

YOUTH LABOR MARKET AND COVID-19

Mariana BĂLAN*

Abstract. *The Covid-19 pandemic has exacerbated the many challenges faced by young people in the labor market. Between 2019 and 2020, 15- to 24-year-olds experienced a greater percentage loss in employment than adults. The isolation measures imposed by governments to reduce the spread of the virus caused many young people to lose their jobs.*

The move to distance education by educational institutions and steep declines in family incomes have made pursuing education and vocational training more difficult for many young people. In this context, unemployment among young people has increased, but also that of young people who do not have a job, are not included in an education or professional training system (NEET). Alarming, the global rate of young NEETs increased by 1.5 percentage points in 2020, reaching its highest level in 15 years.

Even if modern Europe offers young people unprecedented opportunities, young people still face some challenges (exacerbated by the health and socio-economic crisis) related to education and training systems, but also to access to the labor market. The employment rate of 15-24-year-olds in the EU-27 was 40.8% in 2021, and the unemployment rate reached 16.6%.

The Covid-19 pandemic has disrupted every aspect of people's lives in an unprecedented way, with asymmetric socio-economic and health effects across age groups. The economic effects of the pandemic could exacerbate the vulnerability of young people in the labor market, as they are more likely to work in irregular jobs, such as temporary or part-time jobs, and face a greater risk of -loses jobs and income. On-the-job learning opportunities and apprenticeships have been severely affected.

The significant financial pressures reported by young people put those living in (economically) vulnerable households at increased risk of falling below the poverty line within months if their income stops or drops sharply.

The paper presents a brief comparative analysis of the situation of young people on the labor market, of the effects of the Covid-19 pandemic on the main indicators of the youth labor market (15-24 years old), worldwide, in the major regions of the world and the EU- 27.

Keywords: *youth unemployment rate, young NEETs, vulnerabilities in the youth labor market, level of training, gender differences*

JEL Classification: *C13, C31, E24, E26, E27, J13, R23*

* “Hyperion” University, Bucharest and Institute for Economic Forecasting – NIER, Romanian Academy, e_mail:dr.mariana.balan@gmail.com

1. Introduction

The labor market in general and that of young people in particular experienced a long-term and asymmetric reorientation after the economic-financial crisis of 2008-2009. In this context, the Covid-19 pandemic has hit economies and led to the deepest recession since World War II, primarily affecting sectors where many young people work, such as hotels and restaurants, tourism and retail trade, as well as those where temporary or part-time employment contracts were practiced and where young people were overrepresented. Therefore, between 2019 and 2021, 15-to-24-year-olds experienced a much larger loss in employment than adults. Many of the young people left the labor market or failed to enter it, due to the fact that many employers closed their businesses. Unemployment among young people under the age of 25 had high values, standing at 16.6% in 2021, increasing by 1.5 pp compared to 2019.

Among the factors that made it difficult for many young people to continue their education and professional training are the measures taken to reduce the spread of the virus, which also led to a decrease in family income and the use of distance learning by educational institutions. These have caused the number of young people not in employment, education or training (NEET) to increase significantly in 2020, exacerbating the dangerous disconnect between young people and education or early work experience, which jeopardizes future chances of success in the labor market.

If young people with a low level of qualification were already facing obstacles to integration on the labor market and before the start of the health crisis, during the pandemic and highly educated young people, after graduating from a form of higher education, encountered difficulties when entering the labor market.

As a result, global youth employment fell by 34 million between 2019 and 2020. The 47,234 million Europeans aged 15 to 24 living in EU-27 (on 1 January 2021) face both the challenges generated by the transition to adult life and the fact that they will live in an era of complete globalization and will have to face the responsibility of an aging population.

Around half of the number of young people who lost their jobs in 2020 joined those with NEET status (the global rate of NEET young people increased by 1.5 percentage points in 2020, reaching the highest level in the last 15 years). Meanwhile the other half added to the number of

those who continued their studies but without being employed. Thus, the 282 million young people who were in this situation in 2020 missed a crucial early stage of their personal development and risk facing serious disadvantages in the labor market in the future.

The effects of the health crisis and the economic crisis that followed lead to the multiple vulnerabilities related to age, qualification levels, region and the socio-economic environment to which young people are exposed to be amplified. Today's young generation will represent tomorrow's working population, which means that the severe and heterogeneous impact of the Covid-19 crisis on the labor market could leave a long-lasting mark on it and, in particular, on global inequality. However, the events of the pandemic and post-pandemic period have demonstrated that generation Z has innovative ideas regarding recovery and can actively participate in solving economic and social problems.

