

## YOUTH LONG-TERM UNEMPLOYMENT REDUCTION OPPORTUNITIES

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**Abstract.** Youth long-term unemployment is one of the key problems that must be addressed not only in Latvia but also at the European Union level. In 2030, according to a research under the ESPON 2013 Programme, Latvia is positioned as a "depressive" region with an insufficient population of young people. Consequently, Latvia as a country with a friendly environment for business development will not be competitive in relation to other European countries and the flow of investment will be at risk as well as passed on other regions which are more competitive and more developed.

The research aims to establish the view of employers on young people's integration into the labour market. This research is based on scientific discussion of different author opinions and research results of expert interviews as well as on views on the future vision by industry experts. The results of analysis show that it is difficult to find a job in rural districts. The young people without any experience in the relevant field and without higher or professional education and motivation to study and acquire the necessary skills are negatively evaluated.

**Key words:** youth long-term unemployment reduction, labour market, youth integration in the labour market

**JEL code:** J64, J23

### Introduction

The youth unemployment problem is one of the main tasks to deal with in European Union planning documents. Also that kind of adjustment needs to be at Latvia's government level because in our country, there are demographic problems and more young people are leaving our country with the desire to find a well-paid job or to start studies in another country for providing a better future. Demographic, economic, political and social problems substantially affect youth future possibilities because the authors consider that it is important to analyse the real situation in Latvia's labour market.

*The hypothesis of the research:* The youth long-term unemployment reduction opportunities will promote regional and national economic development.

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*The aim of the research* is to establish the view of employers on young people's integration into the labour market.

*To achieve the aim, there are set the following tasks:*

- 1) To evaluate the theoretical aspects of the youth long-term unemployment from different authors;
- 2) To make expert interviews with employers to establish their opinion of young people's possibilities to align with the labour market.

*The following materials and methods are used to achieve the aim and fulfil the tasks:*

- Theoretical framework of the research: the research is based on scientific discussion of different author conclusions of youth long-term unemployment and possibilities to reduce it;
- Research methodology: qualitative research methods, the methods of expert interviews, discussion of the results and findings are used to reach the aim.

The authors made the expert interviews to gather information on employers' opinion of young people employment in their institution and difficulties with what they are ready to face. There were made interviews with employers from the public and private sectors, for a wider vision of the labour market. The expert interviews were conducted from September 2014 till December 2014.

The novelty of the paper: This type of question block for expert interviews is not made yet. The studies of the State Employment Agency involved another type of question block; the questions were designed for a different purpose.

## **Research results and discussion**

### **1. Explanation of youth long-term unemployment necessity of reduction**

According to the Results of the Labour Force Survey conducted by the Central Statistical Bureau, in the first quarter of 2014 there were 118.7 thousand unemployed persons aged 15-74 in Latvia; of which 15.5 thousand or 13% were young people aged 15 – 24 (The share of..., 2014).

According to the OECD, giving young people the skills and tools to find a job is not only good for their own prospects and self-esteem, it is also good for economic growth, social cohesion and widespread well-being. That is why investing in youth must be a policy priority the world over (OECD work on..., 2012).

Youth unemployment has been a central focus of transitions research since the 1980s, with a significant number of studies focusing on cross-national differences in unemployment levels as well as on the impact of active labour market policies designed to facilitate employment access (Blanchflower et al., 2000).

Youth long-term unemployment has been investigated by different researchers such as Audas (2005), Berde (2005), Berghman (1995, 1997), Blanchflower (2000), Doliton (2005), Room (1995), Dietrich (2012) and others.

The researcher Junankar defines long-term unemployment as a 12 months period or longer when a person is unemployed, the unemployed not only lose their skills, they lose motivation, they fall ill. In crude economic terms, human capital is being depreciated (Junankar, 2011).

A rise in youth unemployment during a recession is to be expected. Youth unemployment is typically higher than adult unemployment regardless of economic conditions as young people face higher rates of labour market turnover, and spend time moving between jobs before settling on a stable career path. In a recession this gap is amplified because, first of all, the young people are more likely to lose their jobs, and, secondly, young entrants to the labour market face tougher competition for jobs (Lee, et al., 2012).

