

Brief Overview of the Current Situation of Youth Unemployment, with a Special Focus on Hungary's Status

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ABSTRACT

The aim of this paper is to illustrate the current status of youth employment, education and training in Europe with a special focus on Hungary as it is set to be the 8.6 target of the UN Sustainable Development Goals. The possible target date to reach this goal has been seriously affected by the latest pandemic situation, which indicates that we need to overview the possibilities of how and when can we get closer to the desired outcome. After analysing the present situation with the help of available statistics and data the study illustrates the reasons behind youth unemployment in Hungary explaining the effects of early school leaving, the disadvantageous position of the minority and the territorial disparities as well as some possible country-specific reasons providing a brief assessment of the underlying causes and the current level of youth unemployment.

Keywords: youth unemployment, COVID-19, early school leaving, International Labour Organization (ILO), not in employment, education or training (NEET)

JEL Classification: E24

INTRODUCTION

UN Sustainable Development Goals are equally important but obviously, they do not require equal attention from each country. In certain countries one goal is more easily achievable than others, some areas are not so affected by hunger than less fortunate regions, and some might not be so concerned about life below water than those countries that are directly affected by pollution of the oceans, but everywhere in the world one of the key factors of economic growth, stability, and the sense of security can largely depend on how much effort has been taken into the youth of a nation. Younger generations are the future of humankind; their education is the key to prosperity and the future of the world lies in their hands. We can do a lot now if we join our forces to make the world a better place, but the question is how wisely we treat the upcoming generations and how capable will they be to continue this work. In Hungary, youth unemployment can be attributed to different reasons such as the long-lasting effects of the change of regime, early school leaving or the situation of the seriously underprivileged minority. The question is how can we handle this problem at a state, municipality and local level and what can be done to balance the massive disparities between people, regions and chances to become educated citizens. The job crisis of youth had existed long before the pandemic hit but with the restrictions, lockdowns and increasing insecurity young workforce has been compelled to undertake less attractive part-time jobs or unstable, sometimes underpaid positions. But many of them have been forced into temporary

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unemployment, and without reskilling and training opportunities they have little hope to change. We can see how complex this problem might be and if no urgent action is taken, young people are likely to suffer severe and long-lasting impacts from the pandemic.

LITERATURE REVIEW

The “history” of youth unemployment

Youth unemployment is not a new concern for the world's societies, but one of the most alarming issues related to the labour force. After World War I, alongside the foundation of many organizations to serve international peace, justice, and long-awaited stability, the International Labour Organization (ILO) was established in 1919. The newly founded body aimed to bring governments, employers and workers together to ensure the fair regulation of labour supply, the prevention of unemployment and protection of workers, children, young persons and women as well as the promotion of decent work¹. Later, in 1946, the ILO became a specialized agency of the newly formed United Nations. The ILO has had a long-standing concern for the problems faced by young people. The Organization's work in the first two decades after its foundation was to put a great emphasis on setting standards to protect the welfare of young workers. The General Conference of the International Labour Organization held the latest major discussion on the concerns about youth employment in 2005 highlighting the fact that “there are too many young people who do not have access to decent work” and “face challenges in the labour market”.²

At that time it became clear that the youth unemployment crisis has already started and this recognition led to defined goals and programs to reach them. The main motivator of this mission can be derived from the realization of how vulnerable this generation might be due to several factors like insufficient education and training or the sensitive age group they belong to. The labour market has been badly impacted by several economic crises all around the world during the last decades and young workers are the most likely to suffer from the consequences. During the 2008 crisis, 10 % of jobs in Europe held by young workers were lost. In Spain, Greece and Ireland, half of working young people lost their jobs between 2007 and 2014.³

The youth employment crisis is a global challenge, although its social and economic characteristics vary considerably in size and nature from one country to another since the distribution of the young population is disparate and greatly affected by various economic and social factors. Data show a growing trend in the number of young people aged 15-24. While in 2019 it was about 1.2 billion youth in the world, accounting for 15 per cent of the global population experts estimate the world's youth population by 2065 to reach its peak, at around 1.4 billion persons (13%)⁴. According to ILO, just under half a billion (429 million), young workers worldwide are employed; three-quarters in informal work; one quarter in formal work. And of these young workers, 126 million already live in extreme (13%) or in moderate poverty (17%)⁵. Here, it is essential to clarify the definition of informal work, since the majority of young workers must take this form of occupation if they want to earn a living. An informal work situation means that there is little or no job security, no contract, and workers might not have the same employer for more than a few weeks or months. The Joseph Rowntree Foundation cites three main identifiers of informal working: low wages, few benefits and limited hours.⁶ The share of young people not in employment, education or training (the NEET rate) has risen in many countries and probably will never recover to pre-2008 crisis levels. (see Hiba! A hivatkozási forrás nem található.)

