EXCEPT

Could labour market policies protect unemployed youth from poverty? Multilevel analysis for EU countries

Małgorzata Kłobuszewska, IBE
Jędrzej Stasiowski, IBE

SOCIAL EXCLUSION OF YOUTH IN EUROPE:
Cumulative Disadvantge, Coping Strategies, Effective Policies and Transfer

Labour market exclusion of youth and early job insecurity:

- Health and well-being
- Autonomy
- **Short-, medium- and long-term socio-economic consequences**
  - Lower income
  - Lower future earnings (scarring effect)
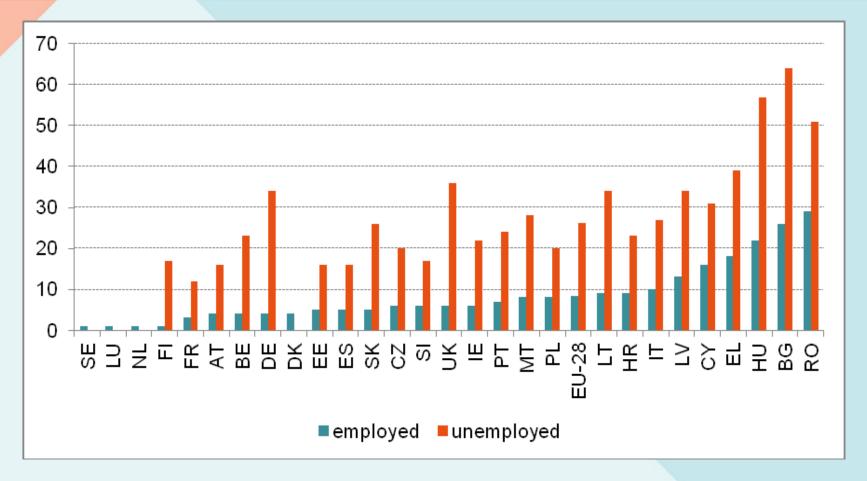 - Higher risk of unemployment spells in future

Early experience of poverty and unemployment influences:

- Physical health (Lahelma, Kangas, & Manderbacka, 1995)
- Well-being and mental health (Paul & Moser, 2009)
- Further career and earnings (Becker & Hills, 1980; Arulampalam, 2001; Gregg & Tominey, 2005)

Moderating role of labour market policies

- More generous welfare states - lower risk of poverty (Brady, 2009)
- Labour market policies and institutions – recovery from unemployment, well-being (Gangl, 2006; Wulfgramm, 2014)

Young people living in severely deprived households by employment status (2013/2014, %)

Source: (Rokicka & Kłobuszewska, 2016), calculations based on EU-SILC cross-sectional UDB 2014-1
.Notes: Information for unemployed from SE, NL, LU, DK omitted due to small sample size;

Hypotheses

- Differences in countries economic situation and labour market policies 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.

- EU-SILC 2013, Cross-sectional + macro level data from EUROSTAT

- Youth aged 18-29, not in education

- Unemployed vs. employed

- Multilevel modelling with random intercept (xtmelogit and xtmixed in Stata)

Measures of socio-economic consequences

Objective, household perspective

- **Risk of poverty** Being under 60% of median HH yearly income after tax and transfer

Subjective, household perspective

- **Satisfaction with financial situation** – takes value from 0 (not at all satisfied with financial situation) to 10 (completely satisfied). It refers to the respondent's opinion/feeling about the degree of satisfaction with the financial situation of his/her household.

Subjective, individual perspective

- **Exclusion from social life for financial reasons.** Get-together with friends/family (relatives) for a drink/meal at least once a month. Regularly participate in a leisure activity. Spend a small amount of money each week on yourself

Independent variables

- Main labour market status in income reference period
- Educational level
- Gender
- Migration status
- Living with parents in the same household
- Living with own children in the same household
- Living with partner/spouse in the same household
- Household work intensity status (hx040)

- Unemployment rate 2012
- GDP per capita 2012
- Expenditures on active LMP per person wanting to work (% GDP per capita)
- Expenditures on passive LMP per person wanting to work (% GDP per capita)

Model 1. Risk of poverty

	(a)	(b)	(c)
Unemployed = 1	0.317***	0.318***	0.919***
	(0.052)	(0.052)	(0.110)
GDP pc 2012		-7.71e-06	-7.41e-06
		(8.85e-06)	(8.92e-06)
Unemployment rate 2012		-0.034	-0.0337
		(0.038)	(0.0381)
Exp. on passive policies		-4.369*	-2.921
		(1.961)	(1.995)
Exp. on active policies		-1.926	-0.727
		(3.885)	(3.944)
Unemployed x Exp. on passive policies			-3.594***
			(0.725)
Unemployed x Exp. on active policies			-3.652***
			(1.307)
LR	-8912.876	-8908.162	-8888.057
Country level variance	0.43 (0.128)	0.292 (0.088)	0.297 (0.090)
Observations	32,864	32,864	32,864
Number of groups	25	25	25

