market placing belong:

- Women, especially after maternity leave or older women;
- People in their productive age;

- Young people and graduates;
- People having no basic education – unqualified applicants;
- Roma ethnicity.

We focus on the unemployed group of young people and graduates in this article. Economic and social instability causes an increasing number of young people having no certainties in their future life. Currently, young, graduates, have even more difficult conditions within the labor market. The biggest problem of a young is the fact that they miss the practice, work experience and basic working habits. They miss certain work contacts as well that could help them to orient themselves within the labor market. The practice absence presents only one of the factors causing the youth unemployment and that's the reason of the collision between gained qualification and the needs of the practice (Paukovič, 2007). This negative state and even negative prediction interfering at least with the closest future, is a result of that fact that schools produce a great deal of graduates who have no chance to practice. It's partially possible to prevent this negative tendency by the harmonization of the educational system and employment policy. Educational system should reflect the needs of the labor market and should ensure the preparation of the work force in order to find their practice at the labor market the most likely (Juríčková, 1996).

The aim of this article is to set the prognosis for further development for the period of two years based on the analysis of contemporary state of selected group of young people endangered by the unemployment in the Slovak Republic during the period of 1998 – 2013.

We dealt with the theoretical and practical information from the field of social and economic sciences dealing with unemployment issues. We used standard methodology using ILO, aiming to support the rights for the work and setting out a dignified working opportunities. We acquired the statistical data from the web pages of The Central Office of Labor, Social Affairs and Family of the Slovak Republic, Statistical Office of the Slovak Republic and OECD publishing the reports of past, current and future unemployment state in the Slovak Republic, its reasons and possible consequences. We acquired a percentage rate of young unemployment data that we used for the suitable determination of a constant  $\alpha$  from Eurostat databases. We got data even from the reports and declarations of Operational teams for young employment published by EU.

**Young unemployment in the Slovak Republic.** Young unemployment rate is a serious issue in each country in the world. But that's not so bad in these countries. Just to compare (GlobalPost, 2013):

- The lowest young unemployment rate: Qatar (1,3%), Thailand (2,7%), Kazakhstan (4,6%), Guatemala (7,1%), Nederland (7,7%). Switzerland (7,7%), Japan (8%), Austria (8,3%), Germany (8,5%), Norway(8,6%).
- The highest young unemployment rate: Bosnia and Herzegovina (57,5%), Macedonia (55,3%), South Africa (49,8%), Spain (46,4%), Guyana (46,1%), Greece (44,4%), Montenegro (37%), Croatia (36,1%), Georgia (35,6%), Slovakia (33,7%), USA (17,3).

As Slovak economy is dependent on the economic development in Europe, any unemployment lowering in Slovakia has to be set into European context, the best with the help of the actual Eurostat statistics. Currently, the unemployment in other EU states is decreasing faster than in Slovakia thanks to the economic renewal. For instance, as harmonized unemployment rate in Slovakia has decreased in 0,4% from July 2013 to May 2014, it has decreased in 0,5% in EU in the same time period. Unemployment has decreased even in Czech Republic (-0,6%), Poland (-0,7%) and Hungary (-2,3%) during this time period faster than in Slovakia.

There is a similar situation with the youngsters under 25-years age. Slovakia took the place with their young unemployment rate at the level of 33,7% in 2013 in top EU countries, right after PIGS states. The problem of young unemployment is related to other EU states.

However, unlikely the countries such as Greece and Spain, where the rapid growth of young unemployment has been caused by extremely deep crisis in recent years, high young unemployment in Slovakia is a long-term phenomenon.

Recently, there was a decrease of young unemployment, however, the development in other parts of Europe is better than in Slovakia. Young unemployment in Slovakia is decreasing in comparison to other countries. But states it's decreasing even faster in fourteen EU. For instance, as seasonally modified unemployment of young under 25 in Slovakia during the period from March 2013 to March 2014 in 1,1%, it was in 1,3% in Sweden, 1,5% in Spain and Croatia, 1,9% in France, 2,0% in Ireland, 2,1% in Slovenia, 3,1% in Czech Republic, 3,6% in Estonia, 4,7% in Portugal. Young unemployment will probably decrease even in Greece, Hungary, Estonia and Great Britain faster than in Slovakia.

