AgEcon SEARCH
RESEARCH IN AGRICULTURAL & APPLIED ECONOMICS

The World's Largest Open Access Agricultural & Applied Economics Digital Library

This document is discoverable and free to researchers across the globe due to the work of AgEcon Search.

Help ensure our sustainability.

Give to AgEcon Search

AgEcon Search
http://ageconsearch.umn.edu
aesearch@umn.edu

*Papers downloaded from **AgEcon Search** may be used for non-commercial purposes and personal study only. No other use, including posting to another Internet site, is permitted without permission from the copyright owner (not AgEcon Search), or as allowed under the provisions of Fair Use, U.S. Copyright Act, Title 17 U.S.C.*

ЕКОНОМИКА
ISSN 0350-137X, EISSN 2334-9190, UDK 338 (497,1)
Vol. 61, januar-mart 2015, № 1
P. 173-182

Adrijana Vuković, PhD.[1]
Goran Đoković, PhD.[2]
Danilo Rončević, PhD.[3]
Fakultet za trgovinu i bankarstvo,
Alfa univerzitet, Beograd

SCIENTIFIC REVIEW ARTICLE
Received: December 24, 2015
Accepted: January 29, 2015

THE NECESSITY OF SOLVING THE YOUTH UNEMPLOYMENT

Abstract

Situation and trends in the sector of un/employment of workforce are conditioned primarily by global trends, but they also express the content of economic and political measures that are undertaken in each country, both in the field of economic development, as well as in the labor force employment policy. High unemployment, especially of youth, is one of the main economic and social problems, but is also an indicator of the state of the economy. The labor force remains under-utilized development potential, and unemployment of workforce creates numerous social, demographic and political consequences in society. Unemployment is unsustainable for economic and social reasons. This paper points out the necessity of solving unemployment but it also suggests the methods of solving this problem. Thus, by application of the proposed development policy measures, the unused human resources (human capital) are employed.

Key words: *youth unemployment, labor, social problems, political instability, economic cost, the problems of youth.*

JEL classification: E24, F41, O10

НЕОПХОДНОСТ РЕШАВАЊА НЕЗАПОСЛЕНОСТИ МЛАДИХ

Апстракт

Стање и трендови у сектору не/запослености радне снаге условљени су првенствено глобалним токовима, али изражавају и садржај економско-политичких мера које се предузимају у свакој земљи појединачно, како у области развоја привреде, тако и у политици запошљавања радне снаге. Висока незапосленост радне снаге, а посебно младих, представља један од основних економских и социјалних проблема али и индикатор стања у којем се привреда налази. Радна снага остаје недовољно искоришћен развојни

[1] adrijana.vukovic@alfa.edu.rs
[2] goran.djokovic@alfa.edu.rs
[3] danilo.roncevic@alfa.edu.rs

©Друштво економиста "Економика" Ниш
http://www.ekonomika.org.rs

потенцијал, а незапосленост радне снаге проузрокује бројне социјалне, демографске и политичке последице у друштву. Незапосленост је неодржива из економских и социјалних разлога. У раду се истиче неопходност решавања незапослености али и прелажу методе решавања овог проблема. Тако се применом предложених мера развојне политике упошљавају неискоришћени људски потенцијал (људски капитал).

Кључне речи: *незапосленост младих, радна снага, социјални проблеми, политичка нестабилност, економски трошак, проблеми младих.*

Introduction

High unemployment of the working age population, especially young people, represents one of the major economic and social problems. It is an expression of negative economic developments. From the economic point of view, unemployment represents untapped economic potential that can be used for accelerated economic growth and development.

Youth unemployment today is a serious economic and political problem in many parts of the world. This is one of the most pressing issues not only in Europe and North America, but especially in developing countries.

