

## EMPLOYMENT POLICY AND YOUTH UNEMPLOYMENT IN EUROPE: THE CASE OF GREECE IN THE PERIOD OF ECONOMIC CRISIS

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### **Abstract**

The austerity measures that Greece is invited to do since 2009, the year in which the country is experiencing an economic crisis, resulted in a massive loss of jobs, limit government spending and create rift in the social safety net. Youth unemployment is a complex economic and social phenomenon, the treatment of which is at the heart of economic and social policy. The unemployment rate increased for all age groups between 2008 and 2013. Tackle youth unemployment policies are included in the new part of the general category of ALMP (Active Labor Market Policy). The key features of active labor market policies is that they constitute supplement to the basic employment policy, are only small-scale interventions and targeted at specific groups of workers. The main purpose of this paper is to study the impact of active labor market policies against the fighting of youth unemployment, depending on the phase of the transition experience, like whether living alone or with their parents, whether they are married, they have children, etc.

**Keywords:** Unemployment, Youth, Economic Crisis, Active Labor Market Policies

### **1. INTRODUCTION**

The austerity measures that Greece is invited to do since 2009, the year in which the country is experiencing an economic crisis, resulted in a massive loss of jobs, limit government spending and create rift in the social safety net. Youth unemployment is a complex economic and social phenomenon, the treatment of which is at the heart of economic and social policy. The unemployment rate increased for all age groups between 2008 and 2013.

In the 3rd Quarter of 2014 the number of employed amounted to 3.586.885 persons, while the number of unemployed amounted to 1.229.370. The unemployment rate was 25,5% compared with 26,6% in the previous quarter, and 27,2% in the corresponding quarter of 2013. The number of employed persons increased by 1,4% compared with the previous quarter, and by 1,5% compared with the 3rd Quarter of 2013. The number of unemployed persons decreased by 4,0% compared with the previous quarter and by 6,9% compared with the 3rd Quarter of 2013 (EL STAT). Tackle youth unemployment policies are included in the new part of the general category of ALMP. The key features of active labor market policies is that they constitute supplement to the basic employment policy, are only small-scale interventions and targeted at specific groups of workers. The main purpose of this paper is to study the impact of active labor market policies against the fighting of youth unemployment, depending on the phase of the transition experience, like whether living alone or with their parents, whether they are married, they have children, etc.

The main research question is as follows:

What is the impact of targeted programs for youth in the fight against unemployment and youth employment depending on the phase of transition in which they are (if they live alone or with their parents, whether they are married, they have children, etc.)?

The analysis is based on data of a nationwide field survey (In4Youth) which was conducted in the year 2013/2014, in several areas in Greece by the Laboratory of Social and Cultural Digital Documentation of the Department of Sociology of the University of the Aegean, whose Director and Scientific Director of this Project is Pr. Sotiris Chtouris. Data collection was performed by the method of questionnaires of personal interviews, in households with young people, using structured printed questionnaire and focus groups. The chosen sample size was 2.000 persons belonging to the population research. This sample corresponds to 8 ‰ of the population (n = 2.000) and considered sufficient to draw firm conclusions nationally. All 35 focus groups were performed in order to obtain detailed information on the matter under inquiry, and the results collected as data from these groups were analyzed by case basis during the initial stage and a second stage with the quantitative survey data.

Our research concluded the following key findings:

- The European and government interventions on youth employment policies fail to effectively address the problem of youth unemployment.
- The real aim of employment programs becomes the creation of an affordable and fully flexible workforce, which can be adapted at any time to the demands of employers and replaces the 'expensive' age workers.
- The phenomenon of 'brain drain', migration of young scientists working abroad, is a real violent removal of the workforce of the most productive portions.