¹<https://www.ilo.org/global/about-the-ilo/history/lang-en/index.htm>

²ILO: Resolution concerning youth employment, International Labour Conference, 93rd Session, Geneva, 2005

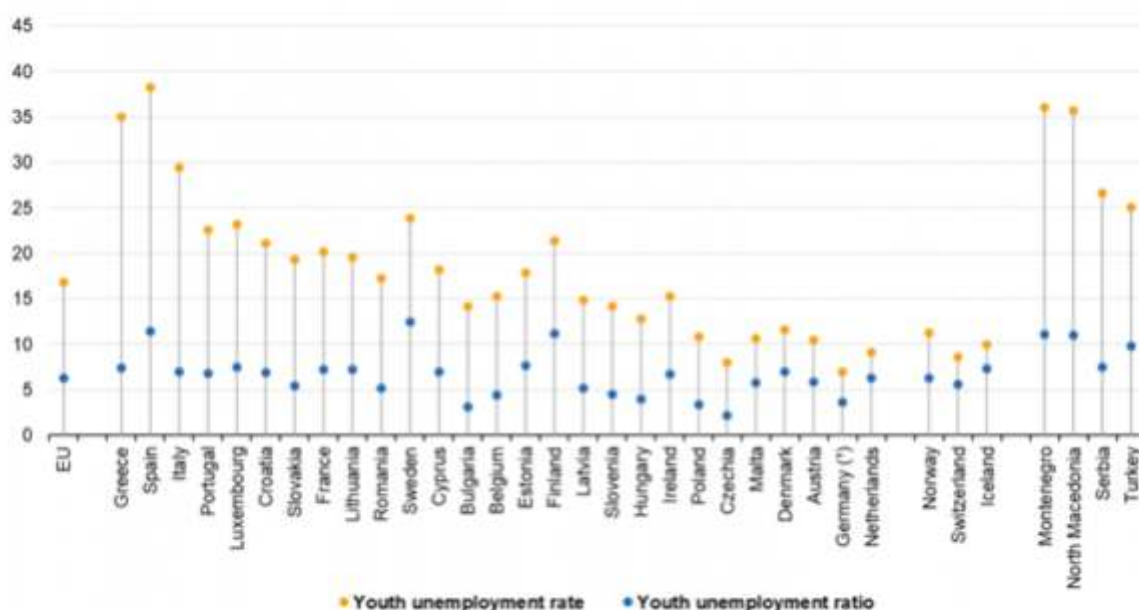
³<https://www.worldfuturecouncil.org/covid19-what-about-us/>

⁴The United Nations, for statistical purposes, defines persons between the ages of 15 and 24 as a youth. Report of the Advisory Committee for the International Youth Year.A/36/215, annex.

⁵Global Employment Trends for Youth 2020: Technology and the future of jobs International Labour Office – Geneva: ILO, 2020

⁶The Joseph Rowntree Foundation is an independent social change organisation working to solve UK poverty.

Figure 1 : Youth unemployment rates and ratios, 2020 (in%, people aged 15-24)



Source: Eurostat, 2020

Since 2009, little progress has been made in reducing youth unemployment in the Developed Economies and European Union as a whole. Between 2008 and 2012, the number of unemployed young people increased by more than 2 million in advanced economies, growing by almost 25 per cent. In the second quarter, the youth unemployment rate exceeded 15 per cent in two-thirds of advanced countries. However, there are significant variations across countries and some countries are showing positive results.⁷ In 2011, four out of ten unemployed persons were young women or men. Globally, youth were three times as likely as adults to be unemployed. Before the crisis, inequalities among youth in terms of access to decent work, as well as inequalities between youth and adults, were already a source of concern. A prolonged youth employment crisis can only intensify these inequalities.

The Result of the Pandemic

Now it has become obvious that the pandemic has a critical impact on many young workers. This is not just because fewer jobs are available, but also the serious disruption in every level of education might cause poorer opportunities in the workforce.