According to Audas, Berde, Doliton (2005), there is a growing literature examining many aspects of economic reform and its effect on unemployment and the labour markets of European countries. Despite this, very little attention has been paid to the individuals who will be most affected by these reforms: young people.

Author Dietrich considers that there are many reasons for youth unemployment: besides the general situation on the labour market, one might mention education and training systems, labour market and employment policies, but also the stratification and distribution of opportunities in society. Dietrich analysed the background of the phenomenon of youth unemployment in all its economic, social and political aspects (Dietrich, 2012).

Other authors present evidence that unemployment or non-employment in early working life indeed has a scarring effect on individuals' subsequent employment chances. Arulampalam (2001) distinguishes between three scarring mechanisms: precluding accumulation of work experience and deterioration of general skills; negative signalling effects on future earnings and impeded future work transitions; and social network losses.

Authors, Mroz and Savage (2006), examined the long-term effects of youth unemployment on later labour market outcomes. Involuntary unemployment may yield suboptimal investments in human capital in the short run.

Many authors, writing about youth unemployment, mention connection between unemployment and education, experience, future possibilities and social exclusion from the society and labour market.

Young people undergoing such a trajectory accumulate little experience of job search and do not develop a clear picture of what kind of job and/or what income they should be aiming for. Furthermore, young people tend to have fewer resources than older workers and in some countries a strong financial attachment to the family, which means that they are less mobile (Martin, 2009).

Kieselbach and other authors theoretically distinguish six dimensions of social exclusion (labour market exclusion, economic exclusion, institutional exclusion, exclusion through social isolation, cultural exclusion and spatial exclusion). Kieselbach and others conclude their main project findings as follows: the fact that a young person is unemployed seems in itself not to

be a sufficient predictor of the risk of social exclusion – long-term unemployment cannot even necessarily be equated with exclusion from the labour market (Kieselbach et al., 2001).

Author Room (1995) mentioned civic integration and political participation, social protection, integration in the welfare state and interpersonal integration in family and community systems, besides integration in the labour market as core components of social exclusion. Paugam (1995, 1996) and Walker (1995) shifted the focus from a static observation of the situation to a dynamic perspective with regard to the occurrence and maintenance of poverty from an individual or household perspective. Integrating both streams of research, Berghman (1995, 1997) enlarged the concept of social exclusion, expressing both a theoretical shift from the perspective of financial deprivation, resulting especially from long-term unemployment, towards non-financial aspects of life, such as social isolation from a multi-dimensional perspective and a shift from the static viewpoint associated with poverty to the process-oriented framework characteristic of social exclusion.

Explaining differences in youths' transition into employment needs to take into account, first, demographic developments and economic growth, and second, the interplay between these dynamics and long-standing institutional patterns, in particular regulatory provisions influencing the supply of flexible or permanent jobs as well as education and training policies (Biavaschi, et. al., 2013).

According to the World Development Report 2013, there are determined the main recommendations for youth successful inclusion into the labour market. As the first recommendation, the possibility to *bring academic education closer to the private sector* is mentioned. In countries with high shares of university graduates with major difficulties in finding adequate jobs a major option is to make academic training more labour market-oriented, incorporating internships with employers into academic curricula so that some experience with current work practices in the private sector can be acquired. Governments responsible for funding academic education can require public universities to modify academic curricula accordingly (Biavaschi, et. al., 2013). Also, that kind of recommendation will be useful to realise in Latvia, because then intellectual capital for Latvia's entrepreneur interests will be built, and it will develop the employability and productivity of young people.

The second recommendation suggests *to stimulate the creation of formal and sustainable jobs*. In countries where high shares of informal employment form a major barrier to upward mobility and economic progress, policies should be designed to create more enterprises in the formal sector which offer formal jobs. This can be addressed by economic policy reforms such as the abolition of bureaucratic business registration procedures, tax reforms, stimulating investment in the private sector and creation of formal companies start-up support (Biavaschi, et al., 2013).

The authors combine findings from different authors who research youth long-term unemployment with that the youth long-term unemployment are affected by social factors such as social inclusion and exclusion, financial situation, level of education and career

possibilities. The authors consider that youth long-term unemployment is directly relevant with successful inclusion into society and labour market trends.

