

Chapter 79

The Rise of Youth Unemployment and Youth NEETs in the CEECs After the 2008 Crisis

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ABSTRACT

This study examines the impact of the 2008 economic crisis on youth unemployment and NEETs in the Central and Eastern European Countries (CEECs). It also analyses structural labor market problems in these economies such as youth unemployment by duration and skill, labor underutilization, and mismatch. The findings show that youth unemployment and NEET rates were more sensitive to the crisis in the CEECs compared to those in the EU-28. The highest increases were experienced in Latvia, Lithuania, Estonia, and Croatia for youth unemployment; and in Bulgaria, Latvia, Croatia, and Romania for youth NEETs. The NEET rates of 15-29 ages emerged as a more crucial issue than that of 15-24 ages. The examination of labor market structural problems shows that most of the relevant proxies worsened after the crisis in the CEECs; however, the proxies for Croatia were higher than the others. Romania, Bulgaria, and Slovak Republic also signal some structural problems, to a lesser extent.

INTRODUCTION

While the participation of youth, individuals 15-24 years-olds, in economic life has been considered as a growing matter since the 1990s, the issue has risen in greater importance after 2008 Global Economic Crisis. Labor market statistics, particularly for the youth, worsened in many economies following the recession (Zudina, 2017). One of the regions that experienced its impact the most severe was the European Union (EU). According to Eurostat (2019a), youth unemployment rate in EU-28 economies had risen to 11.6% in 2009 and reached its peak to 13.7% in 2013 from its pre-crisis rate of 8.9% in 2007.

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When labor market statistics and other indicators for the youth are examined, it becomes obvious that the problem is not limited only with unemployment, but it also includes non-participation of youth in education and labor market. The proportion of youth who are neither in employment nor in education or training - so called not in employment, education or training (NEETs) – in youth population has also grown into a critical issue in the region recently (OECD, 2019a). Since youth is expected to be active and productive, their exclusion from labor market and educational attainment is regarded as a crucial issue for economies. Such exclusions may result in lower production for the economy; and lower income level, and higher risk of poverty for the individual. Moreover, since those persons remain idle in the economy, they may feel stressed, face psychological problems, be financially dependent to others, and hence be prone to committing crime. Hence, high shares of youth unemployment and NEETs affect the individual, the economy, and the society. From this perspective, there is a need for designing appropriate social inclusion policies which aim at including the youth in labor market and educational attainment (Artner, 2014; Dama, 2017).

This study aims to examine the characteristics of youth labor market, and track the trend of youth unemployment and youth NEETs in the CEECs (Central and Eastern European Countries) after the 2008 Global Economic Crisis. The study also investigates the structural problems related with labor markets in these economies. The CEECs examined in this study are Bulgaria, Croatia, Czechia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, the Slovak Republic, and Slovenia. Albania is excluded from the research due to lack of data. These economies are specifically chosen in this study as these are transition economies. Even though some of them are grouped in advanced economies today (IMF, 2018), some of them still lag behind others in terms of economic development. In addition to this, despite their differences, they are mostly analyzed as a region in various economic subjects due to their common past. From these points, their analysis as a group would contribute to the literature by presenting the current problems of youth in these economies, specifically for the post-2008 recession period. Although the literature is rich with the studies that focus on EU labor market for the relevant period (Bălan, 2014, 2015; Choudhry, 2015; Dal Bianco & Bruno, 2015; Ghoshray et al., 2016; Gontkovičová et al., 2015; Lallement, 2011; O'Higgins, 2012; European Commission, 2009), it lacks sufficient number of studies that focus specifically on youth unemployment and youth NEETs in the CEECs as a region (Artner, 2014; Dunsch, 2017; Hutengs & Stadtmann, 2014; Signorelli, 2017).

The study aims to contribute to the relevant gap in the literature by examining the trend of youth unemployment and youth NEETs in the CEECs for the post-2008 crisis period. Youth unemployment by gender; and NEETs by gender, age-group and type are also analyzed in a detailed manner. Another purpose of this research is to determine how these economies are different from each other in labor market by means of structural problems. The structural problems examined in this study are: youth unemployment by duration, youth available to work but not seeking for a job, youth labor underutilization, youth unemployment by skill structure, and education and qualification mismatch. The study aims to seek answers to the following research questions by using descriptive research method as a methodology:

Research Question 1: Did the labor market dynamics worsen in the CEECs after the 2008 crisis, as it is evidenced in many European economies?

Research Question 2: How are the CEECs different from each other in terms of youth unemployment and youth NEETs?

Research Question 3: How different are the CEECs compared to each other by means of structural problems in their labor market?

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