

The economic impact of the recession on Greek youth

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Introduction

- The recession in Greece was triggered by the US mortgage loan crisis in 2007, but it was fueled by the large budget deficit (15.6%) and the high ratio of debt to GDP (129.4%)
- In 2010 Greece turned to the IMF and its Europartners for financial support, since it was no longer feasible to borrow from the international financial markets
- A Memorandum of Understanding (MoU) was signed between Greece and the Troika of lenders (ECB, EC, IMF), which provided for financial support in order to avoid bankruptcy, but demanded from the Greek government extensive austerity measures, on the one hand, and brave structural changes, on the other, starting from the deregulation of the labour market (e.g. minimum wage setting procedures, collective bargaining agreements, flexible forms of employment, etc.)
- Almost six years from the onset of the recession, the Greek economy has today approximately 25% lower GDP (still declining at a lower rate), an unemployment rate of around 27% (still increasing at a lower rate) and more than double that rate for youth (15-24)
- The focus of this presentation is the impact of the recession on the situation and prospects of youth in the Greek labour market, since they comprise the most dynamic part of the society and they embody the hopes for a viable and of equal chances growth in the near future, plus they have no responsibility for the mistakes of the past

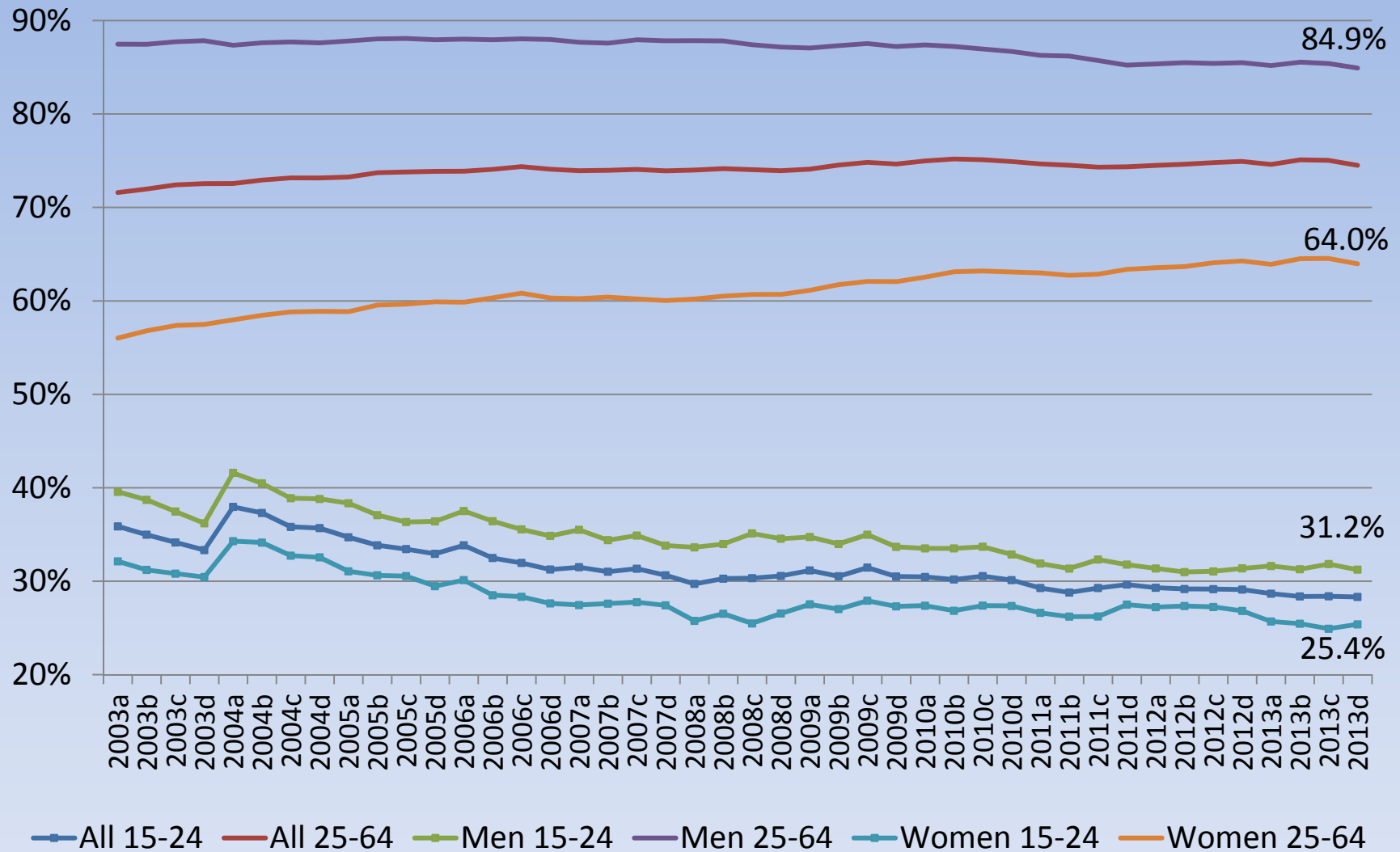
General comments

- The impact of the recession on youth and the entire population is multifaceted => both social and economic, on individual and collective level