## 2. Expert opinions of youth's opportunities for integration into Latvia's labour market

To understand the situation of youth employability from the entrepreneurs and executives of state institutions, the authors made interviews with 10 experts from different sectors. There were formulated 7 questions for each of expert. Table 1 demonstrates the information provided by the respondents. In the paper, entrepreneurs and representatives of institutions are mentioned as experts. They were selected in a random way, focusing on enterprises and institutions which positioned themselves in rural areas or had a direct link with activity in rural areas.

Table 1

**Information of the experts from Latvia's cities and rural areas (n=10)**

No.	Enterprise/ Institution	Sector	Number of Employees	City/ Rural area
1.	SIA	Market and social researches	8	Riga
2.	The municipal authority - kindergarten	Pre-school education	26	Jumprava, Lielvarde municipality
3.	SIA	Auto parts retail	2	Lielvarde
4.	SIA	Retail business	4	Lielvarde
5.	SIA	Construction industry	85	Jelgava
6.	The municipal authority- tourism centre	Tourism	12	Jelgava
7.	Country Council	Social sector and education	105	Jelgava
8.	Fashion Shop	Sewing services	2	Jelgava
9.	Repository of local history	Research	30	Jelgava municipality
10.	High School	Education	35	Skaistkalne, Vecumnieki municipality

**Source: authors' interview results**

Experts were asked to answer the question - How do you assess the opportunity for young people to qualify for the vacancy in your enterprise/ institution relative to other applicants? (Table 2)

According to Table 2, the authors realise that the candidacy for a vacant position for young people is evaluated positively, if the person is interested in the vacant position and is interested to gain experience and to improve the necessary skills, also no less important is the acquired education. Only one of the experts mentioned that they negatively assessed the young people without experience in comparison with more experienced applicants. The authors consider that the main problem in the labour market of Latvia is low wages for young people and difficulties to combine work with studies as well as the relatively high competition in the labour market.

Table 2

**How do you assess the opportunity for young people to qualify for the vacancy in your company / institution relative to other applicants? (Possible more than one answer) (n=10)**

<i>Type of answer</i>	<i>Answers, number of interview respondents</i>
The candidate was positively evaluated for the vacant position regardless of the experience and the level of education	3
I was given the opportunity to gain experience and to acquire the necessary skills for the execution of the given position	5
The competitiveness against more experienced applicants was negatively assessed	1
There was not given an opportunity to acquire the necessary skills for the specific duties of the job	1
Focus is on the young person's level of education, we do not employ young people with professional education	1
Focus is only on the employability of the young person with higher education level, or the young person who is engaged at the highest level of studies.	3
Neutral attitude to the person who is in one of the risk groups of unemployment (for example, ethnicity, age, gender etc.)	3

**Source: authors' interview results**

The acquired expert answers were summarised in two parts – the public sector (education, the social sector, research and tourism) and the private sector (market and social researches, auto parts retail trade, the construction industry and retail business).

The experts from the public sector to the question "What is your attitude to the fact that the young people build and accumulate their experience as well as develop a career in your company / institution?" answered:

- Positive, because we lack creativity, there is need for young people with knowledge of technologies.
- Positive, because the institution has very minimal staff turnover because it is difficult to find work in our small rural district. Any young person who really wants to work is trying to show themselves of the right side because once a year, for the technical staff among employees, a work quality evaluation is conducted.
- The training would be certainly supported, such as graduate studies. The young people need to stay in Latvia, work in Latvia, we need to pay attention to find out how to attract them.

Repeatedly, the answer to the above-mentioned question of the representatives of the national authorities voiced a short - positive value. Entrepreneur answers to the above-mentioned question were as follows:

- Attitude is positive; the young persons should have an opportunity to prove themselves.
- I support it, because of need for new change.

All of the experts were asked to mention the most important criteria by which the enterprise/ institution is considering the young person's adequacy to the vacancy:

How much the young person knows about the enterprise where he/she wants to work: willingness to work, initiative; appropriate education; communicativeness, inclusion into the team; the desire to acquire new knowledge; creativity; technological knowledge; openness for creative ideas; tolerance against the colleagues; quality of work (competence, delivery times); discipline; loyalty; diligence.