2. Recent developments of the youth labor market

On the labor market, young people are in a more vulnerable situation compared to adults, and the health crisis has added new challenges for them, among which can be mentioned:

i) the limitation of vacancies during the pandemic reduced the chances of young people to enter the labor market;

ii) the isolation and social distancing measures adopted during the pandemic also affected sectors of activity in which young employees were predominant;

iii) the loss of jobs with reduced hours, or those with temporary employment contracts;

iv) reducing/eliminating opportunities for learning at the workplace, apprenticeships or professional training.

In this context, worldwide, the youth unemployment rate was 17.89% in 2021, almost three times higher than that of adults (6.18%) (ILO, 2022). Also, globally, in 2021, approximately 75.1 million young people were unemployed, 408 million were employed, and 732 million were not in the labor force.

Between the fourth quarter of 2019 and the second quarter of 2020, in the EU-27, 1.547 million young people aged 15-24 lost their jobs, and the unemployment rate for this age group reached 16.6% in 2021.

Worldwide, in the period preceding the Covid-19 pandemic, a decrease in the employment-population ratio of young people was observed from 43.5% to 36.9% (between 2005-2019), followed by a slight

increase, with significant differences from one country to another depending on their incomes (Figure 1) (with the exception of countries with high incomes, where the evolution of this indicator was oscillating, over the entire analyzed period).

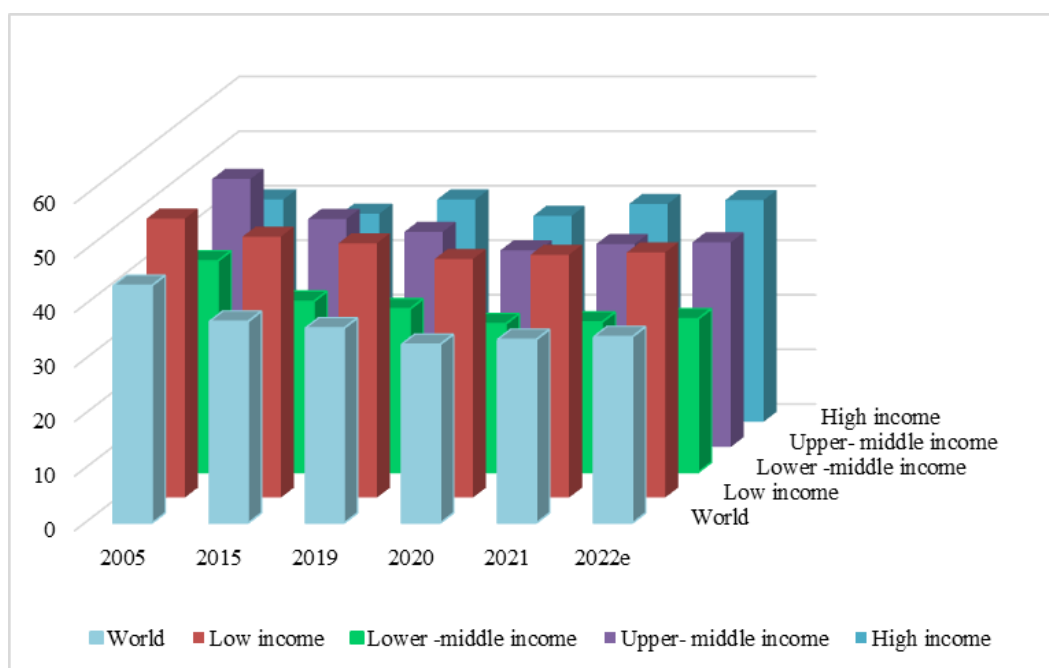


Figure 1. Youth employment/population ratio, worldwide and by country group (by income), (%).

Data source: ILOSTAT, ILO modelled estimates, November 2021.

This indicator is much lower among young women than among men, and the gender gap did not decrease during the considered period. Thus, in 2021, it was estimated that globally, 27.1% of young women were employed on the labor market, compared to 39.6% of young men. The gender gap varies from one group of countries to another, the highest value being recorded in low-middle-income countries (16.8 percentage points) and the lowest in high-income countries (2.5 percentage points).

