

# Labour market institutions and youth unemployment

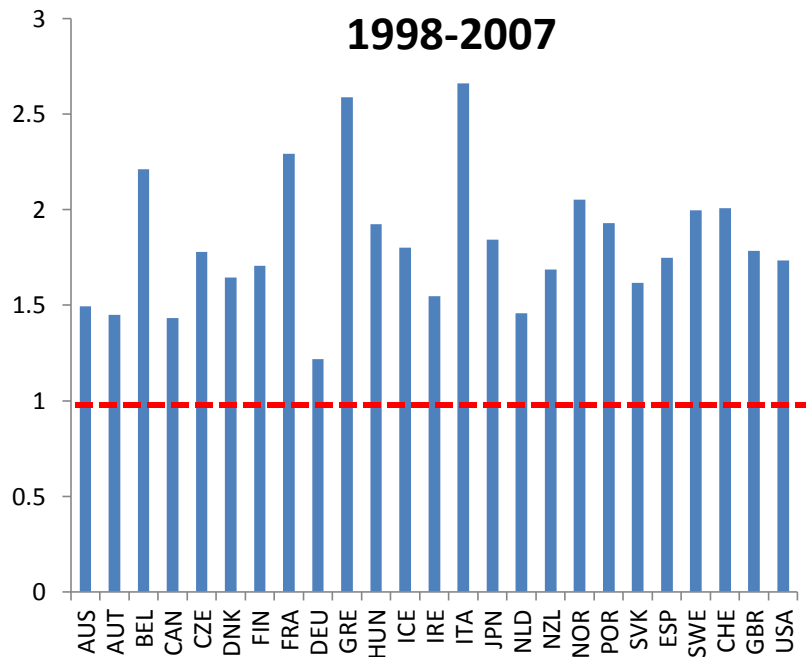
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Conference on Youth Unemployment  
Brussels December 11th, 2013