- Social impact => social exclusion, worsened psychological health, delayed social integration, endangered social cohesion, possibly increased criminal activity, more suicides, adverse demographic effects (delays in creating families, prolonged stay with parents), etc.
- Economic impact => poverty, “brain drain” (no official only anecdotal evidence), human capital depreciation (or not getting the chances to enhance your human capital, particularly relevant for youth), lower taxes paid, lower income, unemployment benefit payments, scarring effects (long-term consequences), adverse effects on Social Security Funds (SSF), etc.
- Regarding poverty, for instance, the report by ELSTAT (2014), reporting poverty indices based on EU-SILC data, reveals that the risk of poverty increased during the recession (2009-2012) for all, from 19.7% to 23.1%
- Interestingly, the risk of poverty increased for age groups 0-17 and 18-64 (youth are included), but it decreased for age group 65+, probably because wage cuts were more severe than pension cuts

General comments (II)

- In addition, the risk of poverty for pensioners (the great majority over 65 years old) declined by 4.1 percentage points, while for all other age groups it increased
- Note that the highest risk of poverty involves unemployed individuals (45.8%) and, in addition, the highest increase recorded during the recession is also amongst the unemployed (7.7 percentage points) => unemployment seems to be the single most important determinant factor of the risk of poverty
- Plus, unemployment leads to low self-esteem, insecurity, stress, anxiety, guilt => social and economic consequences
- For above mentioned reasons, this presentation focuses on the economic impact and particularly on the impact of the recession on key labour market variables, such as participation, employment and unemployment
- It draws from the latest Greek Labour Force Survey data (2013d) and uses both published and unpublished data