Significant variations in the employment-population ratio for young women and men were also highlighted in the major regions of the world. It varied, in 2021, from zero in North America to about 30 percentage points in the Arab States (Figure 2), where statistics indicate that young men are about seven times more likely to have a job work than young women. In North Africa and South Asia young women also face significant and

additional barriers to employment compared to their male counterparts (restrictive social norms, religious ideologies, unequal family and caregiving responsibilities etc.).

The prospects of young people on the labor market vary greatly from one region to another. According to statistics from the World Labor Organization, the youth employment gap in 2021 approached that of 2019 in North America and Northern, Southern and Western Europe, while in South Asia and Africa from the North continued to be high (9.6% and 6.5%, respectively).

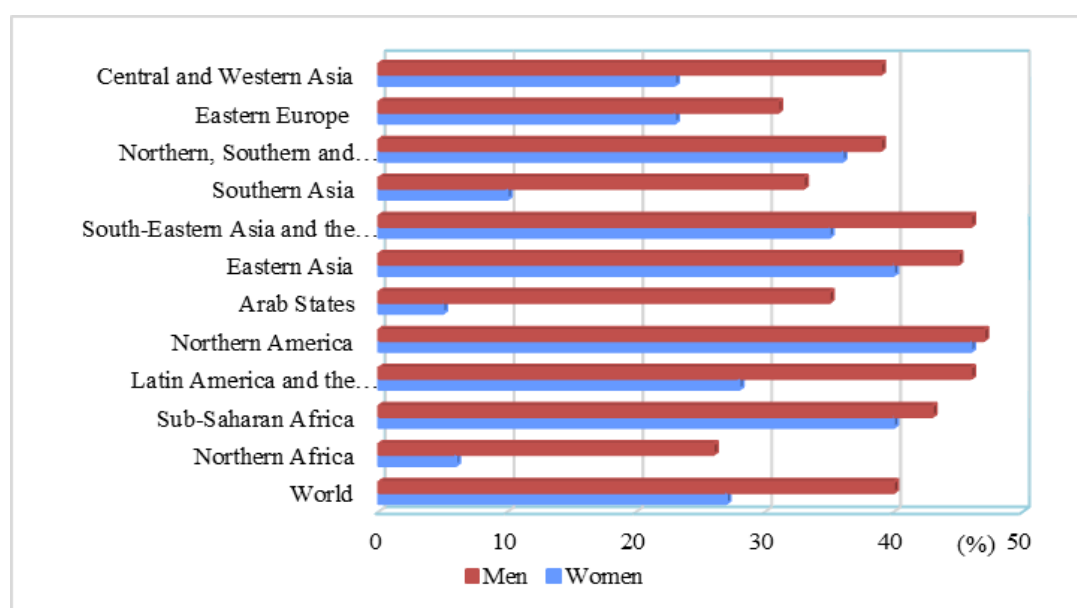


Figure 2. Youth employment-to-population ratio, by sex, world and by sub-region, 2021.

Data source: ILOSTAT, ILO modelled estimates, November 2021.

The large divergence between large regions/subregions in terms of employment recovery can be explained, on the one hand, by differences in macroeconomic policies and access to vaccines in different countries, and on the other hand by the fact that some regions/subregions faced with significant downward trends in youth employment on the labor market before the crisis.

In Europe, as in other regions of the world, there are significant asymmetries in the youth labor market that have been exacerbated by the pandemic. Northern, Southern and Western Europe had the highest number

of Covid-19 cases worldwide in the early stages of the pandemic, posing a significant challenge to public health and leading to substantial job / working hours losses. Thus, in 2020 the number of young employees decreased by 33.9 million people. Regarding the evolution of youth employment rates, they were very uneven in the member states. The year 2021 brought a slight increase in employment rates in Germany, Ireland, Cyprus, Luxembourg and the Netherlands, while in the other countries, this indicator continued to be below the values of 2019 (Figure 3).