For young people it is difficult to go to the labor market. There is a risk of entering into a vicious circle of performing poorly paid jobs in poor conditions and transmission of poverty to the next generation. In generally unfavorable social climate, young people are often on the verge of poverty, uninformed and without a clear strategy for their personal development. Even there, where there is a relatively high level of social assistance, the question arises whether obtaining of that assistance threatens the self-esteem of the unemployed. They do not recognize their role in society, because there is no systematic care for them, which among other things implies support in personal development, recognizing their quality and use of their talents for productive purposes. The right to employment is sometimes considered as one of the basic human rights. However, this right is not recognized even in some highly developed countries as one of the human rights. For example, in the United States, unemployment is expected and accepted (Džordž, R. 2003. *Poslovna etika*, Filip Višnjić, Beograd, p. 367). Full employment which is characteristic for the state system where the Government is the employer could be labeled as a paternalistic state intervention. Even the counseling of unemployed to turn to a professional reorientation, what is sometimes advised to clients of employment centers, could be characterized as linguistic-expressive paternalism (Prnjat, A. 2008. *Crkva i paternalizam – odgovor Mihailu Markoviću*, Filozofija i društvo, vol.19. br. 2. p. 255). The legal compulsion to professional reorientation as a condition for retaining social assistance would also fall within the paternalistic state intervention.

In order to properly assess the economic aspect of unemployment, it is necessary to recognize its manifestations, i.e., to understand the appropriate theoretical framework and draw certain conclusions on the basis of available data and econometric models.

1. Youth unemployment - a huge economic cost

The labor market nowadays is facing a severe crisis of youth employment. Youth unemployment is a growing problem with long-term consequences for individuals, communities, economy and society. In the last decade the transition of young people from school to work has become longer, more complex and more turbulent. Young people are faced with problems of high unemployment, increased inactivity and job insecurity. They are three times less likely to find employment than adults. Today, about 74 million young people are looking for work. Researches show that since 2008, the unemployment rate of young people (under 25 years) who are looking for job, has increased in all EU countries, from 7% in Austria and 8% in the Netherlands, to almost 50% in Greece and Spain (European Commission, 2014. *www.ec.europa.eu*).

The current economic situation is not in favor of youth, and long term unstable economic developments call into question the adaptability of citizens, especially young people, to the given situation. The turbulent economy and rapid changes in political and social structures put pressure on young people, governments, communities and employers. The biggest challenge is how best to ensure that new developments do not further affect the increase in youth unemployment. The existing and new political measures are seeking a way of resolving social and psychological impact on youth unemployment, in different ways.

The economic cost created by youth unemployment has reached about 100 billion Euros a year (in a sample of 21 EU member states) (Eurofound, 2014. *www.eurofound.europe.eu*), while the social cost is reflected in danger of social unrest, apathy and despair. Long-term unemployment in early working life of a young person, underutilization of skills and knowledge, potentially lower wages, may have long-term negative consequences in further life perspective of youth and the risk of social exclusion, and long-term unemployment in early working life of a young person can have long-term negative consequences (The Youth Unemployment, 2013. *European lifelong guidance policy network*, Deirdre Hughes& Tibor Bors Borbely-Pecze, ELGPN network).

The recent sharp decline in the position of youth in the labor market (aged 15 to 24 years) continues to deteriorate significantly in many countries. There is significant increasing part of the youth population who cannot manage to find a satisfactory job or, in general, paid work (Eurostat, 2014. *www.epp.eurostat.ec.europa.eu*). The potential negative impact of the issue, with a large number of young people who are potentially under the misapprehension, unhappy in adverse conditions, deserves greater attention of politicians. The Member States of the European Union are trying to solve the given problems and to reduce youth unemployment by 2015.

Also, there are stark contrasts between the Member States of the European Union, with the unemployment rate higher than 20% in a third of them, and about 50% in the Mediterranean region. The only European Union member states with a low percentage of youth unemployment are Austria, Germany and the Netherlands, all in the range of 7-9%. Even Germany, which is in better economic shape than most of Europe, is struggling with the problems of youth unemployment. From the various scenarios throughout Europe it follows that at the heart of government policies there is an urgent imperative for new and better management of the European Union, new employment opportunities and stronger social cohesion (European Commission, 2014. *www.ec.europa.eu*).