Graph 1. Participation rates by gender and age group

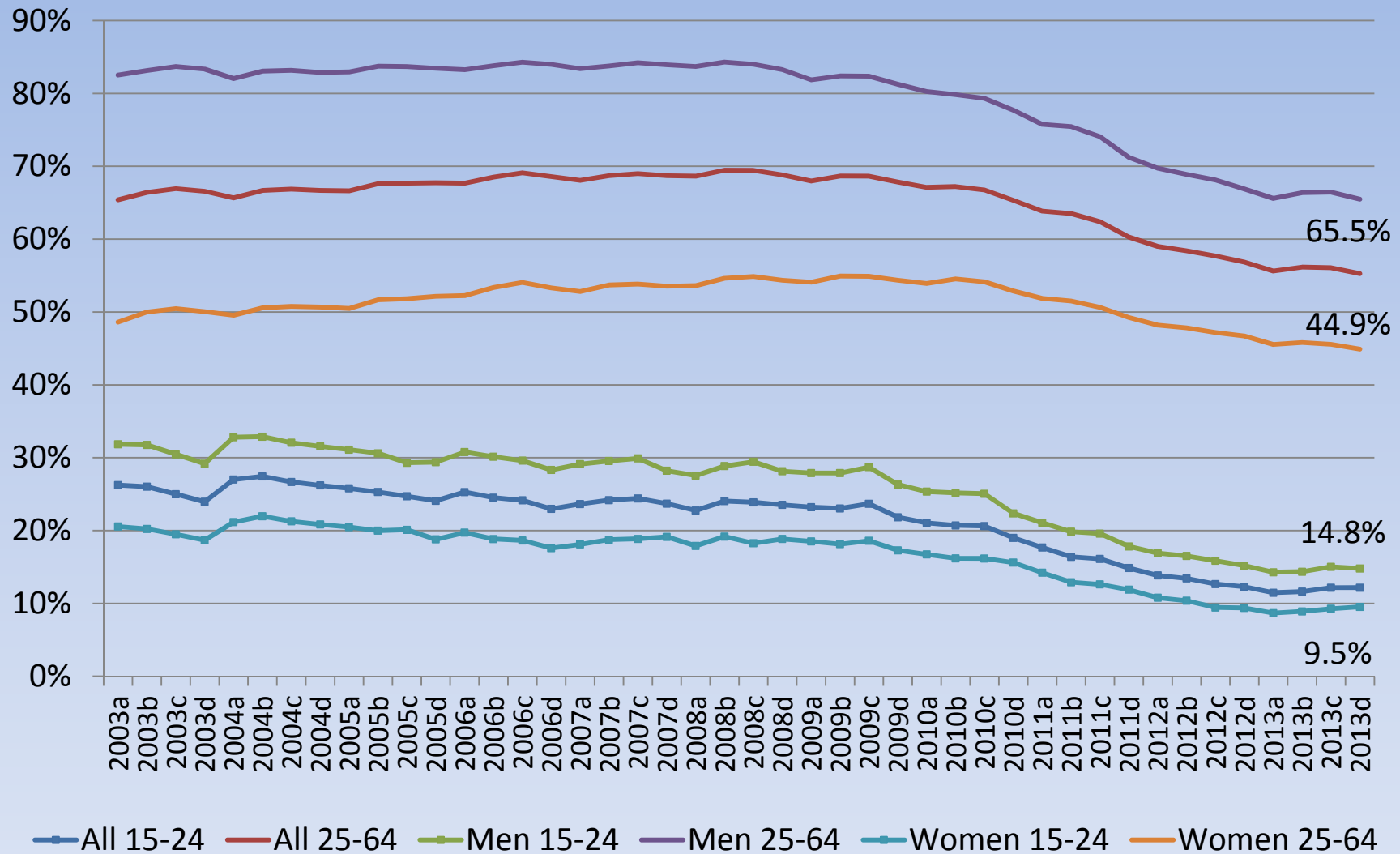


Source: Labour Force Surveys, ELSTAT

Participation rates for youth (15-24) and non-youth (25-64), men and women

- Participation = employed + unemployed
- Participation rate = (employed + unemployed)/populationX100, in a given group defined by age, gender, etc.
- According to graph 1:
 - Very low participation rates for both genders => 1 out of 3 youth men actually participate in the labour market and 1 out of 4 women
 - Differences between genders (a Greek peculiarity), less pronounced amongst youth (men have higher participation rates)
 - Evolution over time: participation rates decline steadily since 2004, that decline does not seem to accelerate during the recession