Model 2. Satisfaction with financial situation

	(a)	(b)	(c)
Unemployed = 1	-0.961***	-0.959***	-1.396***
	(0.050)	(0.050)	(0.102)
GDP pc 2012		1.74e-05*	1.70e-05*
		(7.75e-06)	(7.82e-06)
Unemployment rate 2012		-0.094**	-0.096**
		(0.033)	(0.034)
Exp. on passive policies		-0.929	-1.666
		(1.708)	(1.728)
Exp. on active policies		6.874*	7.257*
		(3.387)	(3.427)
Unemployed x Exp. on passive policies			4.629***
			(0.698)
Unemployed x Exp. on active policies			-1.004
			(1.271)
LR	-42213.583	-42200.463	-42178.014
Country level variance	0.657 (0.188)	0.226 (0.066)	0.231 (0.067)
Observations	19,575	19,575	19,575
Number of groups	25	25	25

Model 3. Exclusion from social life for financial reasons

	(a)	(b)	(c)
Unemployed = 1	0.990***	0.989***	1.182***
	(0.046)	(0.046)	(0.095)
GDP pc 2012		-4.36e-05***	-4.36e-05***
		(1.19e-05)	(1.20e-05)
Unemployment rate 2012		-0.021	-0.0210
		(0.052)	(0.052)
Exp. on passive policies		-1.078	-0.561
		(2.673)	(2.697)
Exp. on active policies		-1.072	-1.176
		(5.799)	(5.849)
Unemployed x Exp. on passive policies			-1.854**
			(0.623)
Unemployed x Exp. on active policies			0.182
			(1.300)
LR	-11745.062	-11737.105	-11732.418
Country level variance	1.067 (0.327)	0.512 (0.159)	0.519 (0.161)
Observations	26,672	26,672	26,672
Number of groups	22	22	22

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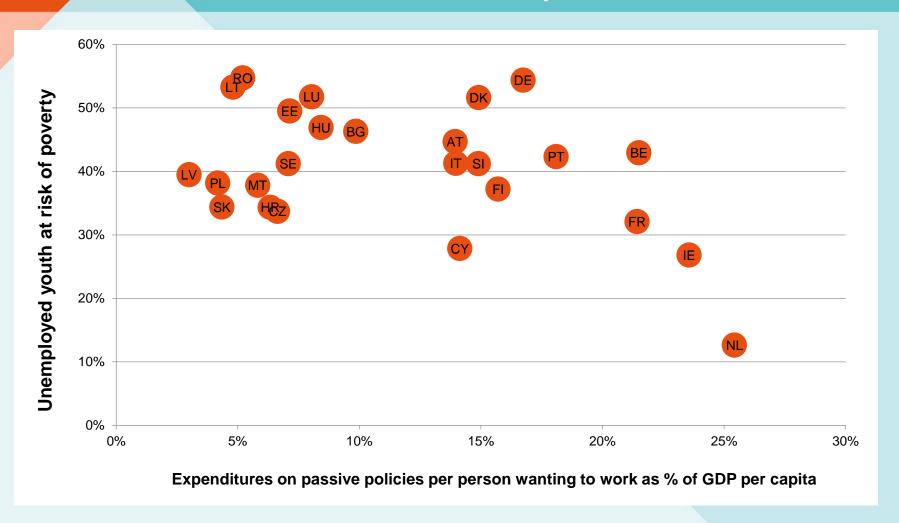
m.klobuszewska@ibe.edu.pl

j.stasiowski@ibe.edu.pl

	Model 1. Risk of poverty		
	(1)	(2)	(3)
Unemployed = 1	0.317***	0.318***	0.919***
	(0.052)	(0.052)	(0.110)
Education: at least lower secondary	0.774***	0.774***	0.783***
	(0.047)	(0.047)	(0.0472)
Education: tertiary	-0.962***	-0.961***	-0.965***
	(0.064)	(0.064)	(0.0638)
Woman = 1	0.149***	0.150***	0.147***
	(0.041)	(0.041)	(0.0412)
Born abroad = 1	0.700***	0.706***	0.693***
	(0.072)	(0.072)	(0.0718)
Lives with child = 1	0.176**	0.174**	0.180***
	(0.063)	(0.063)	(0.0626)
Lives with partner/spouse = 1	-0.682***	-0.682***	-0.692***
	(0.068)	(0.068)	(0.0677)
Lives with parent = 1	-1.114***	-1.117***	-1.126***
	(0.060)	(0.060)	(0.0599)
Household work intensity status	-4.187***	-4.189***	-4.227***
	(0.088)	(0.088)	(0.0883)
GDP pc 2012		-7.71e-06	-7.41e-06
		(8.85e-06)	(8.92e-06)
Unemployment rate 2012		-0.034	-0.0337
		(0.038)	(0.0381)
Exp. on passive policies		-4.369*	-2.921
		(1.961)	(1.995)
Exp. on active policies		-1.926	-0.727
		(3.885)	(3.944)
Unemployed x Exp. on passive policies			-3.594***
			(0.725)
Unemployed x Exp. on active policies			-3.652***
			(1.307)
Constant	1.096***	2.249***	2.042***
	(0.158)	(0.545)	(0.550)
LR	-8912.876	-8908.162	-8888.057
Country level variance	0.43 (0.128)	0.292 (0.088)	0.297 (0.090)
Observations	32,864	32,864	32,864
Number of groups	25	25	25