The expectations for employment of young under 25 are rather negative than positive in Europe and even all around the world. There's a decrease of unemployment of young under 25 in Slovakia last year, but there's still almost one third of young unemployed according to Bureau of Statistics of the Slovak Republic. They are the most vulnerable age group.

We can see an average unemployment rate in Slovakia of two groups endangered by the unemployment in Table 1: a group of young (18 to 25 years old) and a group of people in their productive age (50 to 62 years old) in thousands and percentage, during the observation period from 1998 to 2013.

Tab. 1

*The number of unemployed according to endangered groups*

Year	The number of unemployed			
	Young		People in productive age	
	(in thousands)	(in %)	(in thousands)	(in %)
1998	95 000	23,2	24 400	7,3
1999	132 700	32,0	33 800	9,7
2000	149 000	36,9	47 900	13,1
2001	157 200	38,9	50 300	12,6
2002	145 000	37,7	61 500	15,1
2003	121 000	32,9	57 100	13,7
2004	114 000	32,8	78 000	16,6
2005	96 300	30,1	69 500	13,5
2006	80 800	36,6	60 800	11,2
2007	59 800	20,3	53 000	9,4
2008	51 500	19,0	45 400	7,6
2009	69 800	27,3	56 800	9,3
2010	82 700	33,6	71 100	11,2
2011	75 600	33,4	69 400	10,6
2012	75 500	34,0	74 600	11,1
2013	73 000	33,7	78 700	11,5

*Source: own data processing based on Eurostat data*

As we can see, young unemployment during our observed period reached the lowest rates in percentages and thousands as well in 2008. On the other hand, there was the highest unemployment in percentages and thousands in 2011 reaching the level of 38,9% that was 157 200 young unemployed.

Young unemployment in their productive age reached the lowest rates in 1998, that was 7,3%, 24 400. On the other hand, the highest rates were recorded in 2004, reaching the level

of unemployment of young in their productive age in 16,6%, that was 78 000 and it was 78 700 of unemployed in 2013.

The main reasons of unemployment in 1990s were structural problems such as:

- Regional differences in unemployment and low work force mobility that resulted into overheating at labor market, there was a demand for work force, in regions with low unemployment rate. On the other hand, there were regions with specific profile of education and qualification that was hardly adaptable for certain circumstances because of previous mono-industrial structure.

- Low paid work, regarding to a suitable social system and expenses concerning the occupation didn't motivate others to accept such a work. People were not willing to work for the salary that was close to their social benefits in case of unemployment.

- High tax payments to the state budget caused a high difference between expenses of an employee for his employer and net income of the employer. This difference had a negative impacts on the employing mainly in the collaboration with the system of social welfare.

- "Grey economy" or "illegal employment" and insufficient control resulted into the differences between registered and determined employment (Paukovič, 2007).

There was a semi-annual GDP growth in 2002 that resulted into continuous creation of new work places that caused decrease in unemployment. Unemployment decrease noticed in 2004 was caused by the entering the Slovak Republic to the European Union that brought new foreign investments and opening European labor market.

The number of young unemployment began to increase slowly in 2008 that fully exposed in 2009. It was probably influences the most by upcoming economic crisis that caused mass employers discharges and minimal creation of new work places. The government should make the labor market more flexible and cancel some restrictions adopted during the period of growth and it probably also helped to the overall negative development. The government of Iveta Radičová canceled some arrangements that negatively influenced the unemployment. Students could do their part-time job even with no letter of confirmation of their study. The probation period could be possibly extend from September 1<sup>st</sup> for up to six months. Temporal contracts could be repeated faster too, the temporary contract could be possibly extended up to three years. Part-time job became less interesting in 2013 because of governmental changes in Labor Code. Except of the fact that we need to pay taxes when having part-time jobs, "part-timers" gained even some employers' rights, such as right for minimal wage.