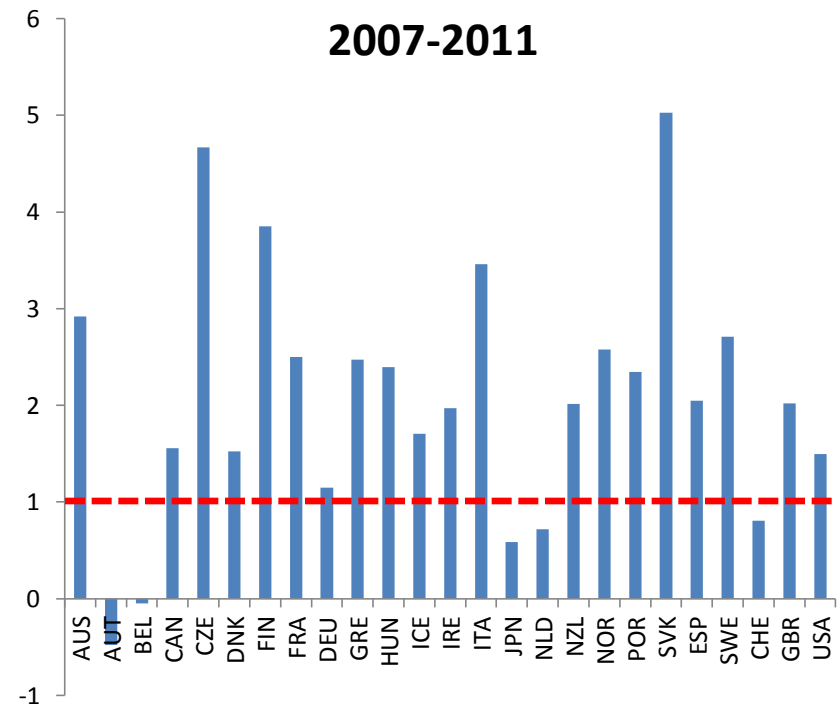
# Youth in the labour market

## Stylized facts

Excess unemployment



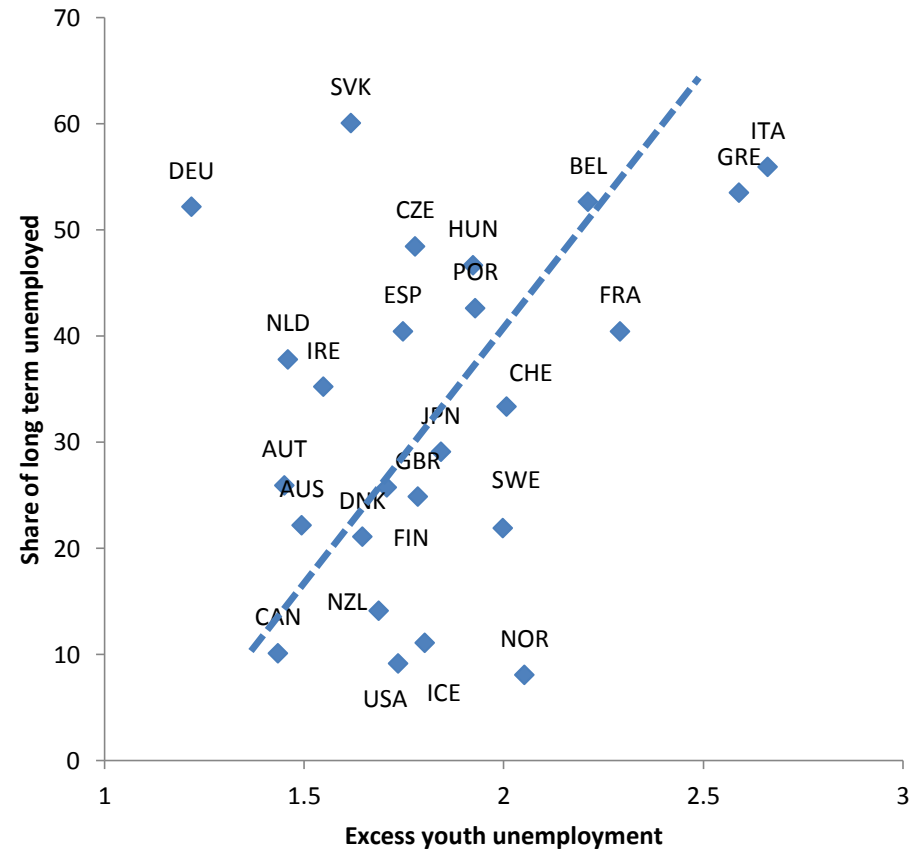
More cyclically sensitive



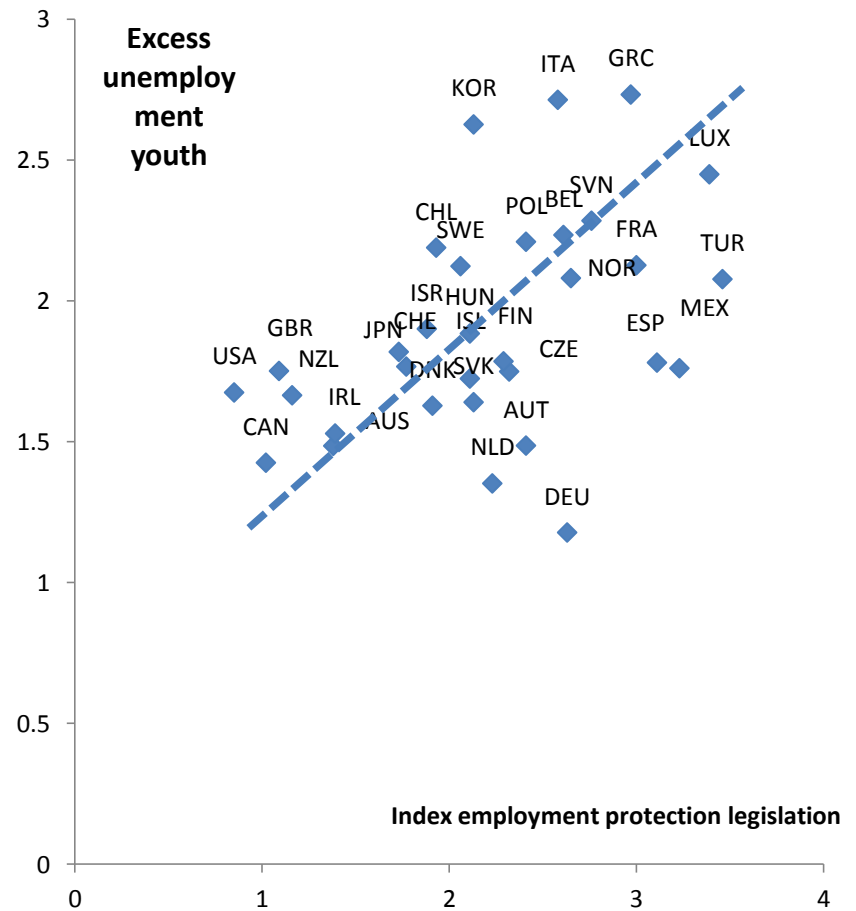
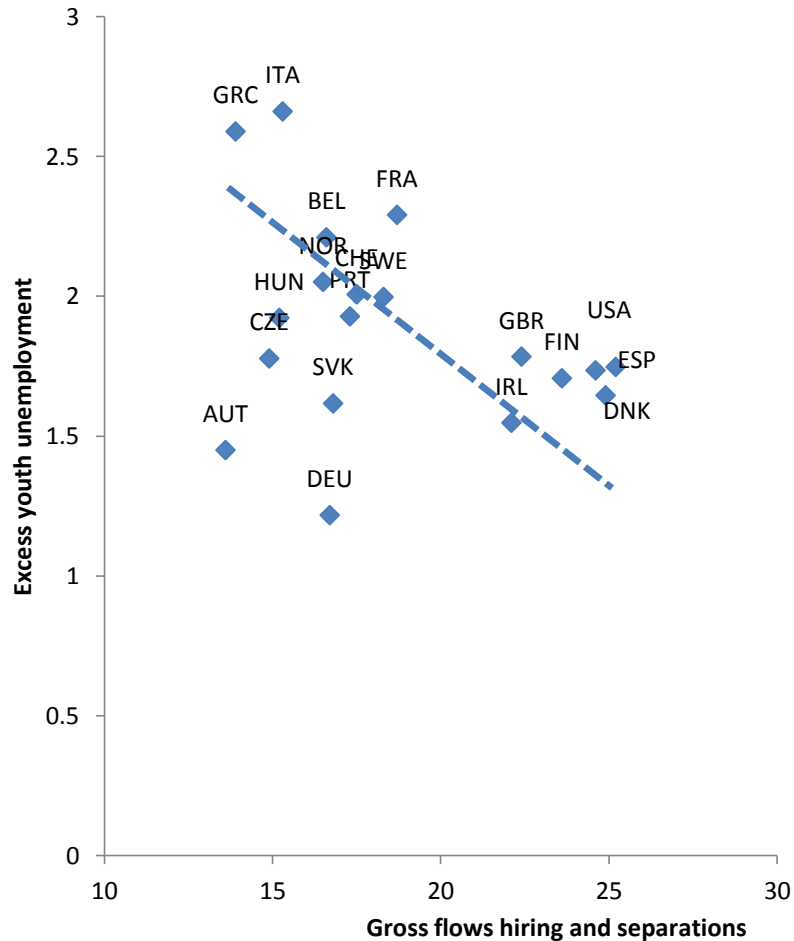
# Policies and institutions matter

## ”Clustering”

- High youth unemployment
- Unemployment concentrated on specific groups
- Long duration of unemployment spells