Graph 2. Employment rates by gender and age group

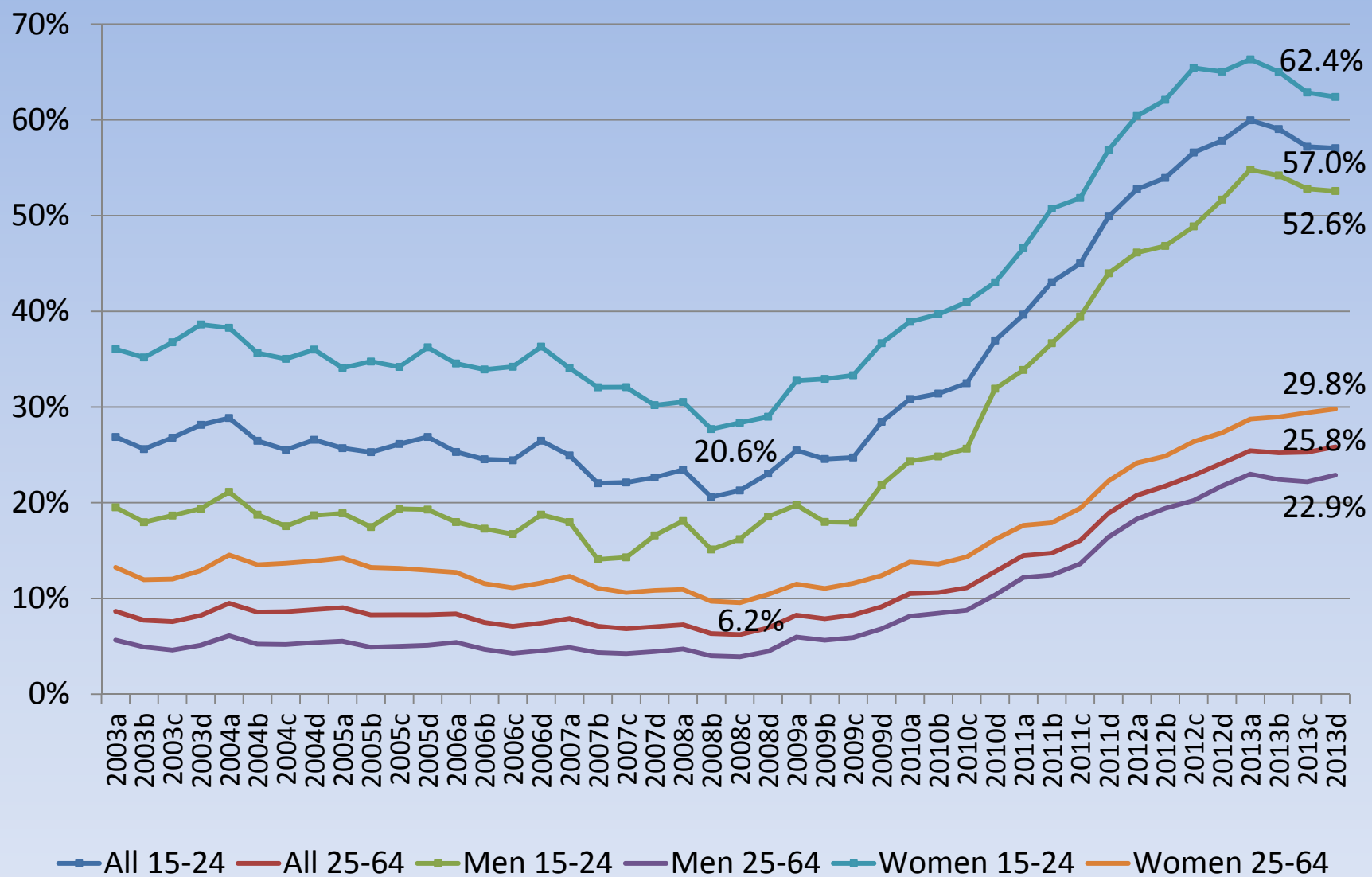


Source: Labour Force Surveys, ELSTAT

Employment rates for youth and non-youth, men and women

- Employment rate = $\text{employed}/\text{population} \times 100$, in a given group defined by age, gender, etc.
- According to graph 2:
 - Very low employment rates for both genders => 1 out of 7 youth men are actually employed and 1 out of 10 women
 - Differences between genders (a Greek peculiarity), less pronounced amongst youth (men have higher employment rates)
 - Evolution over time: employment rates are almost steady until 2008, but decline significantly thereafter due to the recession (closing firms, increased layoffs and limited hires), convergence of employment rates between genders due to faster decreases in male employment rates