2. Statistical data on youth unemployment

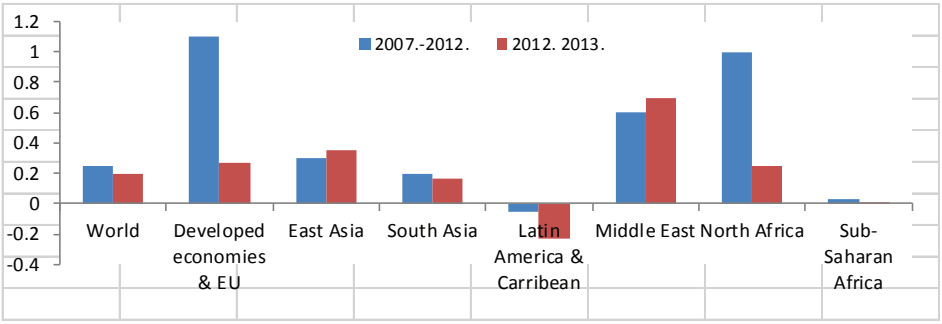
The number of unemployed people in the world rose in 2013 for five million to 202 million people, despite the strengthening of the global economy.

Although business activity increases, unemployment also rises, and this trend is expected to continue in the coming years, and predicts that by 2018, 215 million people around the world will be without a job (ILO, 2014. *www.ilo.org*).

The largest increase in unemployment was recorded in East and South Asia, followed by Africa and Europe. In North Africa in 2013, the unemployment rate was 12.2%, and in the Middle East it was 10.9%. Europe, North America and other developed economies had unemployment of 8.6%, and the countries of the former Yugoslavia and the USSR of 8.2%. In sub-Saharan Africa, the unemployment rate was 7.6% and in Latin America and the Caribbean it was 6.5%. In East Asia, 4.5% people were jobless, 4.2% in the southeast, and 4% people in the south were jobless.

Unemployment among young people aged 15 to 24 years is still a major problem. Unemployment is constantly growing and in 2007 it was 11.6%, and 12.9% in 2012, while in 2013, 13% of young people (ILO, 2014. *www.ilo.org*), were jobless in the world, in relation to the overall global unemployment rate of 6%. It is estimated that the number of unemployed young people between 15 and 24 years, was approximately 74.5 million, which is about a million more than in the previous year. It is expected that the percentage of youth unemployment will continue to rise in 2014 and will reach 13.2%.

Chart: Average change in youth unemployment rate (percentage points)



Source: Global employment trends 2014. ILO, www.ilo.org

The largest increase in youth unemployment was recorded in the Middle East, and it amounted to 27.2% in 2013, compared to 26.6% in 2012. Also, high youth unemployment is noticeable in North Africa. And in developed economies and in the European Union, a large increase in youth unemployment in the period 2007 to 2012 was registered, while in 2013 it reached 18.3%.

Table 1: Youth unemployment 2007.- 2018. (%)

	2007.	2008.	2009.	2010.	2011.	2012.	2013.	2014.	2015.	2016.	2017.	2018.
World	11,6	12,0	12,9	12,9	12,7	12,9	13,1	13,2	13,2	13,2	13,2	13,2
Developed economies & EU	12,5	13,3	17,4	18,1	17,6	18,0	18,3	18,0	17,4	16,8	16,3	16,0
East Asia	8,0	9,2	9,4	9,1	9,4	9,7	10,1	10,5	10,8	11,1	11,4	11,6
South Asia	9,2	9,5	9,8	9,7	9,7	10,1	10,2	10,4	10,4	10,4	10,4	10,4
Latin America & Carribean	14,1	13,6	15,5	15,0	14,3	13,8	13,6	13,5	13,4	13,3	13,2	13,1
Middle East	23,9	24,1	23,7	26,2	26,0	26,6	27,2	27,9	28,2	28,4	28,5	28,6
North Africa	24,2	23,7	23,9	23,7	28,1	29,2	29,4	29,5	29,5	29,5	29,5	29,5
Sub-Saharan Africa	11,7	12,1	12,1	12,0	11,9	11,9	11,9	11,8	11,7	11,7	11,7	11,7

Source: Global employment trends 2014, ILO, www.ilo.org

Within the Euro-zone, unemployment rate (Guardian, 2014. *www.theguardian.com*) was 12% in 2014, but young people are most affected (under 25 years of age). At the level of the entire EU, the youth unemployment was 23.4%, in Greece 59%, in Spain 54.6%, in Italy 42.4%, in Poland it is 27.4%, in France 25.4%, in UK 20% and in Germany 7.6%.

