

Youth Unemployment and Financial Crises: A Systemic Literature Review

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ABSTRACT

Youth unemployment is a topic that needs more attention when considering a country's economic structure. As a result, researchers worldwide are intrigued by the opportunity to delve deeper into this subject, particularly in the aftermath of financial crises. The primary focus of this study is to examine previous research on youth unemployment and identify potential avenues for further investigation. The objective is to provide a comprehensive overview of the youth unemployment research landscape using the PRISMA Protocol to evaluate the performance of scholarly articles and identify themes that warrant exploration within the realm of youth unemployment. The research data encompassed metadata sourced from Scopus, Google Scholar, and Crossref databases spanning the years 2012 to 2015. All relevant information was exported in the Research Information System (RIS) format and subsequently analyzed employing VOSViewer software. A total of 2,012 article metadata were successfully compiled. The analysis results reveal that the interplay between youth unemployment, the impact on the youth labor market, and the financial crisis constituted the predominant focus between 2012 and 2015. Research regarding youth unemployment and financial crises exhibits vast potential, including female participation, policy and institutional considerations, and macroeconomic conditions. This study can serve as a point of reference for other researchers interested in exploring the subject of youth unemployment.

Keywords: Youth Unemployment, Labour Market, Financial Crisis, Prisma

1. INTRODUCTION

Since the Great Depression of 1929-1939, the global economy has experienced frequent crises. One notable crisis occurred in Asia in 1997, leading to currency depreciation in countries like Thailand, Malaysia, South Korea, and Indonesia. The crisis originated with the collapse of the Thai currency and rapidly spread to other Asian nations. Among these countries, Indonesia faced the most severe consequences as it dealt with not only an economic crisis but also a concurrent political crisis, exacerbating the overall impact of the crisis.

Financial crises have become more frequent in the era of globalization, primarily due to advancements in information and communication technology. These advancements have widened the impact of the crisis, spreading it quickly to corresponding regions and countries. Additionally, the rapid development of the financial system, mainly through International Financial Integration (IFI), has played a significant role. IFI recognizes that economic transactions transcend geographical boundaries between countries (Edison Levine. R. Ricci L, 2002). Consequently, when a country experiences domestic financial or economic issues, it can have a systemic impact, disrupting economic integration with other countries or regions, leading to a domino effect. Exacerbates the scale of the problems, resulting in global financial and economic turmoil.

The crisis significantly affected economic performance, labor productivity, and job creation worldwide. Its real impact manifested in production, income, and expenditure. However, one aspect that has often been overlooked is the examination of the crisis's labor market repercussions, particularly concerning young individuals. In Europe, this has led to the formulation of Employment Guidelines specifically targeting young workers. Europe recognizes the importance of establishing youth employment opportunities and reducing unemployment. Additionally, the "Europe 2020" plan emphasizes addressing youth labor and education issues to enhance human capital.

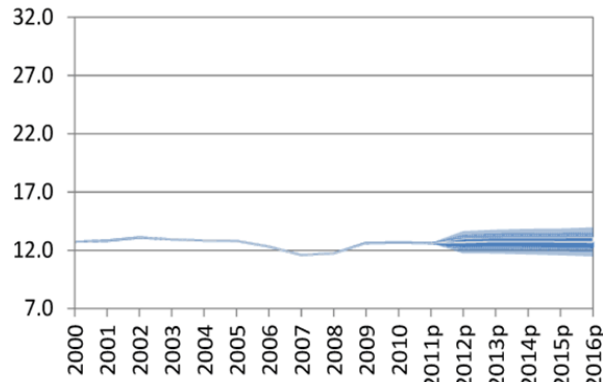


Figure 1 Post-2008 Crisis Youth Unemployment Chart

Figure 1 illustrates the heightened sensitivity of youth unemployment to the crisis. The impact of the crisis was most severe during the second and third years following the 2008 global financial crisis (Choudhry et al., 2012), and its effects persist even after five years. High-income economies, mainly European countries, experienced the most severe consequences.

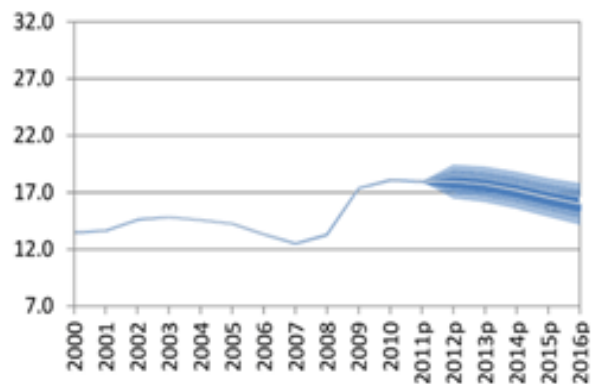


Figure 2 Chart of Youth Unemployment in Europe

High-income countries witness a severe impact of the crisis on youth unemployment. The graph above demonstrates a significant and enduring surge in youth unemployment lasting more than five years. Globally, youth unemployment rates surpass those of adults in numerous countries. In 2010, the youth unemployment rate reached 13.1%, compared to an adult unemployment rate of 4.8% (International Labor Organization (ILO), 2010).

Youth unemployment poses a significant challenge in numerous countries worldwide due to its susceptibility to economic conditions. In light of this, this study aims to assess the influence of the financial crisis on youth unemployment across different regions. The primary purpose of this research is to contribute to mitigating the impact of the crisis on youth unemployment by providing valuable insights from previous crises and serving as educational material on the subject.