As a result of the crisis, young workers experienced a 2.5 times greater decline in employment than adults. Young workers who lost their job have been more likely than their adult counterparts to become inactive, which further weakens their labour market prospects. In fact, though the number of young unemployed has remained essentially unchanged between 2019 and 2020 worldwide, this is only because many young people without a job stopped looking for one or have delayed their entry into the labour market.⁸

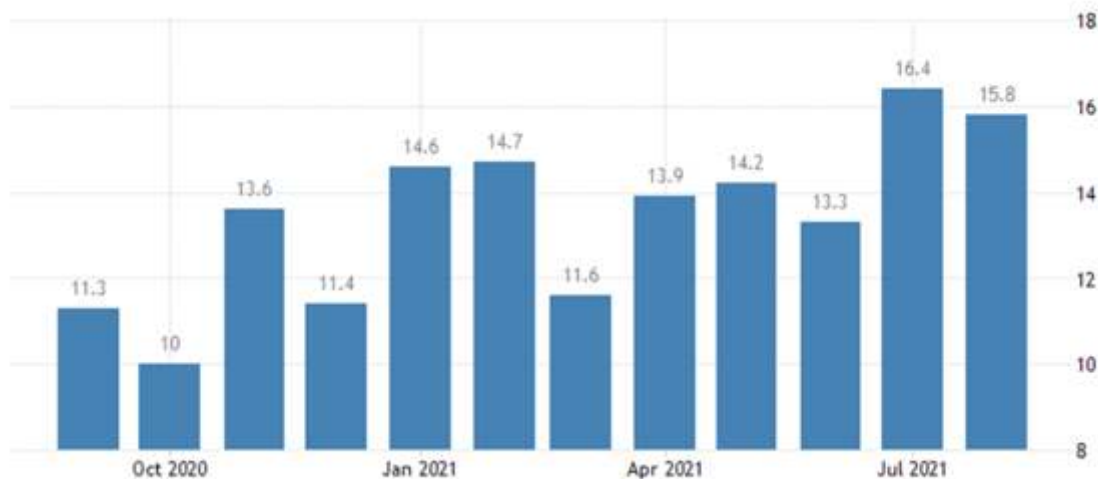
It raises the question of what the young people who have lost their jobs are doing. Global estimates reveal that the employment loss for young people in 2020 (-8.7 per cent) translated into a similar increase in inactivity and very little change in global unemployment. This indicates that the unemployment rate provides only a very partial insight into the impact of the COVID-19 crisis on young people and the need for broader monitoring of

⁷Global Employment Trends for Youth 2013: A generation at risk / International Labour Office – Geneva: ILO, 2013

⁸World Employment and Social Outlook: Trends 2021 International Labour Office – Geneva: ILO, 2021

labour market outcomes.⁹ In Hungary, the crisis' impact is clearly experienced, as figures show below (Table 2) representing the steady rise from October 2020 to July 2021.

Table 1 : Youth unemployment in Hungary 2020-2021 (% , aged 15-24)



Source: Eurostat

Has recovery been started?

Looking at trends in the course of 2020, we can experience a certain extent of recovery in some countries, however, it is neither a stable upward trend nor a predictable perspective for the future. There is no reason to anticipate any significant improvement since then, and indeed, the economic situation has worsened in a number of countries. Overall, most youth labour markets have not yet come close to recovering to their pre-COVID youth employment levels, apart from France and Switzerland, where youth employment hovers at or close to the pre-crisis level.¹⁰

Based on the analysis of these trends, we can conclude that the situation remains highly uncertain and fragile and for this reason, continued monitoring of the situation of young people is critical, particularly in terms of whether they are benefiting from the recovery. A key issue is the desired shift from inactivity, which requires a specific focus in monitoring and policy responses to ensure that young people, especially the most vulnerable, do not become further discouraged and distanced from the labour market.