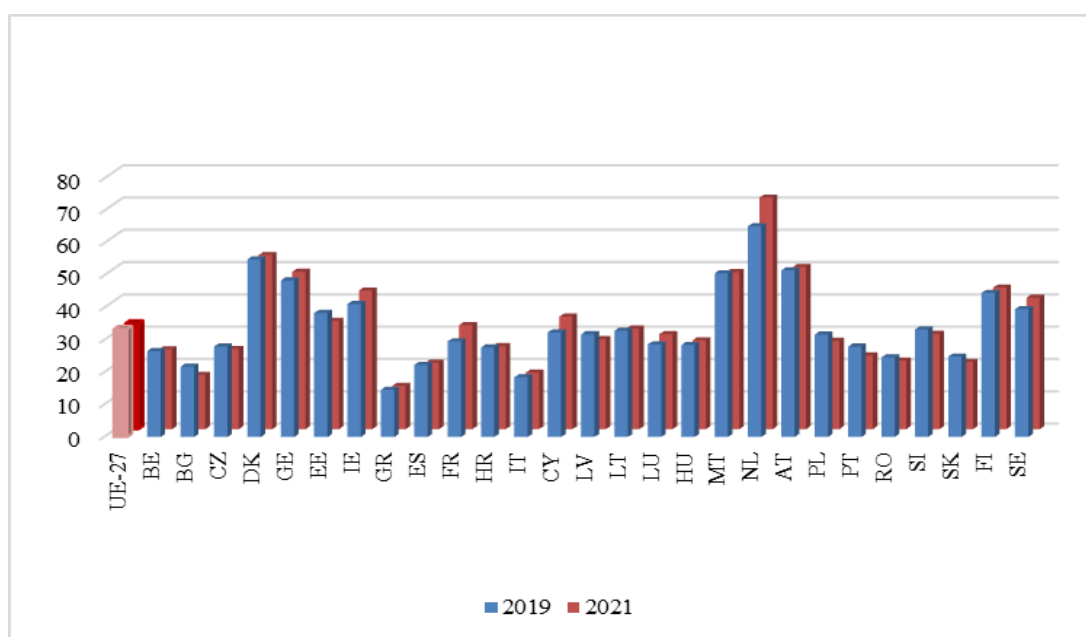


Figure 3. The evolution of the employment rate of young people aged between 15-24 in the member states, (%).

Data source: Eurostat statistics, [LFSQ_ERGAN]

For women aged 15-19, 40-44 and 50-54, job losses were higher than for men in the same age group in most Member States (Figure 4a), in 2021. Slight employment gains were recorded for women in the age group 55-59 years (Figure 4a). In 2021, amid a slight economic recovery, employment among young people continued to remain below the level recorded before the pandemic, even if for other age groups the employment values of 2019 were exceeded (Figure 4b).

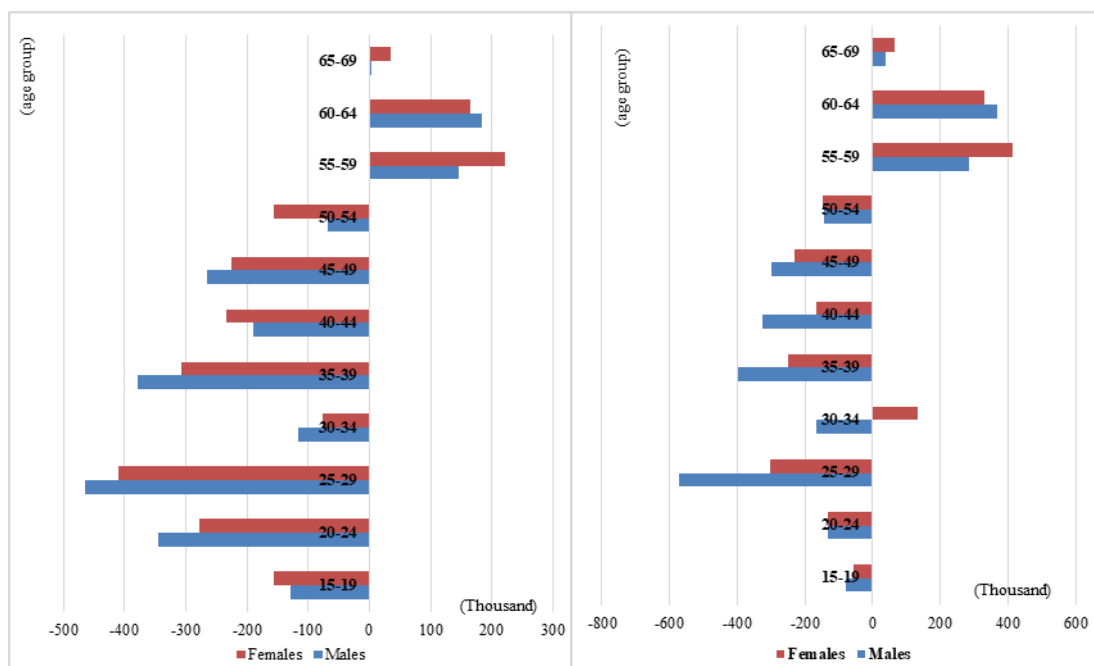


Figure 4. Changes in employment according to age groups and gender.