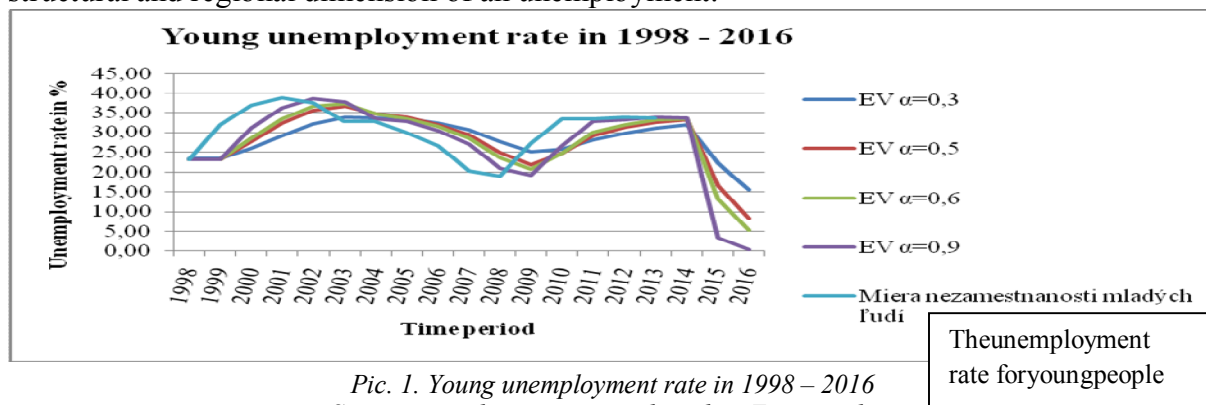
Labor Code was modified to greater flexibility or rigidity in the past depending on the government ruling. Except of Labor Code, employment is influenced by economic growth, the level of entrepreneur environment, quality of legal system and the level of the education of work forces. Education often doesn't respond to the demand on the labor market and therefore there is lack of available work positions for graduates. On behalf of higher employment, education process should be reformed in order to be more oriented for the needs of the market and less for the quantity of graduates who are workless. Therefore it's very difficult to predict youth labor market development.

**Prognoses of young unemployment for the following period.** We decided to use the method of exponential equalization of the time line for the purpose of this prognosis that is one of the method serving for the elimination of the seasonality and the equalization of the time lines. We have chosen quantitative method of prognosis that is based on the analysis of historical data processing in specific relations and their extrapolations for the period of the prognosis. Particular method uses time lines of the data and its principle consists in the fact that relations between the values of the unemployment in the past will continue even in the future (Hudec, Sisáková, Tartařová, Želinský, 2011). We made the prognosis itself based on the point and interval estimation and the combination of classical models.

As we have stated in the introduction, percentage rate of young unemployment data come from Eurostat database. We acquired even monthly data of percentage rate of young unemployment from Eurostat database that helped us for suitable constant  $\alpha^1$  determination. The determination of a right exponential constant  $\alpha$  is very important but very problematic at the same time. If we have determined the value of exponential constant close to the value 1, new prediction would consist of the modification in previous prediction, however, in spite of this, it can lead to some fault prognoses regarding it can easily happen that except of fault modification, we usually eliminates even important information included within the value of particular data. On the contrary, if we choose the value of exponential constant  $\alpha$  close to the value 0, new prediction will consist just a minor modification of the fault that would lead to fault or inaccurate predictions (Hudec, Sisáková, Tartal'ová, Želinský, 2011).

As we can see in Table 2, percentage rate of young unemployment reached the level of 32,3% in 2014. It means that we reached the best estimation of young unemployment rate for the following period through the method of exponential equalizing in determined value of the constant  $\alpha = 0,3$ , while determined estimation acquired the value of 31,78%.

There is the best equalizing of particular timeline on the Picture 1 that were ached by the method of exponential equalizing with the value of the constant  $\alpha = 0,9$ . We estimated the development of young unemployent for the following time period of two years through an exponential equalizing. The determination of the prognosis of the unemployent for the following years is very difficult considering the unemployment influences many various factors, such as: macroeconomic indicators of the state economy, political situation, activity of a governmental garniture, development of EU or an effort of the politicians to solve a structural and regional dimension of an unemployment.



Pic. 1. Young unemployment rate in 1998 – 2016  
Source: own data processing based on Eurostat data

European Commission assumes that the development at the labor market falls behind the development in GDP approximately in half a year, therefore a renewal of an economic activity should continuously transform into stable creation of work places (European Commission, Press report: Economic prognosis for the fall 2013).