Model 2. Satisfaction with financial situation			
	(1)	(2)	(3)
Unemployed = 1	-0.961***	-0.959***	-1.396***
	(0.050)	(0.050)	(0.102)
Education: at least lower secondary	-0.669***	-0.669***	-0.673***
	(0.046)	(0.046)	(0.046)
Education: tertiary	0.611***	0.611***	0.611***
	(0.036)	(0.036)	(0.036)
Woman = 1	-0.03	-0.03	-0.023
	(0.031)	(0.031)	(0.031)
Born abroad = 1	-0.243***	-0.250***	-0.241***
	(0.065)	(0.065)	(0.065)
Lives with child = 1	-0.291***	-0.289***	-0.295***
	(0.044)	(0.044)	(0.044)
Lives with partner/spouse = 1	0.462***	0.461***	0.469***
	(0.043)	(0.043)	(0.043)
Lives with parent = 1	0.454***	0.456***	0.458***
	(0.043)	(0.043)	(0.043)
Household work intensity status	0.502***	0.502***	0.509***
	(0.025)	(0.025)	(0.025)
GDP pc 2012		1.74e-05*	1.70e-05*
		(7.75e-06)	(7.82e-06)
Unemployment rate 2012		-0.094**	-0.096**
		(0.033)	(0.034)
Exp. on passive policies		-0.929	-1.666
		(1.708)	(1.728)
Exp. on active policies		6.874*	7.257*
		(3.387)	(3.427)
Unemployed x Exp. on passive policies			4.629***
			(0.698)
Unemployed x Exp. on active policies			-1.004
			(1.271)
Constant	4.210***	4.406***	4.467***
	(0.189)	(0.481)	(0.485)
LR	-42213.583	-42200.463	-42178.014
Country level variance	0.657 (0.188)	0.226 (0.066)	0.231 (0.067)
Observations	19,575	19,575	19,575
Number of groups	25	25	25

Model 3. Exclusion from social life for financial reasons			
	(1)	(2)	(3)
Unemployed = 1	0.990***	0.989***	1.182***
	(0.046)	(0.046)	(0.095)
Education: at least lower secondary	0.698***	0.698***	0.700***
	(0.044)	(0.044)	(0.044)
Education: tertiary	-0.829***	-0.828***	-0.828***
	(0.045)	(0.045)	(0.045)
Woman = 1	0.192***	0.192***	0.191***
	(0.034)	(0.034)	(0.034)
Born abroad = 1	0.480***	0.488***	0.478***
	(0.068)	(0.069)	(0.068)
Lives with child = 1	0.429***	0.429***	0.431***
	(0.053)	(0.053)	(0.053)
Lives with partner/spouse = 1	-0.098	-0.098	-0.101
	(0.057)	(0.057)	(0.057)
Lives with parent = 1	-0.396***	-0.397***	-0.397***
	(0.051)	(0.051)	(0.0511)
Household work intensity status	-0.503***	-0.503***	-0.508***
	(0.026)	(0.026)	(0.026)
GDP pc 2012		-4.36e-05***	-4.36e-05***
		(1.19e-05)	(1.20e-05)
Unemployment rate 2012		-0.021	-0.0210
		(0.052)	(0.052)
Exp. on passive policies		-1.078	-0.561
		(2.673)	(2.697)
Exp. on active policies		-1.072	-1.176
		(5.799)	(5.849)
Unemployed x Exp. on passive policies			-1.854**
			(0.623)
Unemployed x Exp. on active policies			0.182
			(1.300)
Constant	-0.010	1.448	1.414
	(0.242)	(0.778)	(0.784)
LR	-11745.062	-11737.105	-11732.418
Country level variance	1.067 (0.327)	0.512 (0.159)	0.519 (0.161)
Observations	26,672	26,672	26,672
Number of groups	22	22	22

Labour market policies as a protective factor?

Source: Own calculations based on EU-SILC 2013 and Eurostat