a) 2020 compared to 2019

b) 2021 compared to 2019

Data source: Eurostat statistics, [LFSQ_EGAN__custom]

An important factor in increasing the vulnerabilities of young people on the labor market is their level of training. According to Eurostat statistics, at the EU-27 level, the number of young people with a lower and medium level of training decreased by 361, respectively by 331 thousand people, while that of young people with a higher level, after a very slight decrease in 2020, increased in 2021 with 247 thousand people (Figure 5).

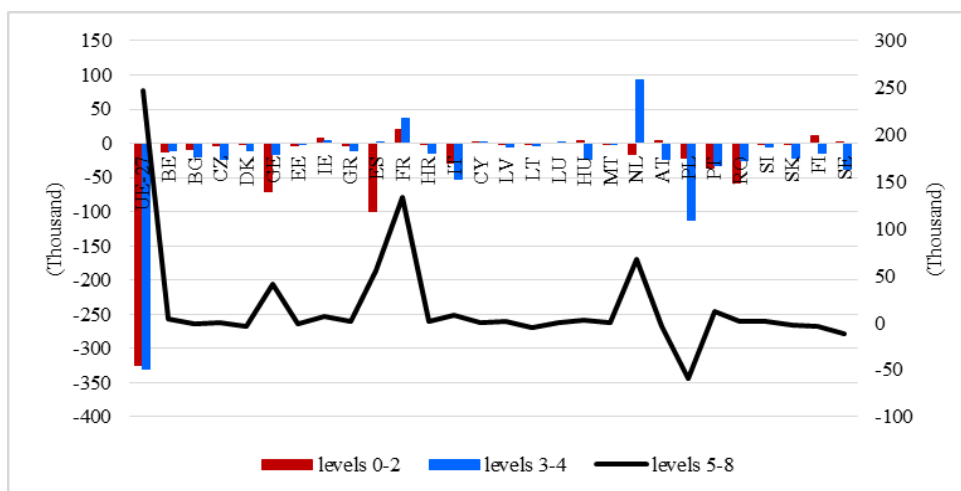


Figure 5. The difference between the number of young people employed in 2021 compared to 2019, by training levels, in the member states.

Data source: Eurostat statistics, [YTH_EMPL_010]

The share of young people aged between 15-24 years in total employed with fixed-term contracts decreased, on average, by 3.5 pp in 2020, and amid a slight economic recovery, in 2021 it increased by 2.7 pp, still not reaching the 2019 value (Table 1). For this age segment, working with fixed-term/seasonal contracts is a common way to earn income while completing their studies (Table 1). For others, this type of activity represents an employment solution because they have not found a job with an indefinite contract or choose to work temporarily for various reasons.

Table 1. Temporary employees by sex and main reason

		2019	2020	2021
Total	Total	49,8	46,3	49,0
	Males	49,0	45,3	47,3
	Females	50,8	47,4	51,0
No permanent job found	Total	14,6	13,3	10,0
	Males	13,8	12,7	9,8
	Females	15,5	14,1	10,1
Education or training	Total	17,9	16,2	16,5
	Males	19,2	17,3	17,4
	Females	16,4	15,0	15,5
No permanent job wanted	Total	8,3	7,3	5,5
	Males	7,4	6,5	4,5
	Females	9,3	8,2	6,7

Data source: Eurostat Statistics [LFSA_ETGAR__custom_4876007]

Part-time employment as a percentage of the total employment of young people aged 15-24 had an increasing trend during the pandemic, for both women and men. This part-time work can be seen as part-time unemployment, with those in this form of employment falling somewhere between the unemployed youth and those who choose to work part-time for various reasons.