HUNGARY IN THE FACE OF YOUTH EMPLOYMENT

Overview

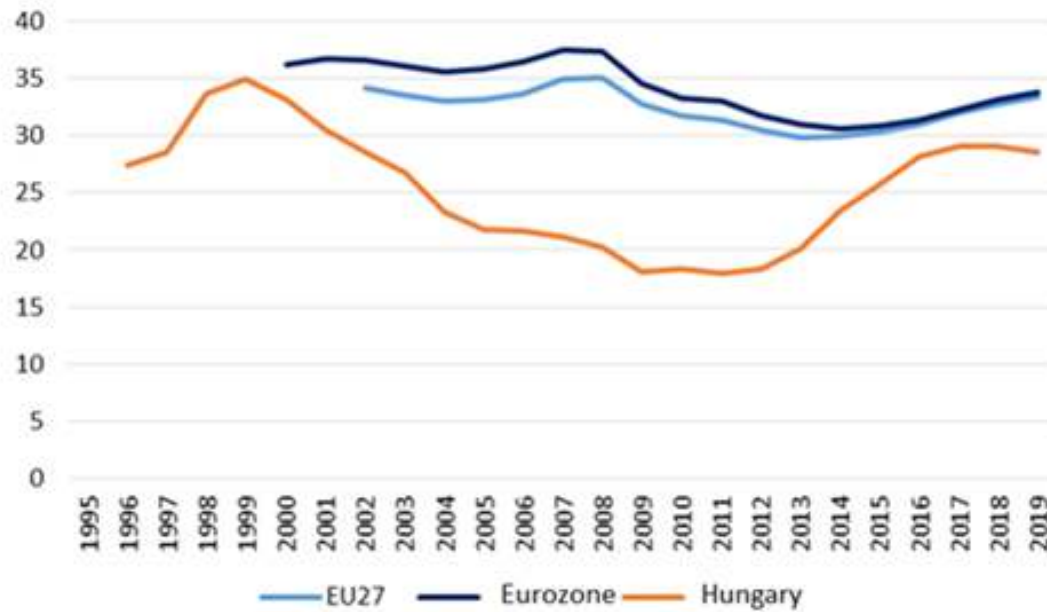
Workers under the age of 25 are a special group in terms of the labour market. In general, labour market socialization takes place in this age group, i.e. getting to know and integrating into the world of work. The employment situation of this group is fragile, exposed to seasonality and crises. At the same time, the labour market situation of those under 25 varies considerably: it is related to the time spent in higher education (or in education at all) work-experience, and in Hungary location is also a factor. The domestic youth employment rate peaked in 1999 at almost 35%. After 2000, there was a continuous and drastic decrease in Hungary until 2010, when the proportion of employed young people dropped from around 35% to 18%. This means that a drastic decline had already taken place before the 2008 crisis, and then the situation was further exacerbated by the crisis. After 2012, youth employment began to gradually improve. By 2017, the rate was approaching 30%,

⁹ See ILO. 2021. World Employment and Social Outlook – Trends 2021; ILO. 2020. ILO Monitor: COVID-19 and the world of work. Seventh Edition.

¹⁰ One year into COVID-19 education disruption: Where do we stand? (unesco.org)

followed by stagnation around 28-30%.¹¹ The employment rate of Hungarian youth compared to the average of the European Union and the Eurozone shows significant differences between 2000-2012, but the ratios are gradually converging after 2012. (Table 2)

Table 2 : Youth employment rate (% , aged 15-24)



Source: Eurostat 2021

The reasons behind youth unemployment

Considering Hungary's political and socio-economic transformation at the end of the 20th century one possible reason behind the current amount of youth unemployment can be that people's professional knowledge gained in the years before the change of regime depreciated after 1989 due to changed market conditions. The transition to a liberal market economy has posed new challenges to Eastern European countries with closed markets. Added to this, the "baby boom" erupted in the 1970s, causing a sudden multiplication of birth rates. As a result, the number of people entering the labour market was higher in the late 1980s, making it more difficult for young people to find employment.

One of the major reasons for becoming unemployed is the negative consequences of a job search, the prolonged inactivity, and the ineffectiveness that can easily lead to a sense of failure. The state of long-term unemployment can make job seekers passive and thus exclude them from the labour market. Before the pandemic the proportion of those who have been looking for work for less than a year, (long-term unemployed), was very high in Hungary, almost half of all unemployed (46.1%) belonged to this category. The proportion of young people aged 15-29 affected by long-term unemployment was over 40%. According to statistics, 41.3% of unemployed young people aged 15-29 have had a job search period of at least one year, but only one in ten young people in employment has been able to find a job without looking for one.