Table 2: Youth unemployment (%)

	January 2013.	October 2013.	November 2013.	December 2013.	January 2014.
EU 28	23,7	23,3	23,4	23,3	23,4
Belgium	22,6	23,4	23,8	23,9	24,3
Bulgaria	27,8	28,6	28,9	29,4	30,0
Denmark	13,1	13,2	13,0	13,6	13,7
Germany	7,8	7,8	7,7	7,7	7,6
Greece	60,0	58,9	59,0	-	-
Spain	55,8	55,8	55,3	54,6	54,6
France	26,1	25,2	25,5	25,6	25,4
Italy	38,4	41,5	41,7	41,7	42,4
Hungary	28,4	25,5	25,1	24,5	-
Austria	9,1	9,8	9,7	10,1	10,5
Portugal	40,3	35,1	34,8	34,4	34,7
Slovenia	21,4	23,3	23,3	23,3	-
Sweden	23,5	21,4	24,1	22,6	22,9
Finland	19,8	19,7	19,6	19,6	19,7
Great Britain	20,9	20,1	20,0	-	-
Slovakia	34,4	33,0	32,9	32,3	31,3
Poland	27,7	27,4	27,4	27,3	27,4
Netherlands	10,3	11,6	11,4	11,3	11,1

Source: Guardian, www.theguardian.com

3. Problems of youth - the mismatch between supply and demand for labor

The problem of youth unemployment is a burning issue both in the EU and Serbia. The youth employment rate is extremely low. Adverse conditions in the labor market, especially after the impact of the global economic crisis, hinder the transition of young people from education to the labor market. However, and when they manage to get a job, their position is worse in comparison to the older groups of employees. They are often employed part-time, in temporary jobs and in the informal economy.

Young people are aware of the problems they are faced with when attempting to enter the labor market. It was indicated in the research that CESID conducted in 2008, in which they examined different attitudes of young people. According to that research, young people pointed out unemployment as the main and biggest problem. Some researches pointed to the differences in the working behavior of young people from urban and rural areas. It was noted that young people from urban areas were willing to take more proactive strategies in trying to get a job, than young people from rural areas. The research showed that unemployment is a powerful factor of young people's intention to migrate. More than a fifth of young people from urban areas and 19% of young people from rural areas emphasized that they were seriously thinking to move out of the country. On the other hand, the research on migration potential in Serbia showed that most potential migrants (44%) were among the young people. It warns of the danger of leakage of valuable human resources from the country, which represent an important potential for growth and development, especially if one takes into account that most people with entrepreneurial potential, are among youth (2013. *www.poslodavci.org.rs*).

Many highly educated young people are trapped in low skilled and low-productivity jobs. These young people are in danger of losing their skills, which may adversely affect their further employment.

As one of the biggest causes of such a situation, businessmen most often point out the problem of discrepancy between the system of education and the real needs of the economy. Certain number of reported needs for employment remains unfilled, because there are no persons with appropriate knowledge and skills, while on the other hand there are a large number of people with qualifications for which there is no need in the labor market. Mapping the structure of employees and the needs of the labor market is crucial for outlining proposal for changes related to educational programs that will be tailored to the needs of the labor market and for creating employment programs.

The complex situation and unfavorable indicators in the labor market, the mismatch between supply and demand in the labor market and incompatibility of the system of qualifications and vocational education with the EU, are the challenges that Serbia will face in the future.

General overview of the labor market aims to serve as a broad picture of current developments and critical elements in the sphere of unemployment and employment, qualification, gender and educational structure and dynamics of entry and exit of the labor force in the labor market in the region (Pušara, A., Vuković, A., & Đoković, G. 2014. *Unemployment as a key factor of development and economic instability in the region*, Beograd, *ANTIM*, p. 138). Structural unemployment occurs as a result of

the qualification, educational or spatial mismatch, which is most often the result of restructuring and transition processes. Corporate restructuring and overall sectoral transformation of an economy leads to disorder and mismatches in the labor market and to higher unemployment. Mismatch between supply and demand for labor is a consequence of the transition process. Whether that mismatch will have a short-term or long-term character, depends on the degree of labor market development and its efficiency. If the labor market is ready for transition processes that occur, then inasmuch the emerging issues of incompatibility of education, qualification or location mismatch of supply and demand in the labor market would be solved faster and more efficiently.