## **2. EMPLOYMENT POLICY AND YOUTH UNEMPLOYMENT**

### **2.1 Youth Unemployment**

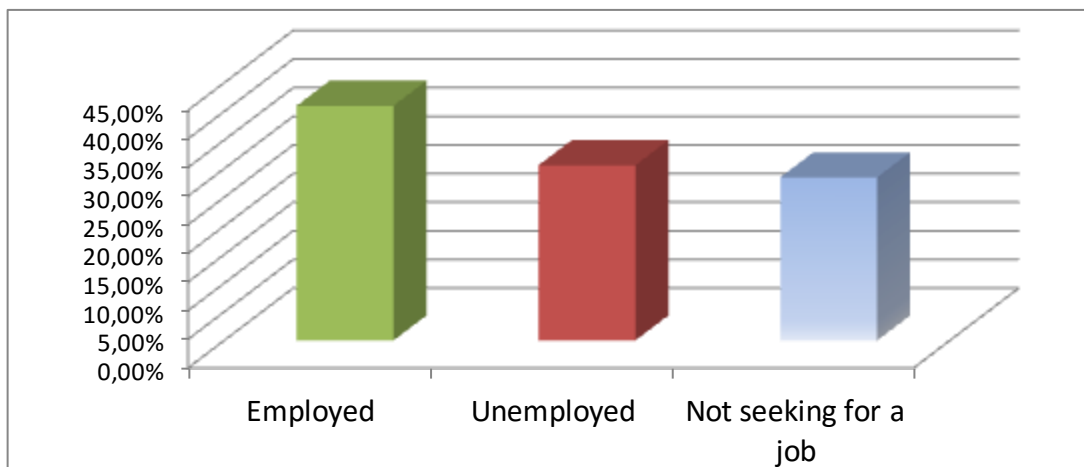
Unemployment is a complex social and economic phenomenon, the treatment of which is at the heart of economic and social policy. With the promotion of employment as a particular object of the state policy was developed the discussion on employment policies and social and economic role. Since 1950 onwards, the achievement of full employment thanks to active demand policies implementing fiscal policy measures resulted in the development of public employment services in order to combat unemployment, mainly through the organization of occupational and geographical mobility of workers (Alber 1995). Up to the 1980s, when it gradually started being abandoned economic policy of Keynesian inspiration, the role of employment policies stated in support of changes in the economic cycle with deterrent against its downward phase and a brake on inflation in the upward phase arguing in general, structural change in the economy (Karamesini 2005).

#### *2.1.1 Results presentation from the quantitative and qualitative research In4Youth*

##### *2.1.1.1 The Employment - Unemployment - non Youth Employment Statements*

The number of unemployed young people, including those who are not seeking for employment in ages 15-34 constitutes the 2/3 of the total population of the youth of the sample. Young workers represent 40% of the total population of young people between 20-34 years, which is linked to the small size of the workforce of younger ages. The year 2012, Greece recorded the lowest employment rate, 33.0% of young people, while the average in Europe stands at 33.0%, and in countries, such as Denmark, with sophisticated support for young labor market systems, the percentage in employment reaches 55.0%. Respectively, lower is the employment rate of the total population 25.64% in Greece, which in the same period reaches to 58.0%, while the average EU gets close to 75.0% and in Denmark in 78.0% (Eurostat, 2012).