The third possible reason is the extended time spent in higher education. Although more and more students start working while still in education, the proportion of those who did work alongside with their studies increased significantly only between 2009 and 2016. According to Eurostat, in 2009 the proportion of young people who had studied exclusively during their years in higher education was 80%, while in 2016 the figure halved to less than 40%. The indicator is in line with European trends. Taking jobs while studying is becoming

¹¹ EUROSTAT: Employment and activity by sex and age – annual data. 2021.02.08. https://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=lfsi_emp_a&lang=en

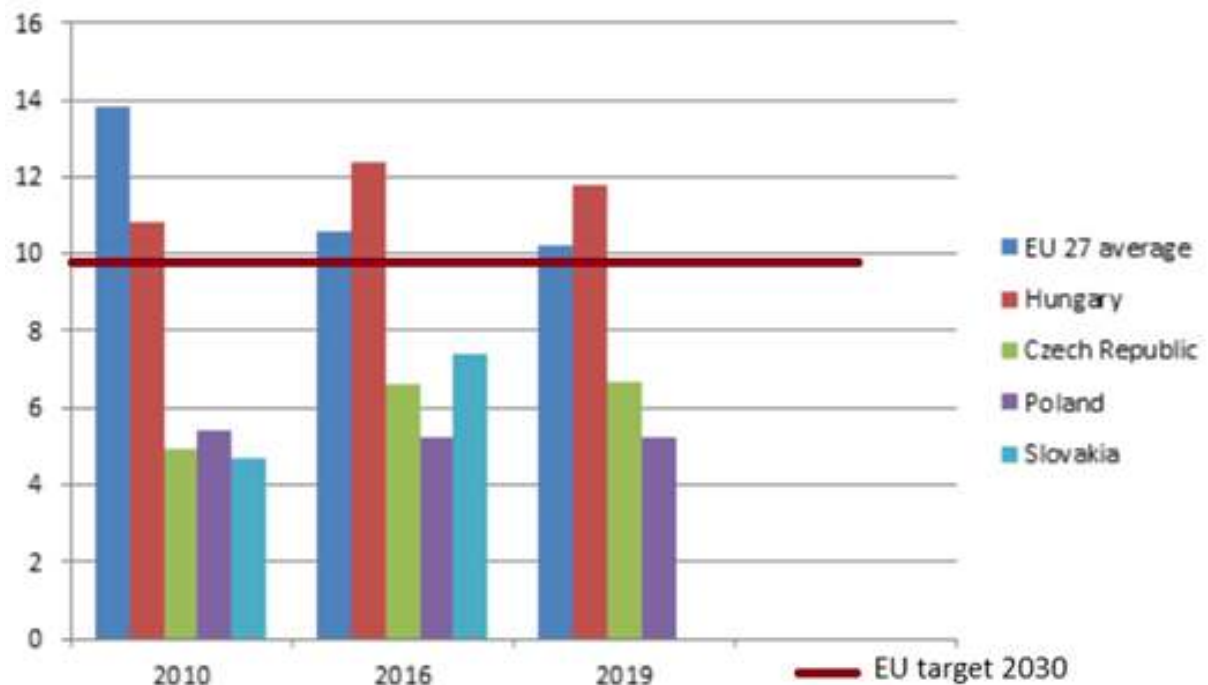
more common in Europe, rising from 54% in 2009 to 64% in 2016. Eurostat survey also showed that in countries where young people start working during their studies, they are less likely to become unemployed. There is also a difference in whether young people have paid or unpaid (traineeship) work experience. In Europe, after Lithuania, Hungary (31%) and Romania have a higher proportion of people with only unpaid work experience.¹²

Young people with lower education have more difficulties in finding workplaces. One of the main reasons for low employment among primary vocational school graduates can be traced back to the lack of basic competencies. Despite the efforts to make the education system more practice-oriented, these already existing shortcomings in basic competencies will not be eliminated. (Matheika, 2013). It should be noted, however, that there are some - 0.8% of the population aged 15-29 (14 thousand people) - who have not completed primary school and are no longer studying. It is also noteworthy that 26% of primary school graduates do not study any further. A recent Hay Group¹³ study looked at the causes of youth unemployment from a different perspective. It pointed out that only a very small percentage of companies pay special attention to the salaries of new entrants, which means that new entrants do not suffer a disadvantage in their salaries, but on the other hand they compete directly with those who have one or two years of experience, and companies are not willing to pay the same salary for less work experience.

Early school leaving

One of the EU's education priorities is to reduce the number of early school leavers across the EU to below 10% by 2030. The graph below (Table 3) demonstrates the current status of the Visegrad countries compared to the EU average.

