

Decomposition of trends in youth unemployment – the role of job accessions and separations in countries with different employment protection regimes

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Non-Technical Summary

The paper looks at the drivers of youth unemployment in Poland and Spain. These two countries stand out with youth marginalised labour market position but differ when it comes to employment protection regimes.

We decompose the trends in unemployment rates in 1990-2011. We disentangle the role of prolonging job search and the impact of dismissals. The contribution of these two factors, job finding and separation rates, to the changes in unemployment rates is compared between youth and the reference group of prime-age workers.

We show that:

- in both countries, youth had actually higher chances of finding jobs than the prime-age workers during last two decades
- yet, the probability of job separation among youth was persistently higher
- youth job separation risk reacted to recessions much stronger than the prime-age group risk
- in Poland the disparity between the impact of job dismissals on changes in unemployment rates among young and prime-age men is relatively lower than in Spain
- differential employment protection regimes likely to explain those differences

Summing up, although both Poland and Spain are characterised by labour markets with high unemployment, the position of youth on these labour markets is very different:

- Spain, arguably due to its specific employment legislation regime with “flexibility at the margin”, channels the unemployment risk to the group of young (male) workers
- in Poland, the labour law legislation does not imply such a large divergence in employment protection between different group of workers as in Spain, hence the gap in job (in)security is less pronounced.

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