# Youth unemployment and labour market characteristics

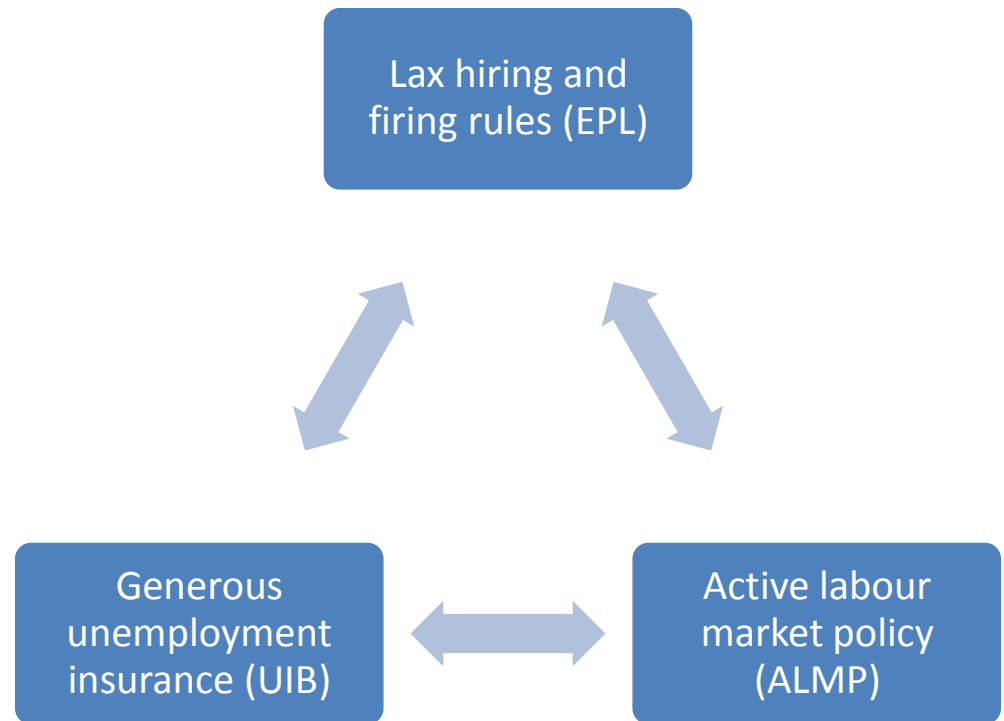


# The Danish flexicurity model

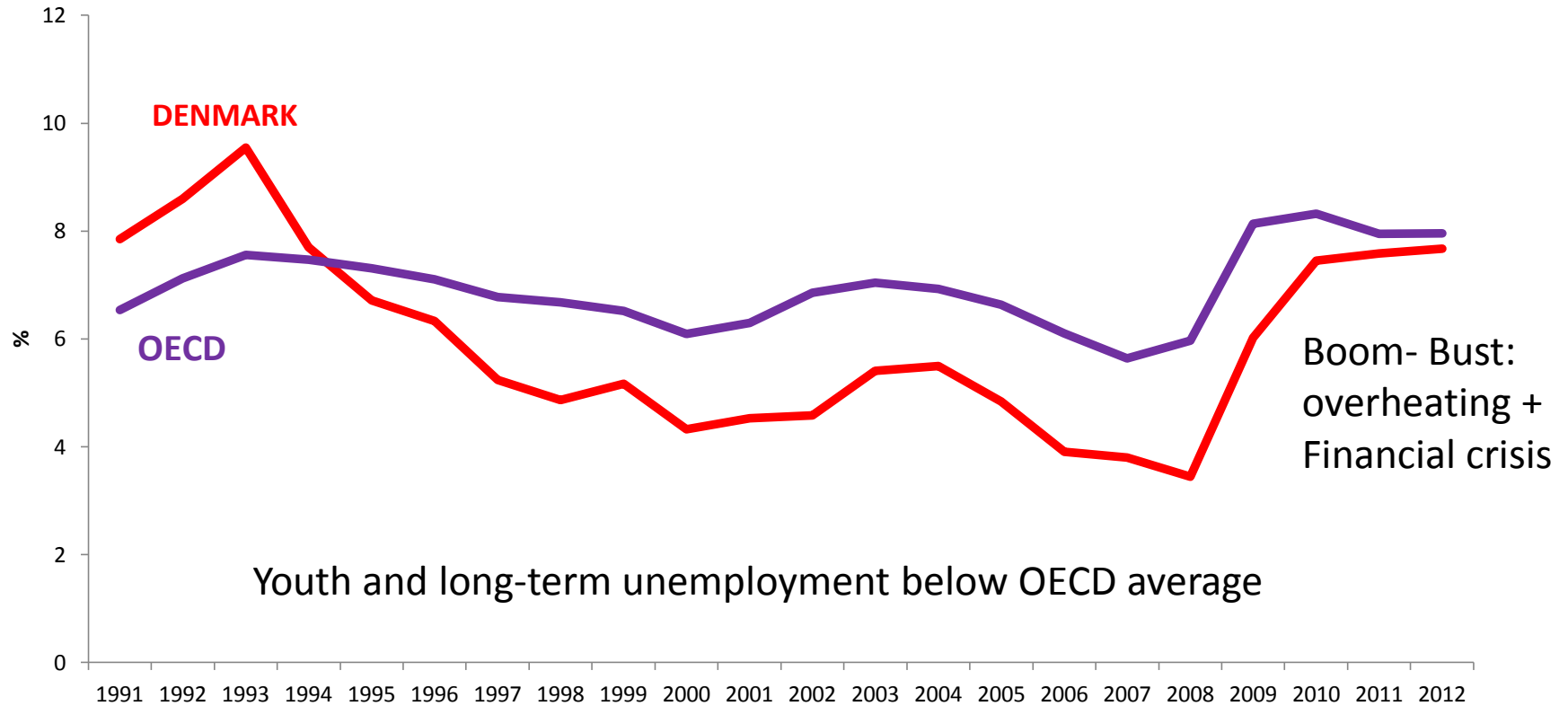