The Covid-19 crisis has erased the progress made in the effort to reduce the NEET rate among young people. If from 2012 to 2019 the share of young people who were not employed on the labor market, neither in education nor in a professional training system decreased by 1.3 percentage points worldwide and by 2 pp in the EU-27, in 2020 almost one in four (23.3%) of all young people had NEET status.

Under the impact of the Covid-19 pandemic, NEET rates increased by around 2 percentage points across all country groups (classified by their income), regardless of pre-existing differences. The analysis of the statistics regarding the evolution of the NEET rate under the impact of the pandemic at the level of the large regions of the world highlights the fact that in high-income countries it is the lowest and with a much smaller gender difference than in low-and middle-income countries (Figure 6).

Low-and middle-income countries have about 1.5 times more young NEET men than high-income countries and about 2.5 times more young NEET women. But, regardless of the group of countries considered, with the exception of countries with high incomes, the differences between the rates of NEET men and women are significant (Figure 7), exceeding 20 pp in the group of countries with lower middle incomes.

The large regional variation in NEET rates is primarily driven by the differences between the NEET rates of women and men aged 15-24. Thus, in 2020, NEET male rates ranged from 11.4% in Eastern Europe to 21.0% in the Arab States, and young NEET female rates ranged from 11.0% in Northern, Southern and Western Europe West at 51.4% in the Arab States. These regional differences are due, in general, in many countries, to the (un)availability of employment opportunities for young men, and for young women to substantial structural barriers in accessing advanced education or in their employment on the labor market. Gender gaps in NEET rates, both on country groups and at the regional level, correlate strongly with gender differences in the employment-population ratio, but also with the youth labor force participation rate.

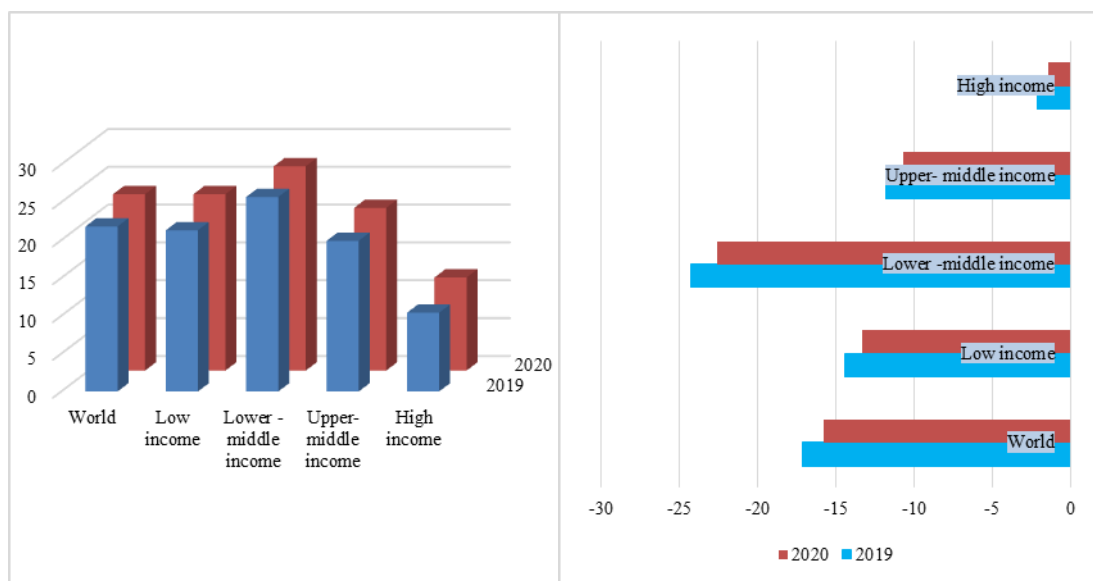


Figure 6. Young NEETs rate, world and by country income group, 2019, 2022, (%).

Figure 7. The gap between the NEET rate of men and women aged 15-24, world and by country income group.

Data source: ILOSTAT, ILO modelled estimates, November 2021.

At EU-27 level, 13.7% of 18- to 24-year-olds are also NEET, but in many countries the NEET rate increased only slightly between 2019 and 2020, partly because more young people continued their studies. If in Austria, France, Poland, Portugal and Slovenia, continuing education contributed to limiting the increase in the number of NEET young people aged between 18-24, in Lithuania, Belgium and Denmark, the share of young adults aged 18-24 who are NEET decreased by less than 1 percentage point between 2019 and 2020. Various factors such as gender, age, level of education or migration status can increase young people's risk of becoming NEET.