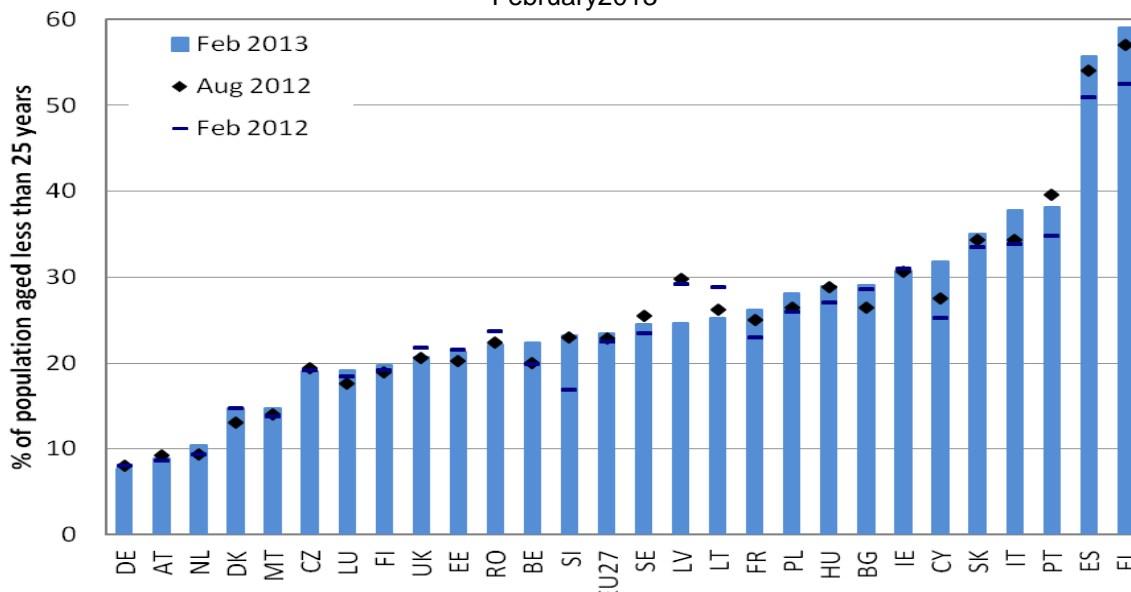
Fig. 1. Employment situation of young people aged 16-34.



In4Youth Research, Laboratory of Social and Cultural Digital Documentation, Department of Sociology, University of the Aegean

### 2.1.1.2 Youth Unemployment in the EU countries

Fig. 2. Youth unemployment rates for the EU Member States, February 2012, August 2012 and February 2013



Notes: \*Data for January 2013 instead of February 2013: EE, EL, HU, UK. \*\* Data for December 2012 instead of February 2013: CY, LV, RO, SI.

Source: Eurostat, LFS

In Greece, in 2013, the youth unemployment rate exceeded 59.1%, creating a record low throughout the European Union, thus surpassing the figures of unemployment among young people aged 15-24, which had until then Spain. Generally, the countries of southern Europe, Ireland between them, all exceeded in 2012 the threshold of 30.0%, underlining the timeless low supply of jobs for young people and labor market problems in these countries. Instead, only the Netherlands, Austria and Germany showed youth unemployment rates below 10.0%. The Greek situation and particularly the timeless high incidence of youth unemployment suggests that this problem is a structural problem of the economy, even before the economic crisis and is mainly determined by factors a) the mismatch of supply and demand of jobs with regard to the level of education and the quality of jobs, b) the low level of remuneration and social protection leading to a long search for the desired job, c) the small size of firms and their inability to remain competitive after the 2009 crisis, which multiplied the intensity of an existing structural problem, adding to and greater reduction in

labor supply, owing to the bankruptcy of thousands of small businesses and the indefinite suspension of the appointments in the public sector (Chtouris, 2015).

Table 1. Unemployment of young people aged 15-24 in the European Union and in Greece from 2001 to 2013

EU- 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
17,3	17,9	18,1	18,6	18,6	17,3	15,5	15,6	19,9	20,9	21,3	22,8	
GR- 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
28,0	26,1	25,7	26,5	26,0	25,2	22,9	22,1	25,8	32,9	44,4	55,3	64,9

Eurostat Labor Force Statistics, annual data (lfsa\_etpga) and (lfsa\_eppga). Youth aged 15-24, adults

In Table 1 also seems that high youth unemployment rates between the years 2000-2014 are accompanied by a significant reduction of employees, especially those aged 16-29 years at 50.0%, and those aged 16-35 at 35.0%, which is directly related to the acute demographic problem and the reduce population of young people which is facing Greece, something totally evident from the reduction of the total youth population by 3,075 million people in 2,572 million people. The reduction of the total number of employees is an extremely important parameter for the education and employment policies of human resources planning (Chtouris, 2015).