**Combining flexibility and security**

**Maintaining job search incentives**

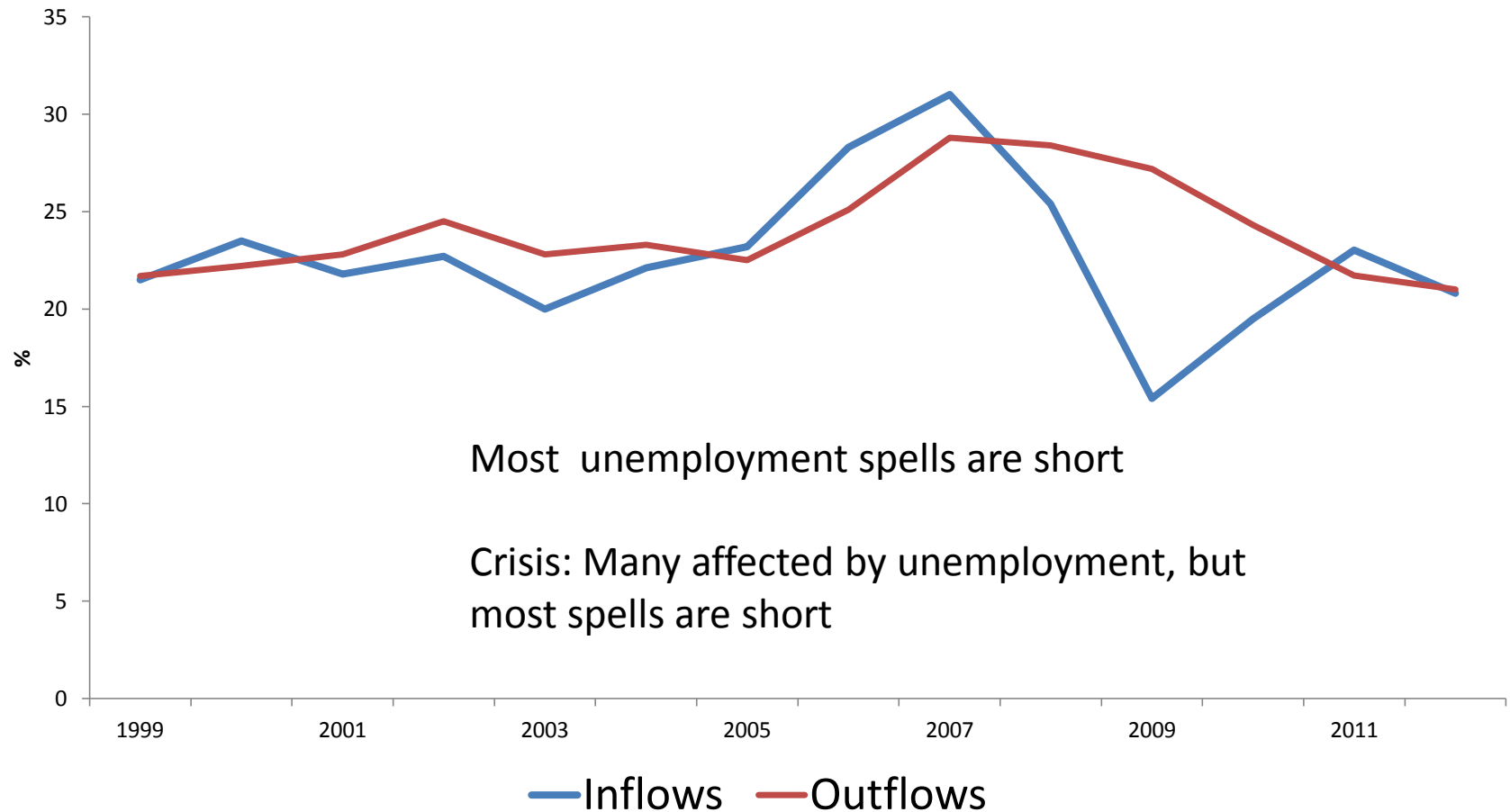
**Maintaining human capital**



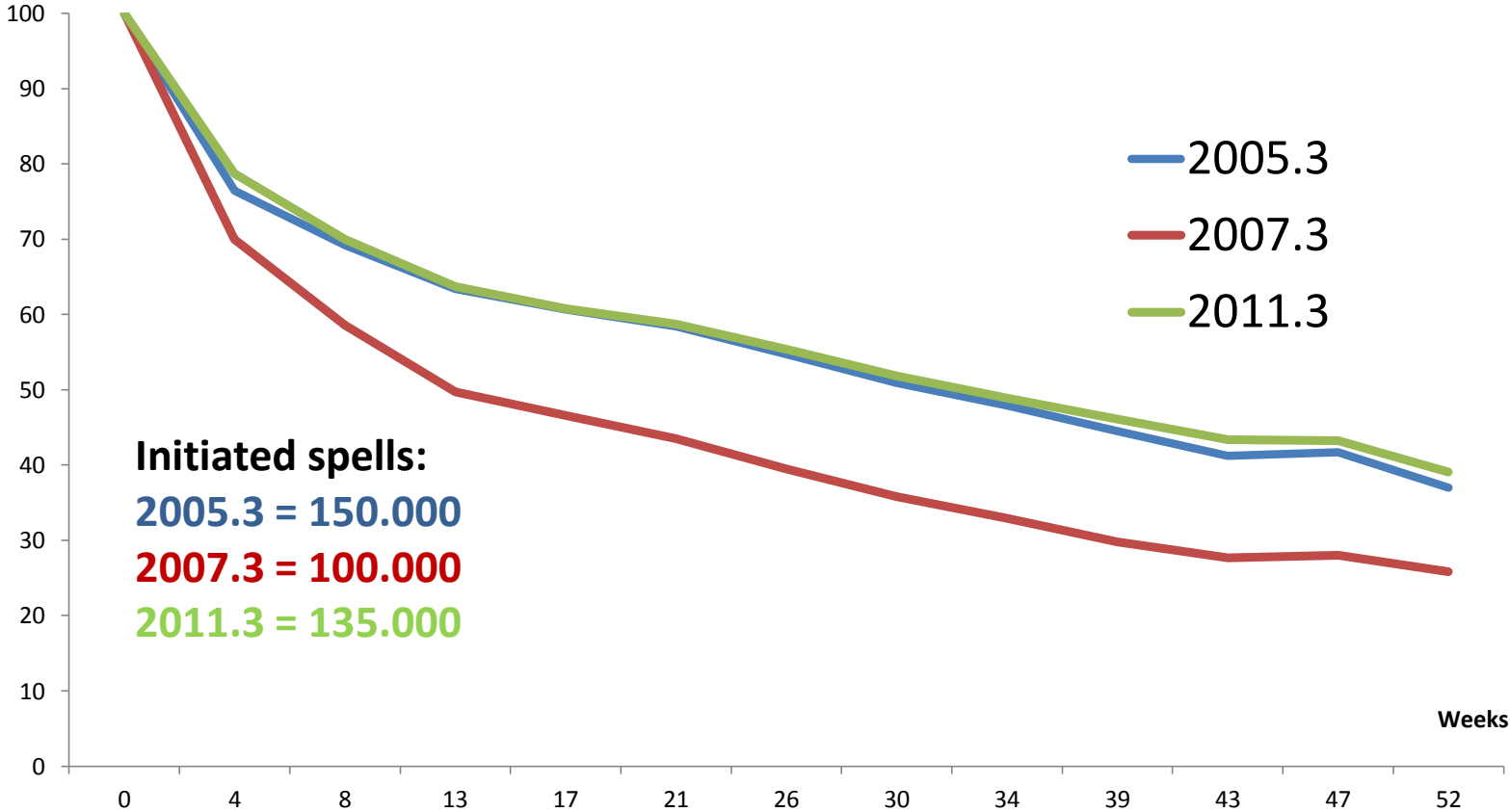
# Unemployment



# High turnover