Table 3 : Early leavers from education and training (% of population aged 18-24)



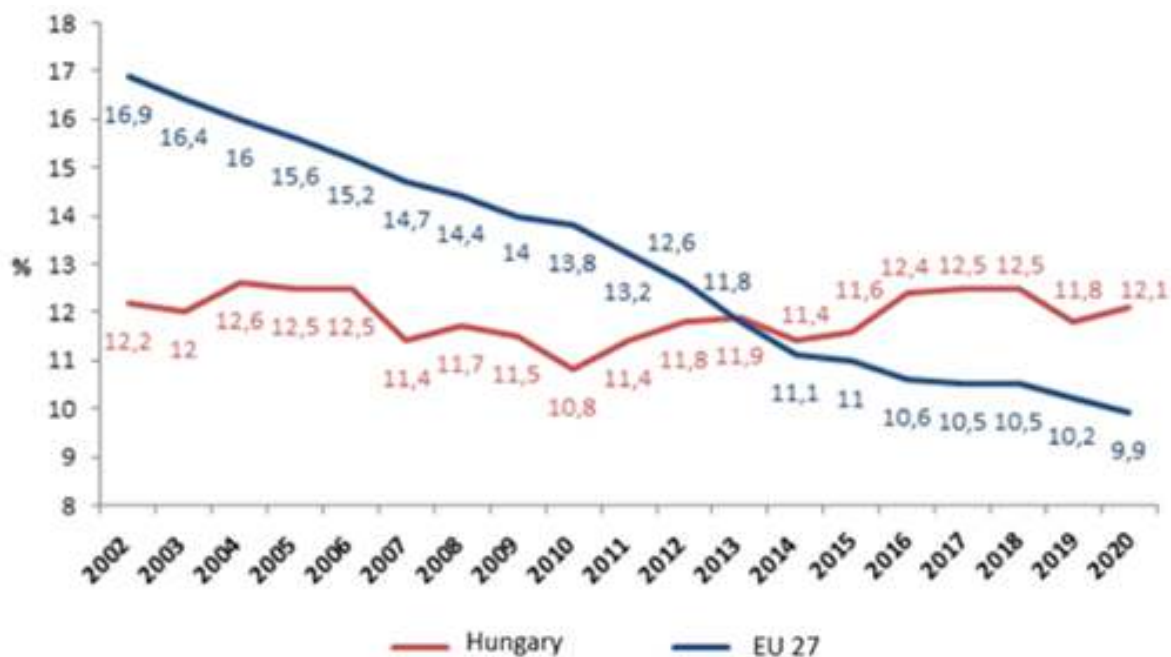
Source: Eurostat

¹² EUROSTAT: Young people in the EU: education and employment. Eurostat 2017.08.11. <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20170811-1> Retrieved: 12 September 2021.

¹³ Hay Group is a global management consulting firm providing surveys and researches in various fields.

Considering the location of these countries within the European Union it is interesting to see the differences in terms of school dropouts. Hungary is the only one country from the Visegrad Group which is above the EU average and above the EU target for 2030. The development of the rate of early school leavers (See Table 4) is special because Hungary started with a very significant advantage at the turn of the millennium compared to most European countries, and our data improved by almost two per cent between 2006 and 2010. After that, however, they deteriorated again, hovering around 12 per cent since the middle of the decade, which was already a worse performance than the EU's steadily improving average, falling below 10 per cent by 2020. There is an unquestionable link between early school leaving and unemployment, social exclusion, poverty, and poor health. There are many reasons why some young people drop out of school. Personal and family problems, learning difficulties and socio-economic problems can all play a role in early school leaving. In addition to the above, the structure of the education system, the non-supporting atmosphere in certain schools and the relations between teachers and students are important factors.

Table 4 : Changes in the proportion of early school leavers in the EU27 average and in Hungary between 2002 and 2020.