Graph 3. Unemployment rates by gender and age group

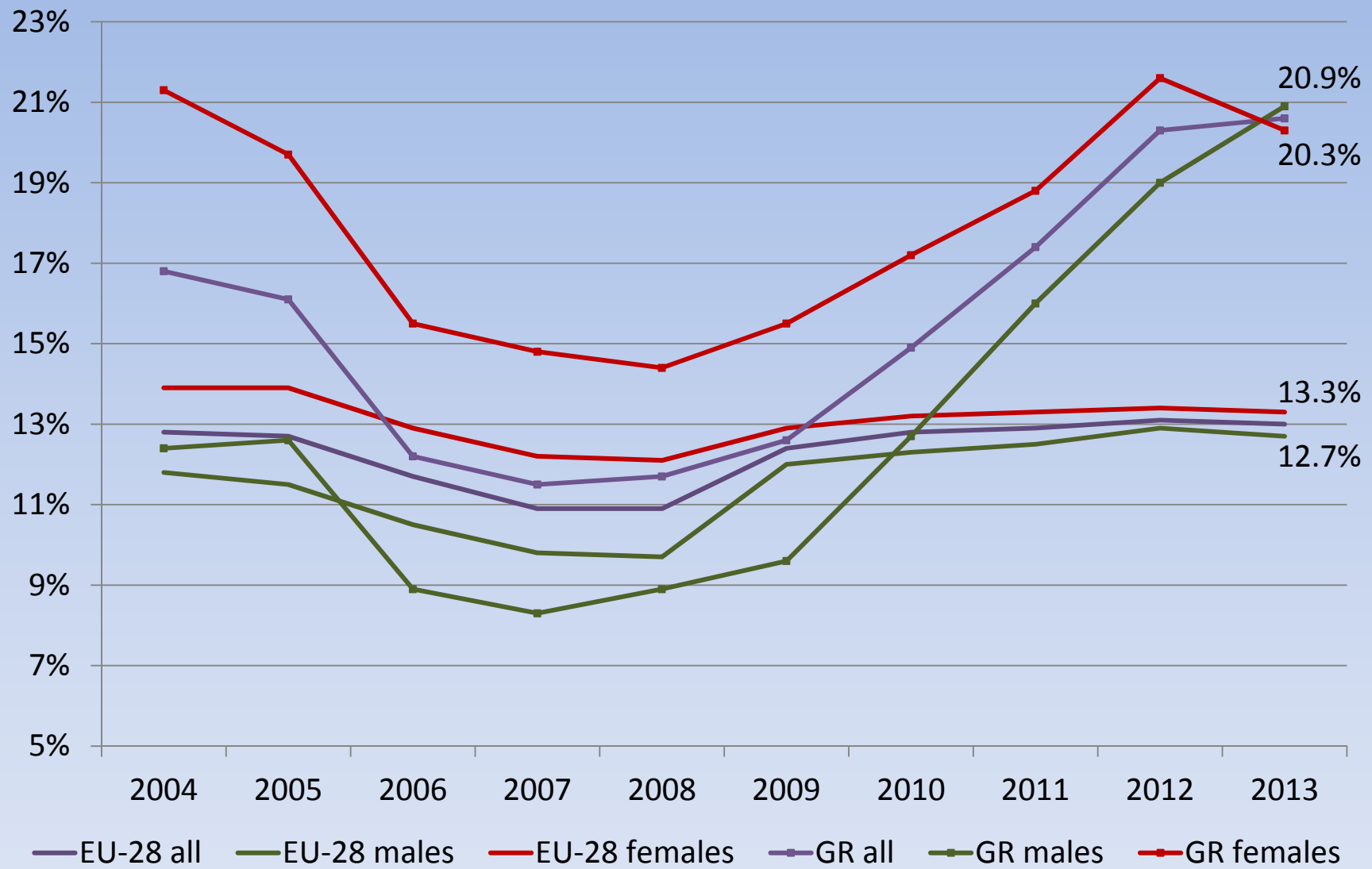


Source: Labour Force Surveys, ELSTAT

Unemployment rates for youth and non-youth, men and women

- Unemployed = those who did not have even an hour of paid employment the week previous to the interview, are actively seeking for work, are available to work within one week from the interview (ILO)
- Unemployment rate = $\frac{\text{unemployed}}{\text{labour force (} = \text{employed} + \text{unemployed)}} \times 100$, in a given group defined by age, gender, etc.
- According to graph 3:
 - Youth have approximately three times higher unemployment rates compared with non-youth => 57% vs. 25.8% in 2013d
 - Note: even before the recession, 1 out of 5 youth was unemployed => look for structural problems (possible mismatch between demand and supply of labour, low quality educational output, etc.)
 - Wide differences between genders (higher unemployment for women) and even wider amongst youth
 - But, the ratio male unemployment/female unemployment fell during the recession for both youth and non-youth, mostly due to a faster increase of unemployed men (sector specific recession impact)
 - Unemployment rates fell until 2008, but increased rapidly thereafter

Graph 4. NEET youth by gender



Source: Labour Force Surveys, Eurostat

Not in Employment, Education or Training (NEET), Greece and EU-28, men and women

- NEET rate = $\text{NEET}/\text{population} \times 100$, in a given group defined by age, gender, etc.
- According to graph 4:
 - Divergence in NEET rates amongst men and women (generally higher for women), especially in Greece => caution should be exercised, since average NEET rates hide important information regarding gender differences
 - The recession led to increased NEET rates (rational, since largest part consists of unemployed), especially for men (issue: why were men struck harder? => maybe due to the faster increase of unemployed men because of the sector specific recession impact)
 - As a result of increasing NEET rates for men in Greece, by the end of 2013 the NEET rate is higher for men (status turnover)
 - Comparing Greece to EU-28 the recession seems to have had a much stronger impact on Greece given that NEET rates were almost identical before the recession, at least on average (lower for men and much higher for women in Greece), but the recession in Greece has been much deeper (size and duration)