Regarding the structure of this category of young people, in the EU-27, the share of NEET youth aged between 18-24 inactive was higher than that of the unemployed NEET, and the share of NEET youth looking for a job in 2021 was 9.0% (Figure 8).

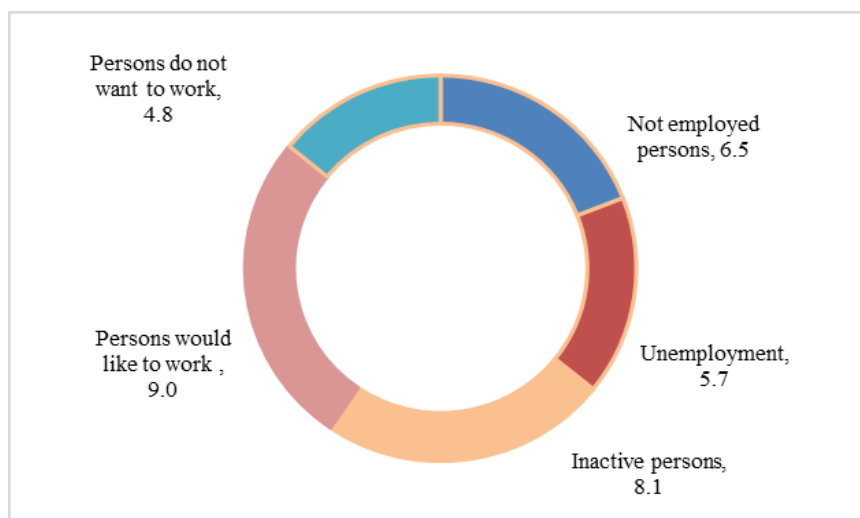


Figure 8. The structure of NEET youth aged between 18-24 in the EU-27 in 2021, (%).

Data source: Eurostat statistics, [YTH_EMPL_020]

Global labor market forecasts indicate that youth unemployment will fall to around 73 million in 2022 (ILO, 2022), which means that the number of youth unemployed will continue to be 5.8 million above the level of 2019. However, it is a slight reduction of the pressure on the labor market, given that in 2020 the number of unemployed young people increased by 3.8 million people compared to 2019, and in 2021 by 4.1 million young people compared to 2020.

The unemployment rate for the 15-24-year-old segment increased strongly in 2020, by 1.7 percentage points, both globally and at the EU-27 level.

The health crisis has had a heterogeneous impact on youth unemployment in different regions of the world, with the unemployment rate in 2021 ranging from 0.7 percentage points in Central and Western Asia to 6.8 percentage points in North America. South Asia is unique in that it is the only region where the growth in the youth unemployment rate has been lower than the adult rate, and where the number of unemployed youth has also fallen.

The gender gap in youth unemployment rates that existed before the health crisis persisted in 2020 and 2021. If globally, the female unemployment rate remained below the male rate both before and throughout the crisis (by 0.7 % percentage points below that of young men), at the regional level there are significant differences: in North Africa, Latin America and the Caribbean, the Arab States and Central and

Western Asia, young women's unemployment rates are much higher than those of men young people. At the opposite pole, in North America and East Asia, the EU-27, unemployment rates for young women are lower than for young men.

Reducing youth unemployment rates will diverge between low- and middle-income countries on the one hand and high-income countries on the other. In the current context, high-income countries are expected to see a decline in youth unemployment at the end of 2022, leading to youth unemployment rates at/below 2019 levels, and in the other country groups, they will remain more than 1 percentage point above those before the pandemic.

The health crisis diminished within a year all the progress achieved in the efforts to reduce the pressures on the youth labor market. Delayed entry into the labor market or entry into jobs of lower quality than would otherwise have been taken, or prolonged or repeated periods of unemployment or inactivity can have long-term implications for young people's career and earnings prospects.

Conclusions

Young people have been particularly affected and in several dimensions by the health crisis. The global employment deficit among young people was, in 2020, 8.2% compared to 2019, being more than double that of adults. In the context of a slight economic growth, the employment of young people aged between 15-24, in 2021 and probably in 2022, will remain below the values recorded in 2019, with particularly large youth employment deficits in middle and low income countries.