Source: Eurostat, 2020

Minority

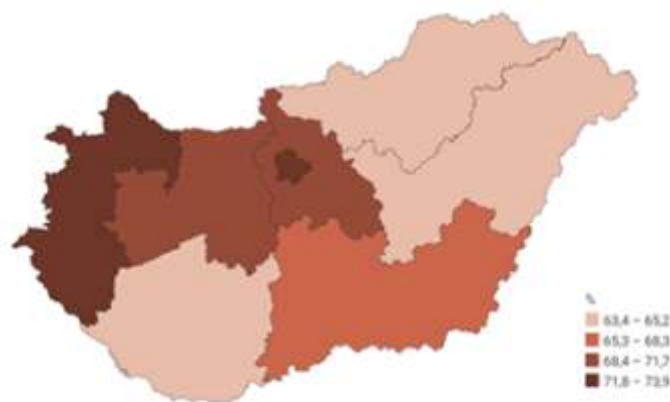
According to the 2011 Hungarian census, 644,524 people, i.e. 6.5% of the population, declared themselves as members of one of the officially recognized nationalities. However, it is estimated that the real number (national and ethnic minorities) is much higher than this: it accounts for approximately 8-10% of the country's 10 million population, and the majority belongs to the Roma population (315.583 persons). From the aspect of youth unemployment, it is essential to study the status of Roma since the population can be considered as highly underprivileged from several points of view. Non-participation in early childhood education and care, difficulties in accessing high-quality education, not least as a result of socio-economic segregation, lack of parental support and insufficient basic competencies all play a significant role in the economic activity of the Roma. The unemployment among the Roma has a long history starting from the change of the regime in 1989 when raising unemployment affected the Roma en masse in the first place, but in general it can be said that they were excluded from the labour market in the largest numbers and had (and still have) the biggest difficulties in

adapting to the new market conditions. Naturally, this all relates to the well-known fact that after the change of regime, those workplaces were dissolved, which could be filled with a low level of education where the majority of the unskilled Roma population worked. Today, primary school graduation has no value in the labour market, although the majority of Roma families have no higher level of education. Thus, it is very easy for Roma children to fall victim to the vicious circle of low education – unemployment – poverty and – low education, and social mobility becomes impossible for almost the entire Roma population. Experts in this field explain the disadvantageous status of the Roma community in the labour market for educational reasons. According to this, the main reason for the lack of opportunities for the Roma in the labour market is the low level of education. Insufficient level of skills and low work culture (Ágó, 1997) According to a study (Kertesi, 1970) two-thirds of non-Roma children achieved a higher school grade than Roma children where the percentage is only 6. Non-Roma has a six-fold better chance of completing vocational training and is fifty times more likely to complete high school. Thus, according to Kertesi, inequalities of opportunity arise in further education after the 8th grade of primary school. Considering the drop-out rates, we can see that 50% of Roma complete their studies in the first grade compared to 77% of non-Roma. In the total population, 97.7% of 8th graders continue their education, compared to 51.2% of Roma (Kemény, 1995, 1999). In conclusion, it is safe to say that one of the most important factors that has an impact on labour market opportunities is educational attainment. So it is obvious that the situation of the Roma minority is very disadvantageous in this respect and that in order to improve their chances on the labour market, it is essential to promote higher participation in school education, especially in secondary and higher education institutions.

Territorial disparities

In Hungary, the regional differences in economic performance, employment, unemployment and wages have increased steadily since the 1990s. It is a great concern that even years after the change of regime, it is no sign of a territorial balance of labour market activity. On the contrary, at the level of counties and micro-regions, disparities are growing between regions and a definite polarization is observed. The possible reason behind this phenomenon is that the territorial concentration of new jobs created after the job destruction during the change of regime exceeded the territorial concentration of job losses. The new jobs have been created mainly in the country's urbanized areas with a relatively educated population and concentrated in the central and western regions with developed infrastructure. The graph below (Table 5) shows the current division of employment rate by county, indicating the total amount of employment since data is not available regarding the youth employment but considering the correlation between them we can conclude that youth employment is even more unequally distributed.

Table 5 : Employment rate by county (population aged 15-24)