Table 1. Number of employed by gender and age group

	2008d	2013d	2008d-2013d (%)
All			
15-24	267.4	128.8	-51.8
15-24 ¹ (%)	6.0	3.6	-
15-24 ² (%)	15.7	14.7	-
25-64	4.202.1	3.405.8	-19.0
15-64	4.475.5	3.538.2	-20.9
Males			
15-24	160.7	78.4	-51.2
25-64	2.541.8	2.030.5	-20.1
15-64	2.708.4	2.112.6	-22.0
Females			
15-24	106.6	50.4	-52.7
25-64	1.660.3	1.375.4	-17.2
15-64	1.772.9	1.429.3	-19.4

Source: Labour Force Surveys, ELSTAT

¹ Share of youth employed to all (15-64) employed, ² Share of youth to all (15-64) population

Employed youth and non-youth, men and women

- Choose period 2008d-2013d to take a closer look at the changes within those employed during the recession
- According to Table 1:
 - The share of employed youth to all employed (15-64) dropped during the recession from 6% to 3.6%, while their share in the respective population dropped by just one percentage point
 - There is an important decrease recorded in the raw number of youth employed during the recession: 51.8%, while the decrease in employed non-youth is below 20% => youth employed were struck harder by the recession
 - There are no important differences in employment changes between genders, but youth female employment declined slightly more than their male counterparts contrary to the case for non-youth (almost 3 percentage points differential)

Table 2. Number of unemployed by gender and age group

	2008d	2013d	2008d-2013d (ratio)
All			
15-24	80.0	171.0	2.1
15-24 ¹ (%)	20.4	12.6	-
25-64	312.1	1.186.1	3.8
15-64	392.1	1.357.1	3.5
Males			
15-24	36.6	87.0	2.4
25-64	118.9	602.6	5.1
15-64	155.5	689.6	4.4
Females			
15-24	43.5	83.8	1.9
25-64	193.1	583.4	3.0
15-64	236.6	667.2	2.8

Source: Labour Force Surveys, ELSTAT

¹ Share of youth unemployed to all (15-64) unemployed

Unemployed youth and non-youth, men and women

- Choose period 2008d-2013d to take a closer look at the changes within those unemployed during the recession
- According to Table 2:
 - The share of unemployed youth to all unemployed (15-64) dropped by 7.8 percentage points during the recession (20.4% -> 12.6%)
 - But the ratio of the raw number of unemployed youth between the two points in time increased by less than the respective ratio for non-youth unemployed (2.1 times vs. 3.8 times)
 - Two points should be noted:
 1. It seems that according to this criteria non-youth were struck harder by the recession
 2. The share of unemployed youth has diminished, because of the faster increase of unemployed non-youth, thus is the focus on youth unemployment justified or should we be more concerned about non-youth unemployed?
 - Unemployed youth men increased by 2.4 times, while unemployed youth women increased by 1.9 times => youth men are struck harder by the recession and the same gender distinction applies to non-youth

Table 3. Flexible types of employment (%)

	2008d	2013d	2008d-2013d
Part-time employment			
15-24	14.1	20.4	-30.5
No full-time employment available	46.4	63.7	-
25-64	4.9	7.9	29.4
No full-time employment available	45.5	67.0	-
Temporary contracts			
15-24	29.2	28.24	-57.7
No permanent employment available	57.6	60.6	-
25-64	10.4	9.17	-29.8
No permanent employment available	73.8	71.5	-

Source: Labour Force Surveys (unpublished data), ELSTAT

Flexible types of employment

- Measures to increase the flexibility of the Greek labour market => allow and promote flexible types of employment, e.g. part-time employment, temporary employment, work in shifts, etc.
- Note: investigate only employees and not other forms of employment (e.g. self-employed)
- Available LFS data for the first two types of employment (part-time and temporary job contracts)
- According to Table 3:
 - Youth are 3 times more likely to work part-time compared with non-youth, while that has not changed during the recession
 - Youth part-time employment increased from 14.1% to 20.4%, but that is mainly due to the large decrease of employment in general, since the raw number of part-time youth declined by 30.5%
 - On the contrary, the raw number of part-time non-youth increased by 29.4% => increased flexibility seems to involve mainly non-youth given also the increase in their share of overall employment, although the increase in the share of those unable to find full-time job is similar
 - Overall, the share of those unable to find full-time job increased => worsening of the labour market perspectives, but the situation seems worse for non-youth (larger increase)