rates in the labour market

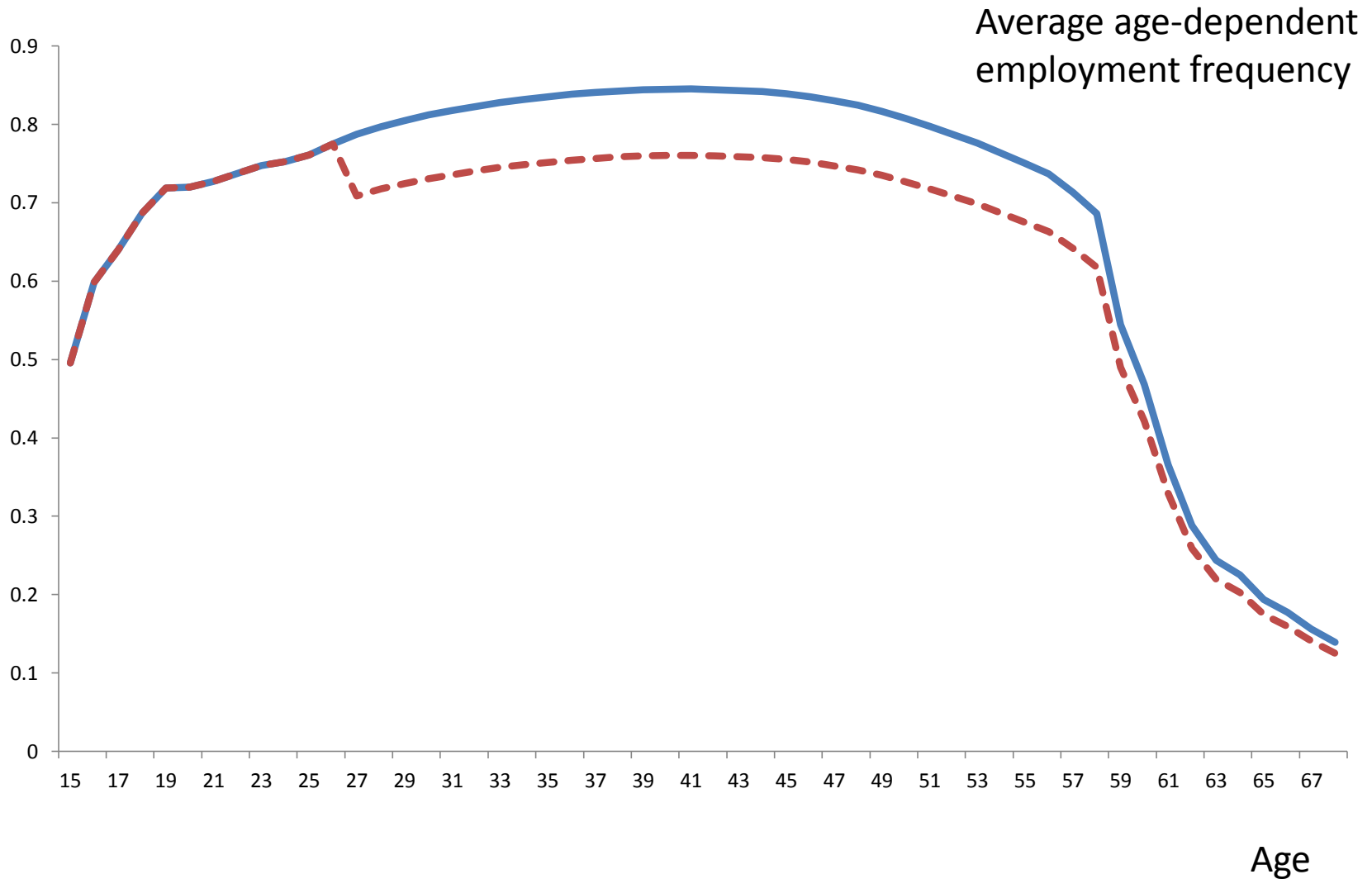


# Survival rate – initiated unemployment spell



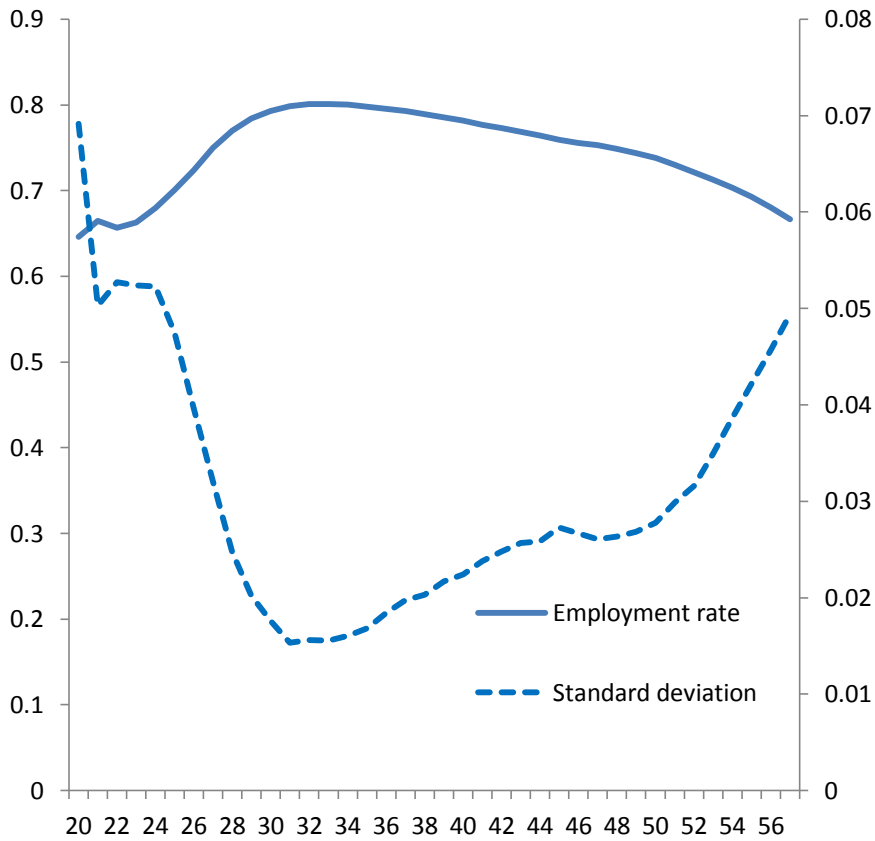


# Lost generations?