**Conclusion.** In conclusion, we can state that unemployment is a consequence of the activity of various factors, therefore even steps adopted as a solution must respect the specifics of these factors in mutual cooperation if they should bring some positive effect. In

<sup>1</sup>The relations for the method of exponential equalization:

$$\begin{aligned}
 - & S_1 = y_1 \\
 - & S_2 = \alpha * y_1 + (1 - \alpha) * S_1 \\
 - & S_t = \alpha * y_{t-1} + (1 - \alpha) * S_{t-1} \\
 - & S_{t+1} = \alpha * y_t + (1 - \alpha) * S_t
 \end{aligned}$$

Here:  $t$  presents recent time period;  $y_t$  presents recent observed value;  $S_t$  a  $S_{t+1}$  are equalized values for the next and current period;  $\alpha$  is equalizing (exponential) constant that belongs to the interval  $(0,1)$ .

this period, the reasons of the origin and the persisting unemployment were, are and even will be mainly the problems caused by a rigidity of a labor market, low education level, insufficient qualification structure and discrimination in labor market access.

Table 2

*The prognosis of young unemployment rate for 2015 – 2016*

Time period (t)	Young unemployment rate (in %)	EV $\alpha=0,3$	EV $\alpha=0,5$	EV $\alpha=0,6$	EV $\alpha=0,9$
1998	23,2	23,20	23,20	23,20	23,20
1999	32,0	23,20	23,20	23,20	23,20
2000	36,9	25,84	27,60	28,48	31,12
2001	38,9	29,16	32,25	33,53	36,32
2002	37,7	32,08	35,58	36,75	38,64
2003	32,9	33,77	36,64	37,32	37,79
2004	32,8	33,51	34,77	34,67	33,39
2005	30,1	33,29	33,78	33,55	32,86
2006	26,6	32,34	31,94	31,48	30,38
2007	20,3	30,62	29,27	28,55	26,98
2008	19,0	27,52	24,79	23,60	20,97
2009	27,3	24,96	21,89	20,84	19,20
2010	33,6	25,67	24,60	24,72	26,49
2011	33,4	28,05	29,10	30,05	32,89
2012	34,0	29,65	31,25	32,06	33,35
2013	33,7	30,96	32,62	33,22	33,93
2014	32,3	31,78	33,16	33,51	33,72
2015	?	<b>22,25</b>	16,58	13,40	3,37
2016	?	<b>15,57</b>	8,29	5,36	0,34

Source: own data processing based on Eurostat data

According to OECD prognosis, the population number of the Slovak Republic should be reducing continuously. The population number should have an increasing character till 2022 with the population number of 5 471 009 inhabitants. However, the population number should have a decreasing character and it should reach the lowest rate ever, 4 847 460 inhabitants. Theoretically, the unemployment rate in the Slovak Republic and the number of unemployed should decrease with a decreasing population number too. Practically, however, there will be less applicants for the same number of work places offered at the labor market. That's the reason why the number of unemployed should decrease, however, it doesn't mean that the unemployment rate will be decreasing too (OECD, 2013).

We incline towards the opinions that young unemployment cannot be decreased to satisfied level. Therefore it's necessary to develop the activities focused on the fact no to enlarge the range of "unemployable", in order to have schools be able to flexibly respond to the needs of the labor market and make a system of a social policy that would motivate people to get employed, support "self-employment" and make favorable conditions for entrepreneurship and the creation and the maintenance of effective work places. In the same way, in the context of a crisis and threatening demographic, environmental and technical risks influencing our labor markets and systems of social welfare, Europe needs an instrument at the level of EU that will work in cooperation with European Social Funds (ESF) with the goal to create, test and spread innovative political solutions for strengthening a sustainable long-term growth and work places, decreasing inequalities between member states and securing the progress when eliminating social inequalities (European Commission: Europe 2020).

According to INESS (Institute of Economic and Social Studies), employers don't hire young because they have not enough qualification and education that don't reflect a real demand at the market. According to McKinsey & Company study, companies have many open work positions, but they are just not able to fill them. The survey results into the fact that 43% of employers are not able to find a suitable candidates with competencies and knowledge they expect. On the other hand, 72% of schools think that their graduates are ready to apply at labor market. Thus, the solution of bad situation with young employment cannot be solved neither by temporary grants for the creation of work places nor by stronger economic growth in EU. From the long-term point of view, the change of the structure of the secondary and the tertiary education will be necessary ([www.iness.sk](http://www.iness.sk)).

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