

Could labour market policies protect unemployed youth from poverty? Multilevel analysis for the EU-28

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The aim of this paper is to investigate to which extent different labour market policies and institutions explain cross-country variation of economic situation of unemployed young people in European Union. In 2013 more than 17% of young European who have finished their education faced the problem of poverty. Within those who are without the job, the risk of falling into poverty is much higher: 42% of unemployed young European are considered as being poor. At the same time there is a large variation between EU countries in a scale of this problem. The highest share of youth at the risk of poverty is in Greece and Romania, while the lowest in the Netherlands.

Early experience of poverty and unemployment might have substantial long-term and short-term negative consequences on youth's physical health (Lahelma, Kangas, & Manderbacka, 1995) and their well-being and mental health (Paul & Moser, 2009), further career prospects (Gregg, 2001) and the following earnings (scarring effect - Becker & Hills, 1980; Arulampalam, 2001; Gregg & Tominey, 2005). As looking for a job and starting a job demands minimal level of economic and social resources, being poor and unemployed is a particularly dangerous combination of risk factors which might interplay in a vicious circle of social exclusion. But the issue of poverty and unemployment is not only the problem of individuals, but also of the whole economy. For the stable economic growth the good economic condition of the society is crucial.

Thus, labour market policies aim not only in supporting unemployed people with finding a job or developing their skills in accordance with labour market needs. Protecting unemployed people from the negative consequences of poverty might seem as equally important goal of labour market policies. It is embedded in the idea of unemployment benefits, but we can argue that active labour market policies might have similar component. Training schemes and employment subsidies are designed to develop skills and prepare their participants for taking a regular job position, but they include also a basic remuneration for the participation in programme.

Hypotheses:

- Differences in countries economic situation and labour market institutions explain substantial part of the variation of economic situation of youth, when the individual characteristics are controlled.
- In countries with more generous labour market policies youth unemployed are in the better financial situation.
- Both passive and active policies protect young unemployed against the poverty.

Data

Analysis are based on cross-sectional EU-SILC database (year 2013).

To address different dimensions of poverty, the 3 different measures of youth economic situation were considered: the risk of poverty (being under poverty line), satisfaction with financial situation

and an exclusion from social life for financial reasons. The first two relate to the household situation. The third measure shows more individual perspective.

At the individual level we control for educational attainment, sex, migration status, living arrangements and the degree of urbanisation of the place of residence.

At the country level we control for the economic situation of the country (unemployment rate, GDP per capita). To test the impact of labour market policies we use different categories of expenditures on the labour market policies (active and passive) as a % of country GDP. Country level data come from EUROSTAT and World Bank Database.

Method

To address the issue of cross-country variation and impact of the country policies on situation of youth the multilevel modelling with cross-level interactions and random intercept will be applied.

This kind of modelling allows to control for the individual level factors and country level characteristics which might affect individual risk of poverty. By the examination of cross-level interactions we are able to assess if being unemployed in a country with certain characteristics of labour market policies or institutions, is actually alternating the risk of falling into poverty.

Preliminary results

First results indicate that even with controlling individual characteristics, there is a large and significant variation across countries in terms of the risk of poverty and other measures of economic situation of youth. Adding the country level variables explains substantial part of this variation. The analysis shows that higher expenditures on certain types of labour market policies might decrease the risk of falling into poverty for young unemployed. Not only passive measures, but also active labour market seem to be effective in improving the economic situation of young unemployed.

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