Source: KSH Munkaerőpiaci folyamatok, 2020

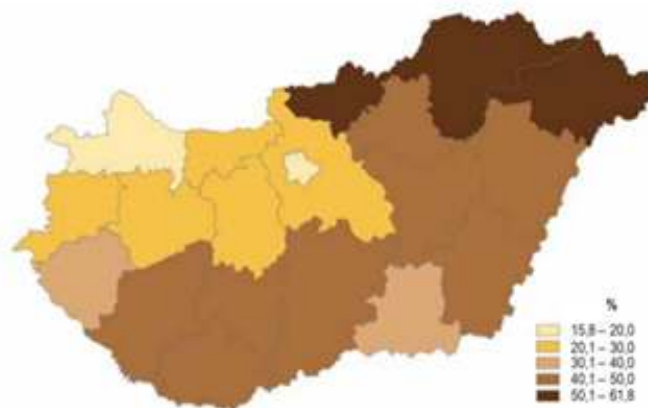
The graph shows that Budapest and the western counties are characterised by the highest employment rates, whereas the Eastern part and the southwestern counties have the lowest employment rate. This characteristic polarization persisted in the years after the turn of the millennium, and Southern Transdanubia, Northern Hungary and the Northern Great Plain can be characterized by a remarkably higher unemployment rate. Obviously, the level of urbanization and state of infrastructure influence greatly the creation of jobs, hence the level of unemployment. But the possibility of later unemployment formulates in early childhood as social, educational, financial background all have a severe impact on future perspectives. We can see that from all these aspects Hungary is very divided regionally, showing the very disadvantageous position of North-East Hungary, the Northern Great Plain and the southwestern counties. Table 6 illustrates the proportion of underprivileged children in kindergarten, which shows the exact same regional division. The proportion of disadvantaged or cumulatively disadvantaged children (due to their family background) participating in primary education is even higher than in kindergarten. In the case of schoolchildren, these statistics are kept by the counties of Eastern Hungary, including the Northern Great Plain and Northern Hungary (Table 7).

Table 6 : Proportion of underprivileged children in kindergarten, 2010



Source: KSH¹⁴

Table 7 : Proportion of underprivileged children in primary education, 2010



¹⁴ The Hungarian Central Statistical Office

The same division appears among the most educated: the proportion of people with higher education in the capital is remarkably high (39 percent), almost twice the national average. The proportion of graduates is 28 per cent in county capitals, 18 per cent in other cities and 11 per cent in villages.¹⁵

Despite the fact that education seems to be a determining factor in the labour market, public expenditure spent on education is very low in Hungary. In 2011, only 4.4% of GDP was spent on educational institutions, which fell to 3,9% in 2019, showing a decreasing trend. Along with Turkey and the Slovak Republic, it is one of the three lowest rates among OECD countries.¹⁶ Regarding some possible steps in order to decrease serious regional disparities, the following suggestions are made.

SUGGESTIONS

Considering the country's current status in youth unemployment we can say that the most urgent problem is to tackle the serious disparities that exist between certain regions and also between urbanized and rural areas. As the study reveals, the roots of youth unemployment are to be found in childhood, which suggests that early interventions are needed to prevent young people from becoming unemployed. One possible solution is to reform the education system, providing training and education programs to improve the quality of education, organizing training in line with the needs of the labour market. Secondly, social network regulation is necessary with the clear definition of the level of social benefits taking equity and activity incentives into account.

CONCLUSION

Based on the above-mentioned facts, and data we can conclude that the global situation of youth unemployment is on the rise and threatens with prolonged and serious consequences if not treated effectively. In the European Union, there are remarkable differences among the member states where Greece, Spain and the Balkan countries suffer the most from this problem. There are numerous factors contributing to the higher level of difficulties young people need to face in the labour market, some are country-specific reasons and there are others formulating by the socio-economic situation of a society, but we can highlight the effects of COVID-19 as it has had an impact all around the world. We can see that this recent crisis worsened further the position of young people trying to enter the labour market, but it also affects youth economic and financial status and their social and mental well-being as well. Hungary stands in the middle of the European ranking in terms of youth unemployment, but inside the country, we can experience severe disparities. Among the causes, some can be traced back to historical roots, such as the aftermath of the change of the regime, but there are more recent ones, like the far-reaching effects of COVID-19. From this respect, we can distinguish direct and indirect effects as the crises obviously generated job losses and an unstable economic environment, but also influenced people's sensation of reality in a depressing way. The prolonged inactivity and uncertainty concerning the future can easily lead to a sense of hopelessness and passive attitude. The study explains the effects of early school leaving, minority issues, and territorial inequalities since they all have a provable impact on the development of the adverse situation. The results show that in Hungary, the most urgent problem is to tackle serious disparities between certain regions, where youth unemployment can be derived from the disadvantageous socio-economic background. On the other hand, educational questions are more complex, thus the study examines them from different angles. Finally, the paper suggests some possible directions to alleviate the serious inequalities within the country. All in all, considering youth unemployment, Hungary is not among the most affected countries, but certainly, we must be aware of the problem and find ways to help young people to be productive members of society.

¹⁵ KSH, <https://www.ksh.hu/education> Retrieved 16 Oct 2021

¹⁶ Education at a Glance: OECD Indicators, 2014
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