The negative effects of the pandemic on youth employment were also materialized by the fact that the companies that survived the crisis primarily sought to keep their employees, while new recruitments collapsed. Also, the short seniority and the types of contracts with which young people were employed decreased the chances of keeping a job, and job retention schemes (where they existed) were less effective in protecting young workers.

The combination of all these factors causes significant challenges on the labor and social market for years to come.

Even if macroeconomic conditions will improve, young people who have lost their jobs or are unable to get a job after graduation, are particularly vulnerable on the labor market, and their future results on the labor market will be weaker than those of their employed colleagues.

Disruption of education during the pandemic can lead to significant losses of knowledge, creating both intergenerational and intragenerational inequalities. The closing of schools had different effects on young people, both nationally and regionally, due either to differences in the ability of countries to provide effective remote education, or to the socio-economic status of families. In this context, today's children and young people, when they enter the labor market, may have a less favorable start than those who are currently employed, which will lead to increased inequalities later on. Therefore, the risk increases that long-term efforts and actions to reduce global inequalities will not achieve their goals.

The Covid-19 pandemic, through the extent and heterogeneity of the disruptions on the labor market, in general, and of young people in particular, through the impact it had on education, makes the prospect of reaching many targets of the Sustainable Development Goals of the 2030 Agenda even more elusive. In this context, there is a need for the adoption at regional and national level of policies that counteract the negative effects of the Covid-19 pandemic and that enable young people to obtain the education they need and lead to a high degree of their insertion on the labor market.

Therefore, it is necessary for governments, social actors and the international community to act to mitigate the negative impacts of the Covid-19 pandemic, which risk affecting young people in the coming years, and to identify political priorities and structural reforms that will reduce the pressures on the market the work of this segment of the population.

REFERENCES

1. Daphne A., Massimiliano M., Sanna N., Eszter S. (2021), *Living, working and COVID-19* (Update April 2021): *Mental health and trust decline across EU as pandemic enters another year*, <https://www.eurofound.europa.eu>;
2. Eurofound, 2020, *Living, working and COVID-19*, COVID-19 series, Publications Office of the European Union, Luxembourg, <https://www.eurofound.europa.eu>;
3. Eurofound, 2021, *COVID-19: Implications for employment and working life*, COVID-19 series, Publications Office of the European Union, Luxembourg, <https://www.eurofound.europa.eu>;
4. European Commission, 2021, *The European Pillar of Social Rights Action Plan*, Publications Office of the European Union, Luxembourg, <https://www.eurofound.europa.eu>;
5. Eurostat, 2021, *Youth unemployment ratio by sex, age and NUTS 2 regions*, <http://appsso.eurostat.ec.europa.eu>;
6. ILO Monitor, 2021, *COVID-19 and the World of Work*. Seventh Edition, <https://www.ilo.org>;

7. ILO, 2021, *An update on the youth labor market impact of the COVID-19 crisis*. Statistical brief, June 2021, <https://www.ilo.org>;
8. ILO, 2022, *Global Employment Trends for Youth 2022*, Investing in transforming futures for young people, <https://www.ilo.org>;
9. ILO, 2022, *World Employment and Social Outlook: Trends 2022*, <https://www.ilo.org>;
10. ILOSTAT, *ILO modelled estimates*, November 2021, <https://www.ilo.org>;
11. Konle-Seidl, R., Picarella, F. (2021), *Youth in Europe: Effects of COVID-19 on their economic and social situation*, Policy Department for Economic, Scientific and Quality of Life Policies Directorate-General for Internal Policies, <https://www.europarl.europa.eu>;
12. O'Higgins N. and Caro L. P. (2022), *Crowdwork for Young People: Risks and Opportunities*, ILO Working Paper No. 50, <https://www.ilo.org>;
13. OECD, 2021, *Education at a Glance Database – Transition from education to work*, <http://stats.oecd.org>.
14. OECD, *Employment Outlook 2022*, OECD Publishing, Paris, <http://www.oecd.org>,
15. OECD, *What have countries done to support young people in the COVID-19 crisis? Tackling Coronavirus (COVID-19). Contributing to a Global Effort*. Paris, 6 July 2021, [oecd.org/coronavirus](https://www.oecd.org/coronavirus). <https://www.oecd.org>, 2021;
16. *Statistic Eurostat*, <https://www.eu.europa.eu>;