4. Youth unemployment: the crisis of our environment

The youth unemployment rate in Serbia is 51.2%, which means that every second young person is without a job. The causes are: education that is not adjusted with the needs of the labor market, a high percentage of young people without qualifications, lack of jobs and a great number of people who work on the "black market". In Serbia, around 207,000 young people aged 15 to 30 years are without job, and out of that number more than 20% are unskilled, about 58% have secondary education, while 63.3% are without work experience. The youth unemployment rate, in the last four years, has increased by 16%.

Particularly worrying is the extremely high youth unemployment in B & H, who have difficult access to the formal sector, where are the majority of the employed labor force with many years of working experience, while on the other hand the "black" labor market is still largely present and due to which the actual unemployment is much lower than registered unemployment.

The unemployment rate of young people between 15 and 30 years of age in Montenegro, for the first quarter of 2013 amounted to 45.3%, while only 11.8% of young people in Montenegro were employed. The overall rate of youth unemployment in the first quarter of 2013, increased in comparison to unemployment rate from 2012, which amounted to 43.7% (MONSTAT, 2014. *www.monstat.org*). These data suggest that young people in Montenegro have difficulty looking for a job, but also reflect the overall macroeconomic situation.

The results of the survey on the views, opinions and habits of the Montenegrin youth aged 15 to 24 years, show that almost half of the respondents had no personal income (19.1% cited the inability to find a job), and nearly half of examined youth (48%) stated that they would start their own business in the following sectors: finance and business (24.8%), trade (22.9%), agriculture and manufacturing (16.5%), while the remainder (25.4%) would like to start a business in the field of education, computers, law and traffic (DAMAR, 2014. *www.cdm.me*).

Based on the above it can be concluded that the youth in the region have no motivation for self-advancement. In order to solve this problem, the National Employment Service in Serbia announced in October 2013 a public call for employers to engage in a joint project of USAID and 32 local governments. Program of support for workforce development is open to all private companies interested in the engagement of new employees and includes two months of training in private companies (the

National Employment Service, *www.nsz.gov.rs,* 2014).The Government of Montenegro, in cooperation with authorized organizations engaged in promoting the employment of young people, organized a program of professional training. So far, 4,211 people with high education participated in this program and achieved their first business experience (unfortunately, as much as 67% of program participants opted for performing practices in public enterprises). The final results of the program are positive, and there is the possibility of its recurrence in the future, although it is currently difficult to estimate how many of them will remain in the workplace, and how many will return to the Bureau of Employment (MONSTAT, 2014. *www.monstat.org*).

And EU member states have so far employed a wide range of policies and measures in an effort to solve the problem of creating jobs and greater professional opportunities for young people. These policies and measures include: providing work experience, improving the relationship between education and work, guarantees for young people, assistance with job search, promotion of entrepreneurship. The International Labor Organization, as far back as 1964 passed the Convention No. 122 on employment policy, which was created as an expression of the understanding that the ILO was obliged to consider and take into account the effect of economic and financial policies on employment policy, and that all people had the right to material progress and spiritual development in freedom and dignity, in economic security and under the same conditions. Particularly significant is point 3 of paragraph 2, which stipulates the existence of free choice of employment and the opportunity to acquire the necessary qualifications (Rončević, D. 2006. *Diskriminacija u zapošljavanju*, Beograd, Dosije, p.68). Terms used in the ILO Conventions, remain very general to be applicable to various forms of professional relationships. International labor regulations, however, do not try to impose any particular system. Since each national legal order should include a number of political, economic, social and cultural factors, including historical component, it would be unrealistic to suggest something more than the minimum regulations, basic principles that can be applied in most, if not all national systems (Rončević, D. & Walter, A. 2011. *The impact of the global economic crisis on trade unions*, Beograd, *Glasnik za društvene nauke*, p. 209-234).

Faced with high rates of youth unemployment to 24 years, which in some EU countries exceeds 50%, the European Commission adopted a Recommendation, in February 2013, by which the program of support measures "Guarantee for Youth" is applied, since the beginning of 2014. The number of unemployed youth in the EU amounted to 5.7 million in December 2012. The EU has earmarked for that program 6 billion Euros, for the period 2014 - 2020, particularly in regions where youth unemployment rate is over 25%, noting that the beneficiary countries should invest and their own resources in the program.