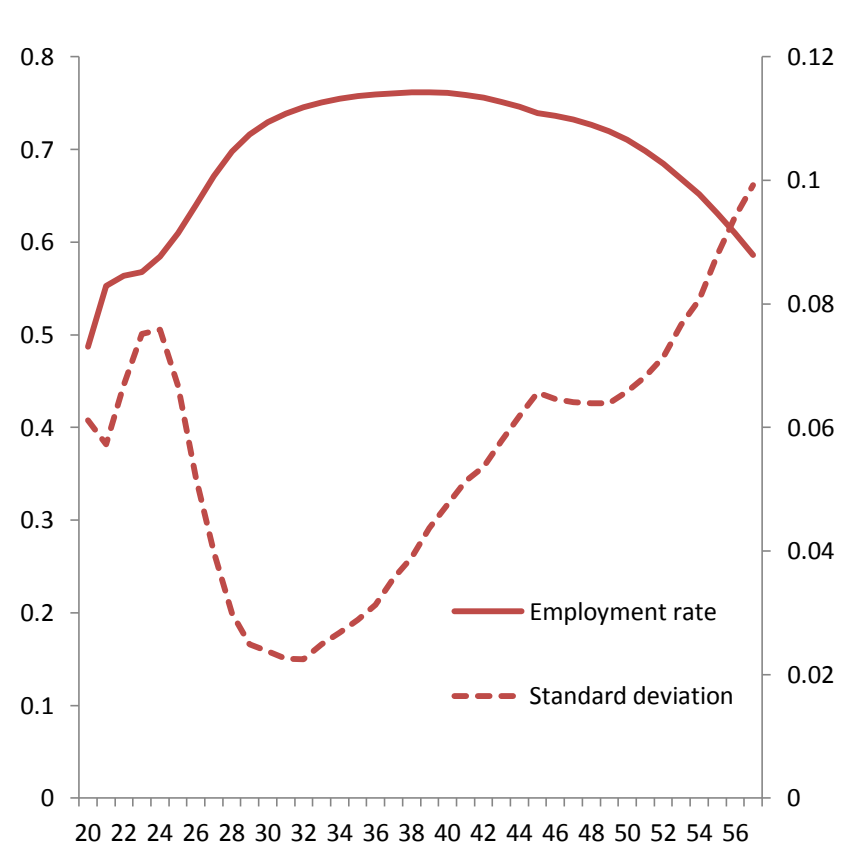


# Employment and age

## Men

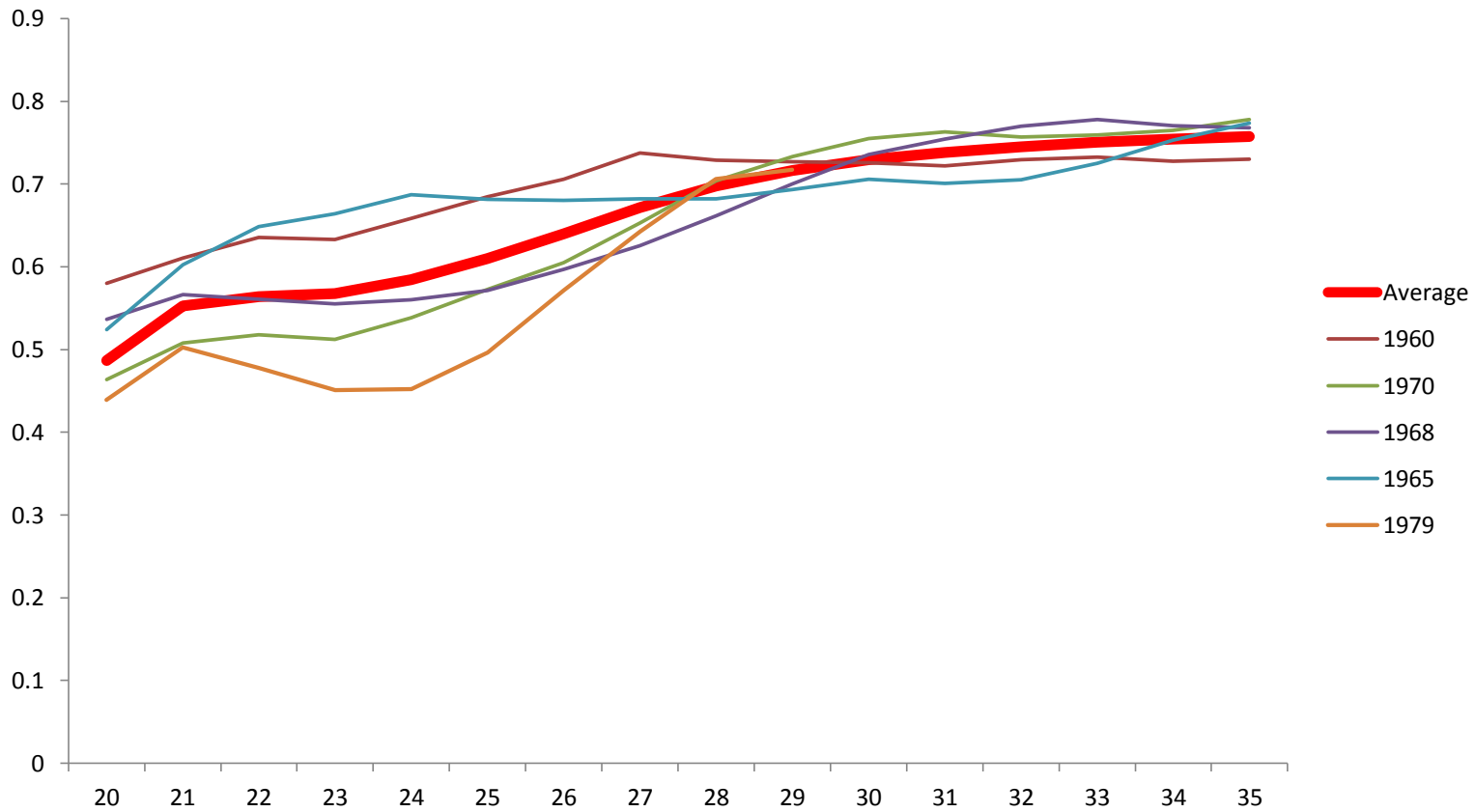


## Women

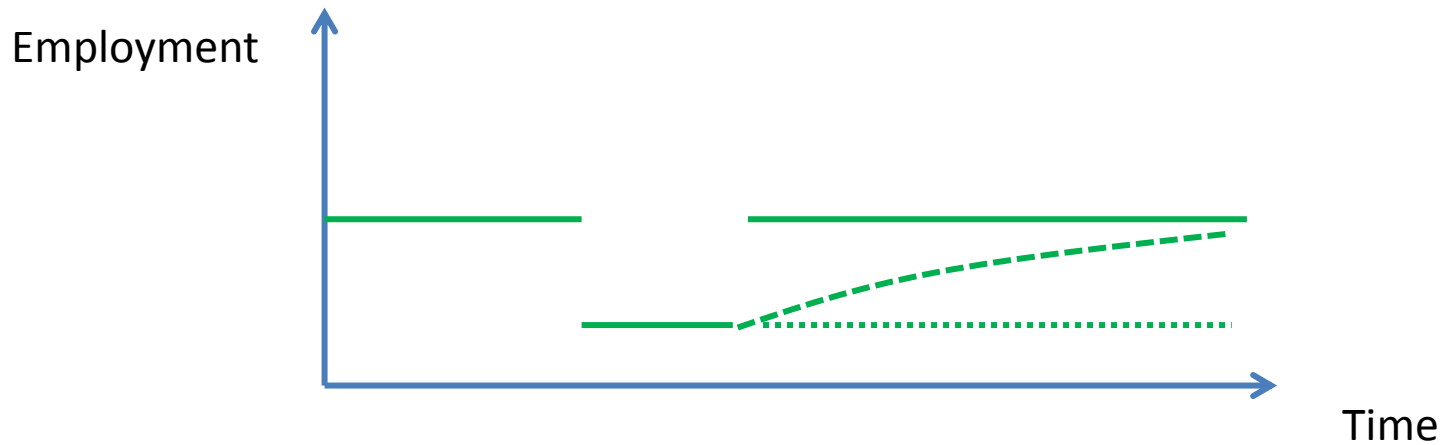
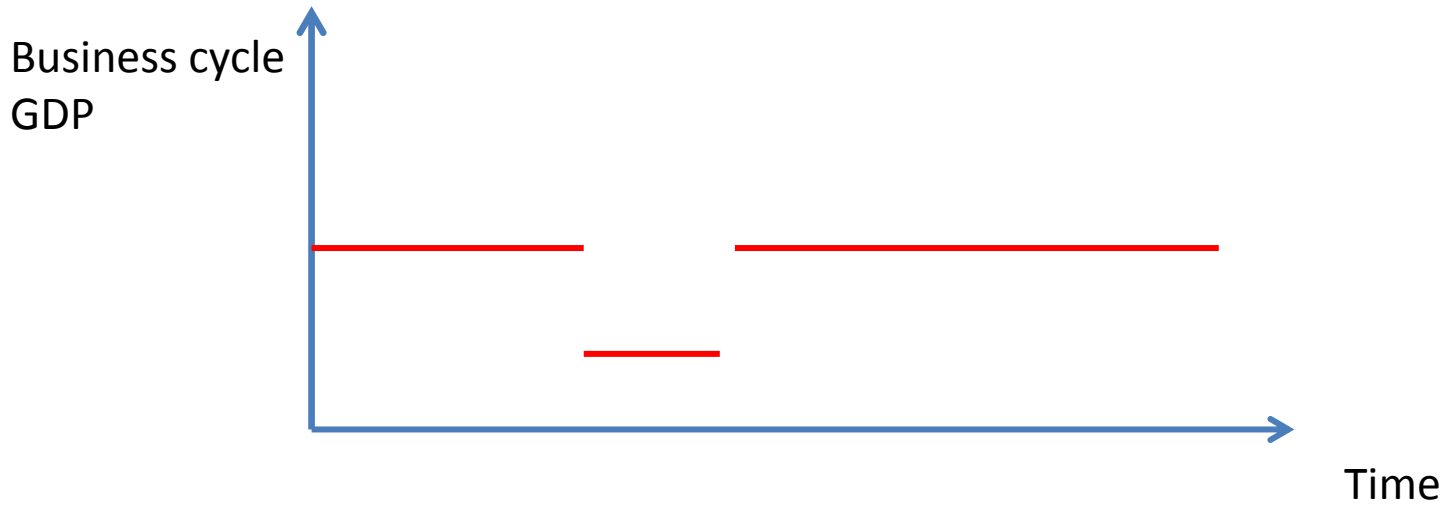