Replies to this question from the representatives from both national authorities and the private sector were equivalent.

Broader discussions rise a question: "What is your attitude towards the employment of a young person with education lower than professional?"

The experts from the public sector consider that:

- If it is possible to make a choice – we will give preference to young people with education in tourism because without education it only can be auxiliary work for a short-term;
- We do not accept and do not have a suitable vacancy for young people without education;
- If higher education is not required in the job description and young people are diligent, conscientious, positive and willing to work, the attitude is positive.

The experts from the private sector think that:

- The young person should learn, because in the future without education it will not be possible to find well paid work;
- In our professions, everything is possible to learn in practice, because the company has a strong experienced staff composition;
- It will be difficult to offer something if a person has not chosen the field of education yet; it depends on the personality.

The answers from some experts were equivalent to other expert answers and therefore only the key answers were identified.

Answers from both sectors to the question: "What is your attitude towards the employment of a young person who is studying at the highest level of studies currently and has not yet acquired higher education?" are as follows:

- If the young individual has skills and wants to study, then there is no objection;
- If the young individual has no skills and talent, this candidate does not fit for us;
- Currently, two young women are working in our institution, who continue to study for higher education; they are supported – if it is necessary to take a vacation for their studies;
- Positive, one can start to work;
- We engaged young people if they are studying in the relevant field;

All of the experts answered positively to the question if there would be possibility for young persons if they could prove themselves as motivated to success, to be promoted, to the gradual rise in wages, to the development of individual abilities and skills in the relevant sectors within the framework of their profession.

In order to identify the views of experts on youth labour market opportunities, the experts were asked to mention the most important measures for state institutions to stabilise the youth labour market situation. The experts mentioned the following opportunities:

- Alignment of the education system;
- Tax preferences for employers;
- Tax preferences for young people who are studying or having social instability;
- Various support measures for those who employ young people;
- A special grant programme for jobs;
- Additional bonuses for employers;
- Mentor programme;
- Grants for entrepreneurs who employ vocational high school students;
- For vocational students who are studying at government-financed study places, a certain period to work in this country needs to be set;
- Placements for practical training;
- Student entrepreneurship with possibilities to learn practices;
- Country's growth.



The authors wanted to particularly accent and totally agreed to two experts' answers to the above-mentioned question because it showed the main Latvian labour market trend in all the regions of Latvia. An entrepreneur from Riga, who worked on market and social studies, considered that there is no single measure particularly for the youth labour market; if there are common problems in the labour market, it also refers to the young people.

An expert from the tourism sphere thought that there was a huge amount of work in her institution, there should be more people. If tax preferences were imposed for the young people, they would employ more young people.

In general, the expert opinion confirms author Dietrich's view on youth unemployment as a problem regulated by employment policies, for example, tax incentives for employers who employ young people.

## **Conclusions**

- The youth long term unemployment is affected by the economic and demographic growth, and the interaction between them. Also, it is significant to get education and experience that are the crucial elements to link youths' competences with employers' needs. Bringing studies in professional schools and universities closer to the needs of labour market can help young people to get a more sustainable job.
- In general, according to the expert answers to the questions, there are positive attitudes for employing the young people if these persons are accurate, operative, interested in the industry of the enterprise, want to study in that field and get experience from their colleagues.
- One of the most important measures for increasing the demand for young people in the labour market is to reduce taxes for entrepreneurs when they are employing young people, especially those who are studying.
- According to the interview results, most of the entrepreneurs are positively disposed that young people are studying at the highest level of studies, especially in the same field as the institution or enterprise.
- An employer focuses on the young people attitude to do job responsibilities and opportunity to combine work with studies.
- An overall evaluation reveals that the youth long-term unemployment is substantially affected by the national economic situation in rural areas, the low demand in the labour market and the demographic characteristics of population, which in general significantly affects the whole community of employers.

## **Acknowledgements**

The preparation of the paper was supported by the National Research Program 5.2. Economic Transformation, Smart Growth, Governance and Legal Framework for the State and Society for

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