## 2.2 Employment Policy

The content of employment policies is very often found in the literature with diverse content, depending on the definition, which may include from the labor market policies to the flexibility policies and macroeconomic policy. The beginning of employment policies placed in the early 20th century in the form of employment agencies, insurance against unemployment and temporary work in public. However, after the Second World War occurred a generalization of employment policies in the economically developed countries, while the basis of commitments to full employment was undertaken by their governments<sup>1</sup>. The objectives of employment policies always configured to specific economic and social conditions, depending on the specific problems they have to face in a society at a specific time.

Employment policies include passive and active employment policies. As passive policies are characterized the various forms of income support for the unemployed people, such as unemployment benefits, social benefits and aids, aimed at limiting the consequences of unemployment in living standards for the unemployed, but also to make more bearable the redundancies, when these are real and unavoidable. The labor supply reduction policies have also passive nature, as they absorb unemployment, without, however, increase the volume of employment. Such policies are the early retirement, the availability of staff, parental and sabbatical leave from work, job sharing, etc.

As active policies are characterized the labor supply growth that increase directly employment or through reducing labor costs. Some of these policies is to create jobs in the public sector, lowering non-wage labor costs and subsidize employment in private and social sector. The increasing occupational and geographical labor mobility and the quality improvement policies of labor supply achieved through training programs or relocation incentives, included in this kind of employment policies. The positive effect on the level of employment by increasing productivity and reducing structural unemployment, remains a key objective of these policies.

Besides financial support for the unemployed through the relevant allowances, corresponding to the so-called "passive" policies, an important goal is the increasing of the employment and the refolement of the unemployed into the labor market. In this case, the policies are directly funded by the state budget, the

<sup>1</sup> Karamesini M., "Employment policy: coupling field of economic and social policy", Athens (Gutenberg) 2005.

activation of the right depends on the occurrence of the unemployment risk, while the amount of the grant becomes independent of previous earnings or of the previously paid contributions and determined by the need to ensure a minimum subsistence figure (Gravaris 2003). To this fact are correspondingly planned the so-called "active policies". There are several definitions formulated by researchers that highlight and reflect the particular characteristics of active labor market policies. L. Calmfors (1994) gives a very general definition, considering that "Active Labor Market Policies are the measures taken to improve the labor market functioning and which are addressed to the unemployed". According to a commonly accepted definition, "Active Labor Market Policies are labor market interventions aimed at specific groups in the labor market. In this sense, they differ from the general employment policies, which, by definition, are not targeted at any particular group ... Active Labor Market Policies basically aimed at increasing the employment probability or improve income prospects for unemployed people or groups facing difficulties to enter the labor market"<sup>2</sup>.

Active labor market policies refer mainly to increase the chances of employment or improve income prospects for the unemployed persons or groups who have difficulties entering the labor market, while the employment policies are generally aimed at providing income support to unemployed or prematurely leavers without seeking in advance immediate improvement in labor market performance (Employment in Europe 2006).

### *Evaluation of active labor market policies (ALMPs) and employment programs*

Training programs, but job creation programs as well, since their results are questionable, do not reduce unemployment, but in fact they offer to this a "cover" for a time, that of their apply, while it is likely that participants after their outing to enter again into unemployment. By participating in these programs, there is an automatic reduction in the number of registered unemployed, but not the actual number thereof. This occurs because the participants, although still looking for work, are not recorded as unemployed. It is clear the difficulty to deduce precisely whether the ALMPs actually reduce the unemployment rate. Active labor market policies, despite the fact that they provide employment to the unemployed, essentially reduce the unemployment rate only for the period of their apply, since the participants are very likely to return to unemployment. This means that the substantial result of the ALMPs in unemployment is not clear. Involving people in ALMPs can increase, on one hand, their employment, however, it is uncertain whether this increase is entirely due to active practice. The reduce of unemployment depends on many factors and, therefore, the ALMPs should not be treated separately. The main conclusion is that the effect of the ALMPs in reducing unemployment is highly questionable, since these are likely to hide the actual rate of unemployment during their apply, while this time employed persons are automatically deleted from list of registered unemployed, and, most likely, after the expiry of these programs getting back to unemployment.