# Employment frequencies

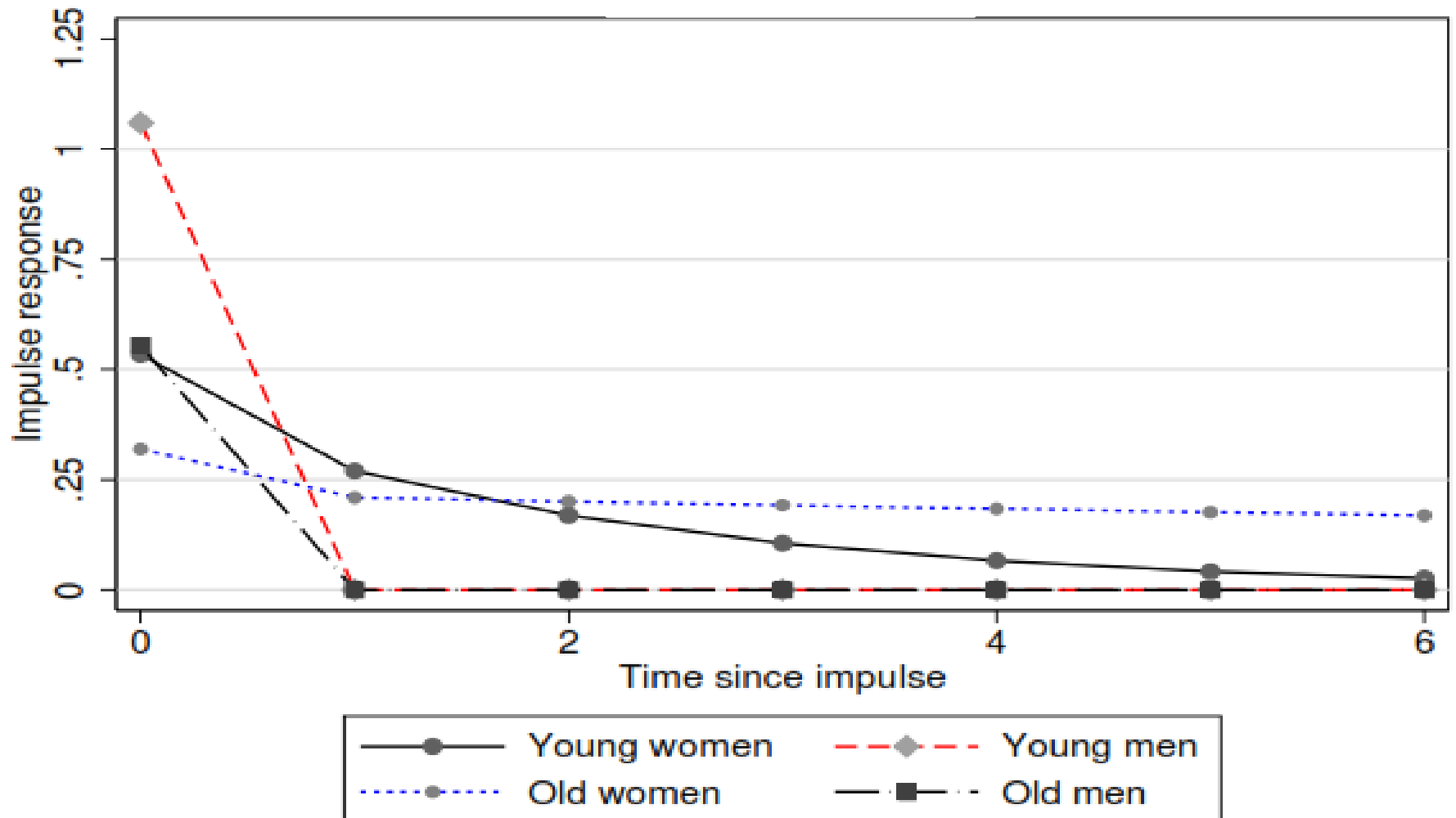
## Women



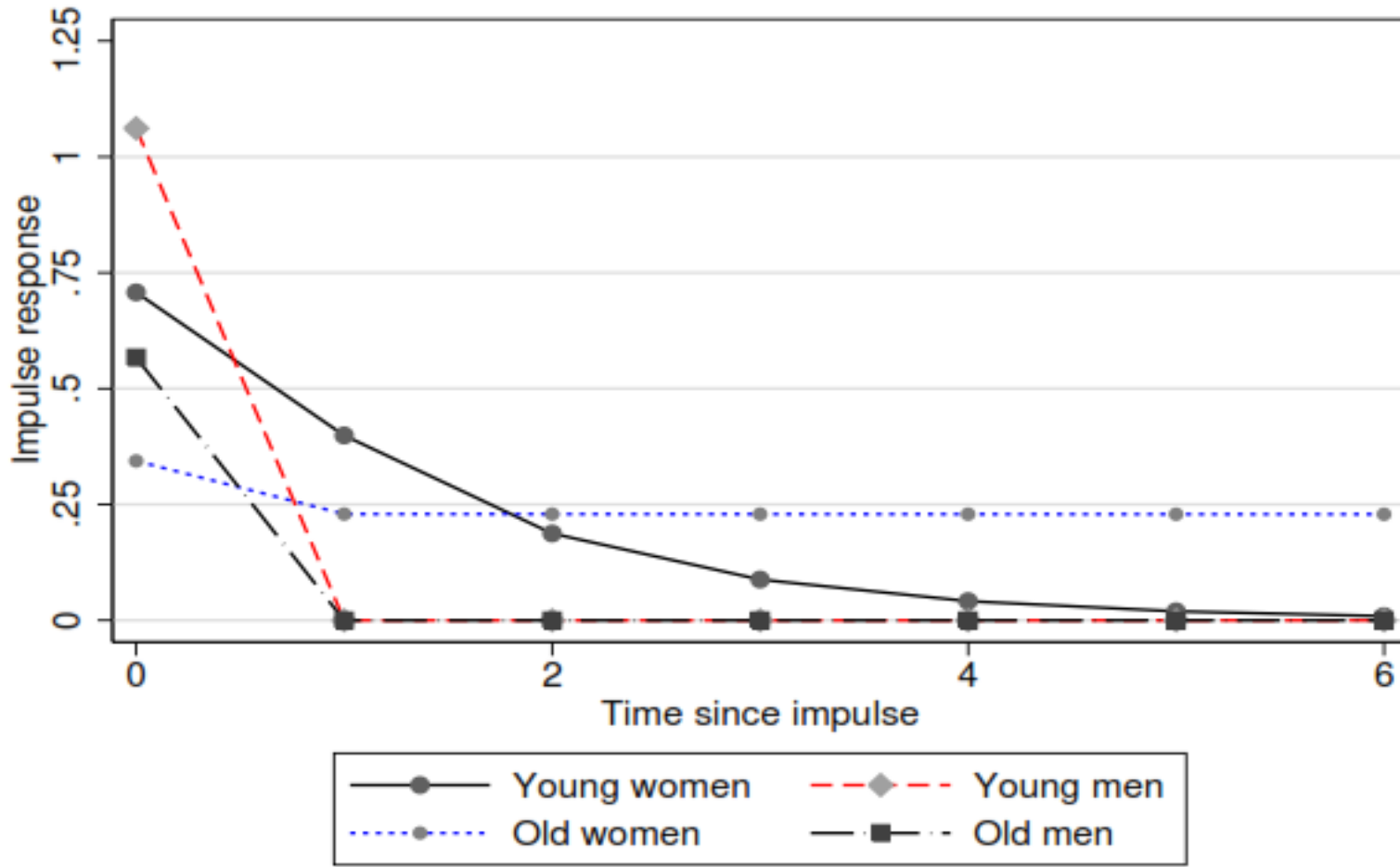
# What is persistence?