The program "Guarantee for Youth" implies that young people up to 24 years, who are not employed for a period of four months after the end of formal education or after the loss of a job, are offered alternative work, further education, practice, or the acquisition of craft skills. There are also suggestions from the EU, that age of young people who should be included in the program is raised to 30 years (The National Employment Service, NSZ, 2014. *www.nsz.gov.rs*).

The program "Guarantee for Youth" is not new, it is an experience applied by the countries such as Austria, Germany, Denmark, Finland, Sweden, which now have the lowest rates of youth unemployment.

Conslusion

Unemployment is one of the most serious economic problems, because it means the absence of production and income, causing high fiscal costs, and contributes to a significant degradation of human capital, increases inequality in society, and causes significant psychological burden, leaving the experience of uselessness and futility. With regard to the consequences that entails, high unemployment, especially of youth, should not be tolerated.

The Unemployment in the Balkans represents the long-term development problem manifested with a special ferocity in recent years. Because of the deep economic and financial crisis, as well as political instability, most countries of the Balkan region recorded a very slow economic growth and consistently high unemployment rate in recent years. High unemployment in the region is caused by the low level of economic development and the economic reforms that are poorly implemented. The growth in the overall unemployment rate was accompanied by a significantly larger increase in the unemployment rate in the youth group.

Such trends require that the unemployment reduction is approached as a problem that must and can be solved through measures of developing economic policy. The selection and implementation of these measures involves various areas of economic life, but also more consistent environment of modern market economy.

References

Agency for Statistics of Bosnia and Herzegovina, (2013). Saopštenje, Sarajevo.

Bejaković, P., (2003). *Nezaposlenost***,** Financijska teorija i praksa, Vol. 27 No. 4

Di Džordž, R. (2003). *Poslovna etika*, Filip Višnjić, Beograd.

Đoković, G., Vuković, A. & Čelik, P. (2013). *Position of entrepreneurship in Serbia influenced by transition process and macroeconomic trends*, Ekonomika, Niš, Vol.59.

Eurofound, (2014). *www.eurofound.europe.eu*

Europe 2020., (2014). Europe's growth strategy–European Commission, *ec.europa.eu*

European Commission, (2014). *www.ec.europa.eu*

Eurostat, (2014). *www.epp.eurostat.ec.europa.eu*

Global employment trends 2014., (2014). ILO, *www.ilo.org*

Guardian, (2014). *www.theguardian.com*

ILO, (2014). *www.ilo.org*

Kerovec, N., (2000). *Nezaposlenost mladih u Jugoistočnoj Europi***,** Croatian Journal of Social Policy, Vol. 7 No. 3

London Economist, (2014). *www.economist.com*

MONSTAT, (2014). *www.monstat.org*

The National Employment Service (NES), (2014).

The Youth Unemployment, (2013). European lifelong guidance policy network, Deirdre Hughes& Tibor Bors Borbely-Pecze, ELGPN network.

Unemployment in B&H, (2013). (in)efficiency of the existing labor market – The observed phenomena and possible causes of the structural imbalance in the labor market in Bosnia and Herzegovina, GEA - Center for Research and Studies

Prnjat, A. (2008). *Church and Paternalism - the Answer to Mihailo Marković*, *Filozofija i društvo*, vol.19. no. 2.

Publication *„The Labor Market Needs and Position of Unemployed Youth"*, (2013). *www.poslodavci.org.rs*

Pušara, A., Vuković, A. & Đoković, G. (2014). *Unemployment as a key factor of development and economic instability in the region*, Beograd, *ANTIM*.

Republic Bureau of Statistics, (2013). Monthly Statistical Bulletin, *www.stat.gov.rs* Vol.11

Republic Bureau of Statistics, (2013): *www.stat.gov.rs*

Rončević, D. (2006). *Discrimination in employment,* Beograd, Dosije.

Rončević, D. & Walter, A. (2011). *The impact of the global economic crisis on trade unions*, Beograd, *Glasnik za društvene nauke*.

Everyday Life of Youth in Montenegro, (2013). DAMAR, *www.cdm.me*