Regarding the evaluation of employment programs, despite the implementation of youth guarantee program in Greece, this there has not been so far. The youth guarantee program, has been firstly implemented in Finland, which developed an integrated system for this program. An evaluation of Eurofound shows that in 2011, 83.5% of young jobseekers received a successful bid within three months of registering as unemployed. The Finnish system has led to personalized programs for young people who are trained faster, and this, ultimately, comes to the result of the reducing unemployment (Eurofound, 2012).

But what are the factors affecting the youth quarantine program implementation: According to OECD (2014), these factors are the global economic environment, the context of national policy, local labor market conditions and the procedures of the local labor market. These agents do not operate each independently, but rather interact with various methods.

### *Youth guarantee program implementation in other countries*

Whereas the Scandinavian countries were the first to implement the youth guarantee program as an innovative program, all countries are case studies, who have chosen different instruments to implement the program. Norway and Denmark have chosen to focus on the educational path and do not have a specific program called "guarantee". The guarantee is considered as a goal to be achieved and the Norwegians and Danes seek to combine the measures, for example by integrating the professional experience and training. In Norway unemployment is relatively low (especially for young people on the level ISCED 5/6) and young

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<sup>2</sup> Employment in Europe, 2006, p. 120, European Commission, DG Social Affairs and Equal Opportunities, Unit D.1.

job seekers with education and skills face fewer difficulties in finding work. Germany, like Austria and Denmark, has a "professional job market": there is a powerful business system that absorbs over 30.0% of young people aged over 18 years. There is a greater emphasis, therefore, on learning. Classes of specific apprenticeship are also available to support young people who experience more difficulty entering the employment and training system. Poland has focused, partly only, on stimulate demand, where youth unemployment is high, even among graduates (OECD, 2014).

### 3. CONCLUSION

The effect of active labor market policies in the increase of employment and combating unemployment is a function of many variables, some of which can only be affected by these policies. Based on this fact, it becomes extremely difficult the task of monitoring and evaluation of the achievement or not of the quantified objectives relating to the employment of the workforce.

In the focus of active labor market policies continues to be the concept of "employability"; the worker as an individual subject and by his own exclusively responsibility, should be the entire period of working life "capable of" acquiring the required by the market knowledge and skills (through retraining programs, internship, etc.), while he should be fully "flexible" at time, space and salary to find rudimentary "employment", according to the needs of a completely "free" and without legislative or other labor market restrictions.

The real goal is the creation of an inexpensive, highly flexible and at anytime adaptive to the needs of the workforce enterprises, which can be recycled and "exchanged" with the "expensive" age workers, ensuring at the name of competitiveness the profitability of businesses (Georgiadou 2014).

Taking into account the conditions imposed through national budgetary adjustment programs, which directly affect youth employment, applied policies have resulted in the following:

- Some features that accompany these programs, such as lack of insurance and other labor rights, the masking work employment through disguised internships, etc., result in a repeat of past programs such as STAGE, which refer to cheap uninsured labor and are condemned by society, the workers, the unions, etc.
- The creation and legalization of discrimination against youth work, creating a special category of employees, those of young people at salaries reduced by at least 30.0%.
- The phenomenon of 'brain drain', migration of young scientists working abroad, is a real violent removal of the workforce of the most productive portions, which is compounded by the fact that there is no net minimum social protection, which guarantees a tolerable subsistence level, which will be determined by basic needs.

It is noteworthy that the effectiveness of the proposed measures, is getting more reduced because of issues related to the planning and implementation of policies. Vulnerabilities, such as the lack of consistency of policies and measures, the fragmentation of actions, the incomplete and inadequate ways and information mechanisms, the lack of transparency and increased bureaucracy, create in practice serious obstacles and unequal opportunities for participation and often discrimination against unemployed young people who may be more effected or in need.

We conclude that the European and government interventions and youth employment policies fail to effectively address the problem of youth unemployment, but have a limited and temporary nature and are primarily management in terms that subvert the existing labor relations and rights. Based on the current situation, with regard to the world of work, as a key priority is highlighted the protection of full rights labor and the observance of labor legislation.

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