Flexible types of employment (II)

- According to Table 3:
 - Youth are also 3 times more likely to work under temporary job contracts compared with non-youth, while the share decreased somewhat during the recession for both age groups
 - There is a decrease in the raw number of temporary job contracts, probably due to the adaption of the labour market through layoffs instead of lower wages and the fact that temporary contracts involve less constraints => legal obstacles and lower if non remuneration costs
 - On the other hand, new hires are more likely to involve temporary job contracts due to uncertainty of the economic environment, but their number is very limited, thus unable to offset the reduction of temporary employees through layoffs
 - The decrease in temporary job contracts is larger for youth (57.7% vs. 29.8%), which is probably an indication that youth were the first to be laid off from temporary jobs
 - Highlight: a new type of contracts (work in shifts) seems to gain significant share of total employment during the recession: 4.9% in 2009 vs. 9.6% in 2012, according to SEPE (2013)

Table 4. Employment by industry (%)

	15-24			25-64		
	2008d	2013d	2008d-2013d	2008d	2013d	2008d-2013d
Agriculture, etc.	8.2	12.8	-24.1	10.9	13.3	-0.9
Manufacturing	12.3	6.1	-76.3	11.8	9.5	-34.9
Construction	13.0	5.7	-79.0	8.3	4.5	-56.3
Trade, etc.	21.0	19.6	-55.1	18.2	17.7	-21.1
Hotels and restaurants	15.7	22.8	-29.8	6.2	6.5	-15.2
Professional and technical activities	3.8	3.4	-56.9	5.5	5.7	-15.7
Public administration and defence	4.6	8.9	-7.3	8.7	9.6	-10.4
Education	2.5	3.4	-36.6	7.5	8.3	-9.6
Health and social care	2.6	3.8	-30.5	5.3	6.1	-7.0
Other services	4.8	2.9	-71.1	1.8	1.8	-20.9
Total	100.0	100.0	-51.8	100.0	100.0	-19.0

Source: Labour Force Surveys (unpublished data), ELSTAT

Employment by industry for youth and non-youth

- Only selected industries: share of employment larger than 2%
- Marked in red are industries in which youth employment share is larger than non-youth employment share (more youth are employed in those industries)
- According to Table 4:
 - Youth are more often employed in Manufacturing, Construction, Trade etc. (most attractive industry for youth, at least in the last quarter of the year), Hotels and Restaurants, Other Services
 - Notice that most of these industries are severely damaged by the recession (in terms of employment)
 - The concentration of youth is considerably larger than that of non-youth: in 2013d some 55.2% of youth are employed in the largest three industries (size defined in terms of shares of total employment), while the respective share for non-youth is 40.6%
 - In addition, the concentration of youth increased during the recession (used to be lower than 50% in 2008d), while that of non-youth remained almost stable => probably because industries employing more youth were more damaged from the recession
 - Last but not least, Agriculture seems to have managed to retain employment, especially for non-youth

Conclusions

- Youth suffer from the recession: less are employed and many more are looking for a job
- Women do much worse, similar to what is observed for the non-youth: lower participation rates, lower employment rates and higher unemployment rates
- The share of NEETs (not in employment, education or training) has increased significantly during the recession, while male and female rates have converged upwards
- Youth's share of employed has declined, plus only half of them are still employed compared with pre-recession period
- Nevertheless, youth unemployed have increased at a lower rate compared with non-youth unemployed, especially males
- Regarding those who are still employed:
 - the incidence of part-time employment has increased more for youth along with the inability to find full-time job
 - the incidence of temporary work contract remained almost constant
 - in raw numbers both types of employed youth have declined
- Sectors where youth used to be employed more often suffer the greatest losses in terms of employment: manufacturing, construction and trade

Conclusions (II)

- Perhaps the greatest danger facing countries in recession is “brain drain”, because it could deprive them from the necessary human capital to overcome the recession and to grow when the recession is over
- Thus, efforts should focus on providing youth with an appealing alternative to migration and fast
- Current active labour market policies, mainly through subsidised employment schemes, provide only weak and temporary support, which is of course necessary to avoid discouragement and human capital depreciation, but....
- What is needed is more and better jobs for the youth

Thank you for paying attention