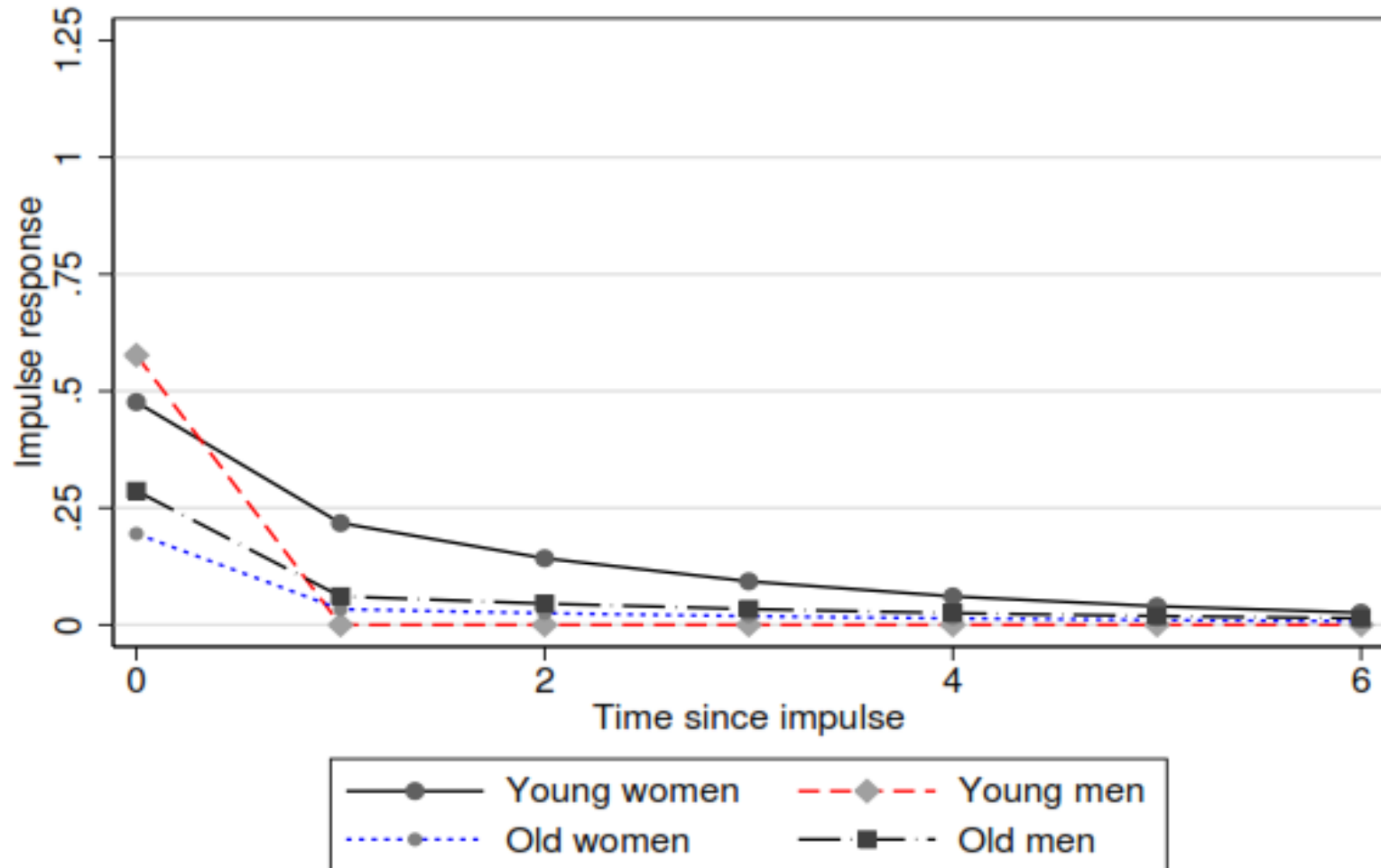
# Low education



# Medium education



# High education



# Policies towards youth

- **”Youth package” 1995**
  - High youth unemployment
  - Declining intake in education
  - Low economic incentive to start study if first entitled to UIB
- **Below the age of 25 years:**
  - Max period on benefits: 6 months
  - Start on education or lower benefits (equal to study grants)

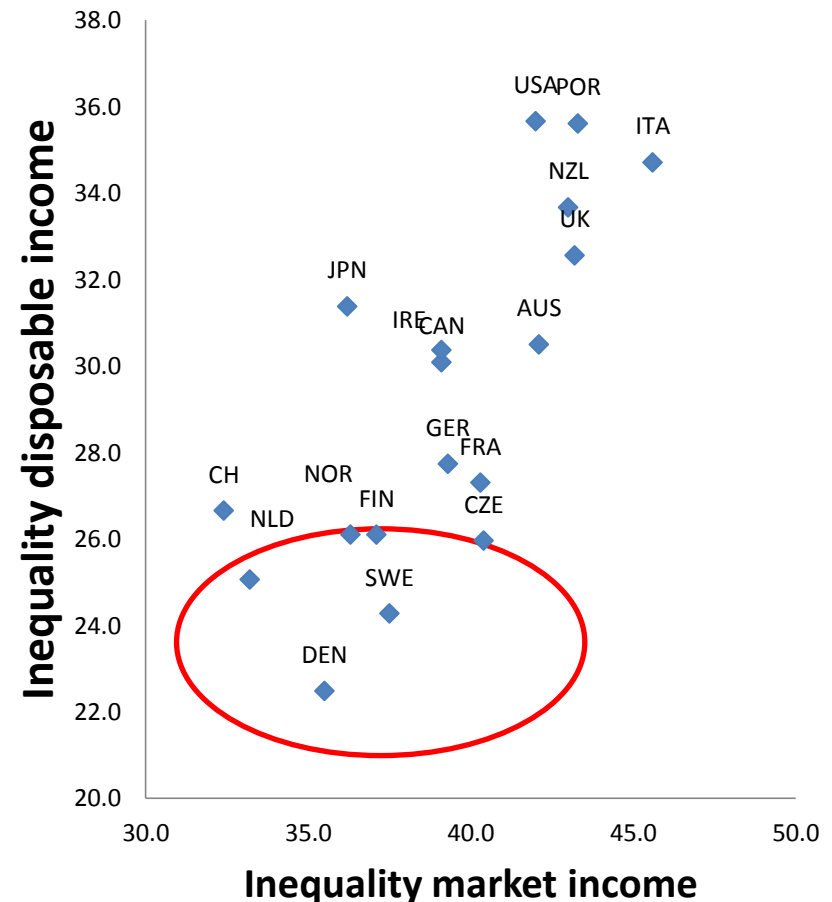


# 2013 reform

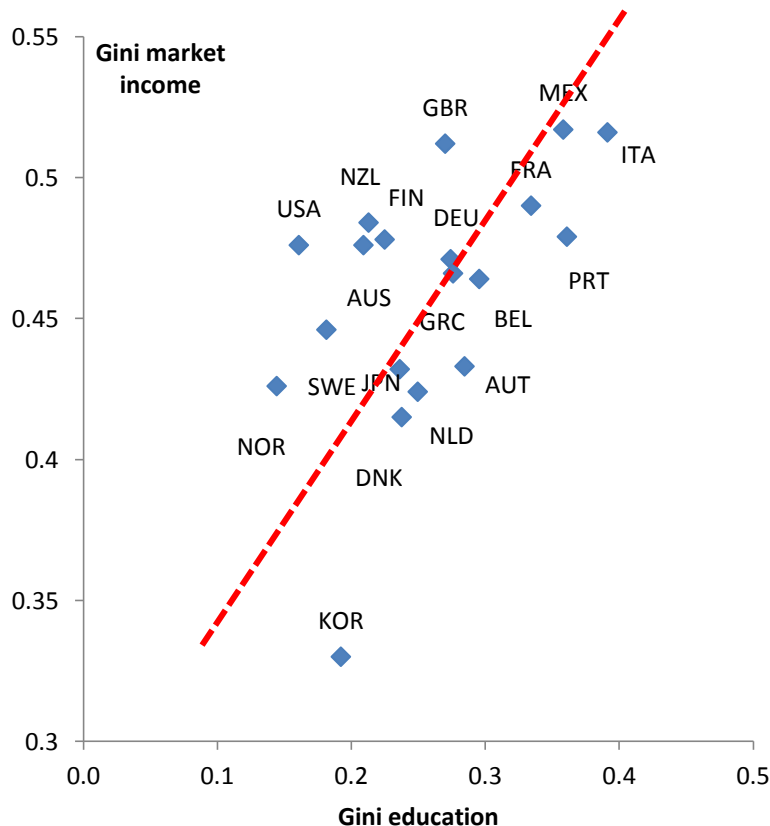
- Age group extended to 30 years
- "Education rather than social assistance"
- Youth without qualifying education
  - No social assistance ("removing disincentives for education")
  - "Education subsidy" (= study grant)
  - Immediate activation/education
  - For individuals with insufficient capacity to start on education:  
Activity to prepare for education
- Youth with qualifying education ("job ready") – entitled to UIB (if member) or social assistance
  - Focus on job active search
  - More clear sanctions

# Do we have to give up on equity?

- The basis for an equal distribution of income is created in the labour market
- Additional redistribution via taxes and transfers
- Education and qualifications are crucial for the labour market and equity (equal opportunities and equal distribution of income)



# Education and the labour market



## Micro evidence:

- **Strong educational gradient**

- Employment
- Wage
- Job security
- Retirement
- Health
- Social participation
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# Conclusion

- Youth excessively exposed to business cycles fluctuations
- Do not necessarily carry permanent costs (“lost generations”)
- Youth unemployment depends on policies and institutions – more flexible labour markets tend to be more “open” to youth
- Policies directed at youth can make a difference
- Equity can be maintained – focus on education