2. LITERATURE REVIEW

2.1 Global Youth Unemployment

The conventional definition of unemployed individuals refers to those who have not worked or actively sought work recently but are currently ready to work. Includes individuals who have lost their jobs or voluntarily left employment. The International Labor Organization (ILO) defines unemployment as individuals within the labor force who are willing and actively seeking work (International Labor Organization (ILO), 2010a). The unemployment rate is calculated by dividing the number of unemployed individuals within an age group by the total labor force of that group. For youth unemployment, the denominator is replaced by the proportion of the youth population (aged 15-24 years). There are ongoing debates regarding the advantages and disadvantages of youth unemployment. These discussions focus on the operational definition of youth unemployment and its impact on labor market studies and dynamics (O'Higgins, 2010).

As mentioned earlier, youth unemployment rates are higher than adult unemployment rates in many countries worldwide. The global youth unemployment rate was projected to remain steady at 12.5% until 2020. When examining the Asia-Pacific region, statistics indicate that the youth unemployment rate in 2020 was 10.6%, continuing to be lower than the global youth unemployment rate (International Labor Organization (ILO), 2010a).

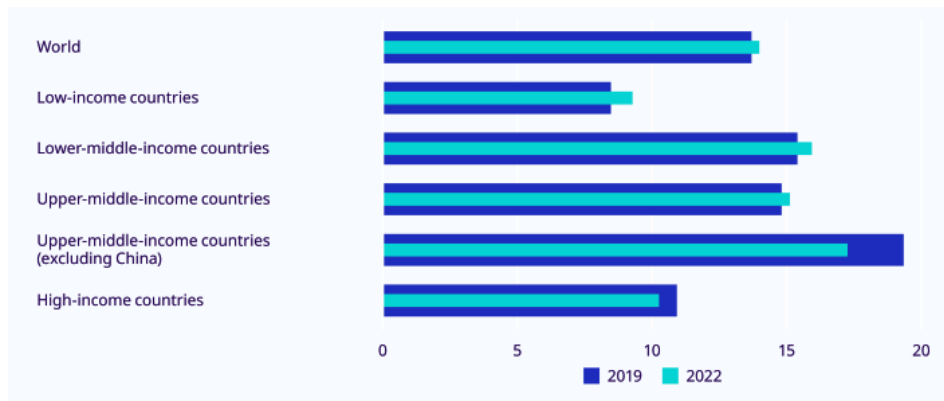


Figure 3 Youth unemployment rates, 2019 and 2022, world and country income groups (percentages)

In 2022, youth unemployment rates demonstrated notable disparities across income categories. Upper-middle-income countries (excluding China) recorded the highest rates at 17 percent, while low-income countries reported the lowest rates at 9 percent (refer to Figure 3). Regional variations in youth unemployment rates are also significant (International Labor Organization, 2022). Although global youth unemployment rates remain higher than those in 2019, they have decreased in high-income and upper-middle-income countries (excluding China). Projections suggest a 1 million increase in global youth unemployment between 2022 and 2023, followed by a stabilization period around 2024. The staggering figure of 289 million young individuals classified as NEET (not in education, employment, or training) underscores that youth unemployment is merely one among several challenges confronting the younger workforce in the labor market.

2.2 Financial Crisis

The theoretical framework proposed by Davis, (2001) provides insights into financial instability. It can be categorized into three main theories: Debt and Financial Fragility Theory, Disaster Myopia Theory, and Bank Runs Theory. Fisher (1933) argues that the Theory of Debt and Financial Fragility explains the economic flow, distinguishing between positive and negative economic growth. As an economy progresses, the debt and risk management decision-making process intensifies, which can lead to a rapid surge in assets or a bubble effect, ultimately resulting in negative growth. On the other hand, Herring, (1999) presents the disaster myopia theory, which explains financial system instability arising from competitive behavior among financial institutions within a country. This behavior may lead to a disregard for the credibility of borrowers and neglect of risk management.

Furthermore, the Bank Runs Theory, as explained Davis, (1994) and Diamond & Dybvig, (1983), elucidates the scenario in which panic ensues among investors, causing them to sell their assets and withdraw their investment funds due to fears of worsening economic conditions. Panic among investors caused a sudden drop in the price of portfolio assets and triggered a liquidity crisis. Consequently, these theories demonstrate the logical consequence of an economy experiencing financial instability, characterized by a sharp decline in portfolio asset prices and a liquidity crisis.

According to (Chongvilaivan, 2010; Davis, 2001), an unstable financial system can be attributed to international capital flow activities, which result in economic transmission across countries. This transmission occurs through various channels, including trade patterns, exchange rate pressures, and foreign investment, ultimately leading to a "domino effect" or contagion effect. In its World Economic Outlook report, the International Monetary Fund (IMF) categorizes crises into different types, such as Currency Crises, Banking Crisis, Systemic Financial Crises, and Foreign Debt Crisis. Economic vulnerability can arise from internal factors, such as unsustainable macro policies, loss of trust in currencies and financial institutions, and political instability within a country. External factors like global economic conditions and misalignment of world currency exchange rates, such as the dollar and the yen, can contribute to economic vulnerability. Moreover, market sentiment can swiftly change due to herd instincts among businesspeople.

3. METHOD

This study employed the Systematic Literature Network Analysis (SLNA), which combines Systematic Literature Review (SLR) and Bibliometric Analysis (BA). The SLR process followed the PRISMA Protocol for systematic reviews and meta-analyses (Moher et al., 2009). VOSviewer software was utilized for bibliometric analysis. Data was collected from: Scopus, Crossref, and Google Scholar. The search utilized keywords such as "Youth Unemployment," "Financial Crisis," "Global Financial Crisis," and "Crisis," yielding a total of 2,012 results (Scopus: 32, Google Scholar: 980, Crossref: 1,000). The results were then filtered based on publication year, article type, and subject, resulting in 343 articles. Further refinement using appropriate keywords narrowed down the selection to 100 articles. Finally, nine journals were selected by eliminating those not aligned with the dependent variable keywords.

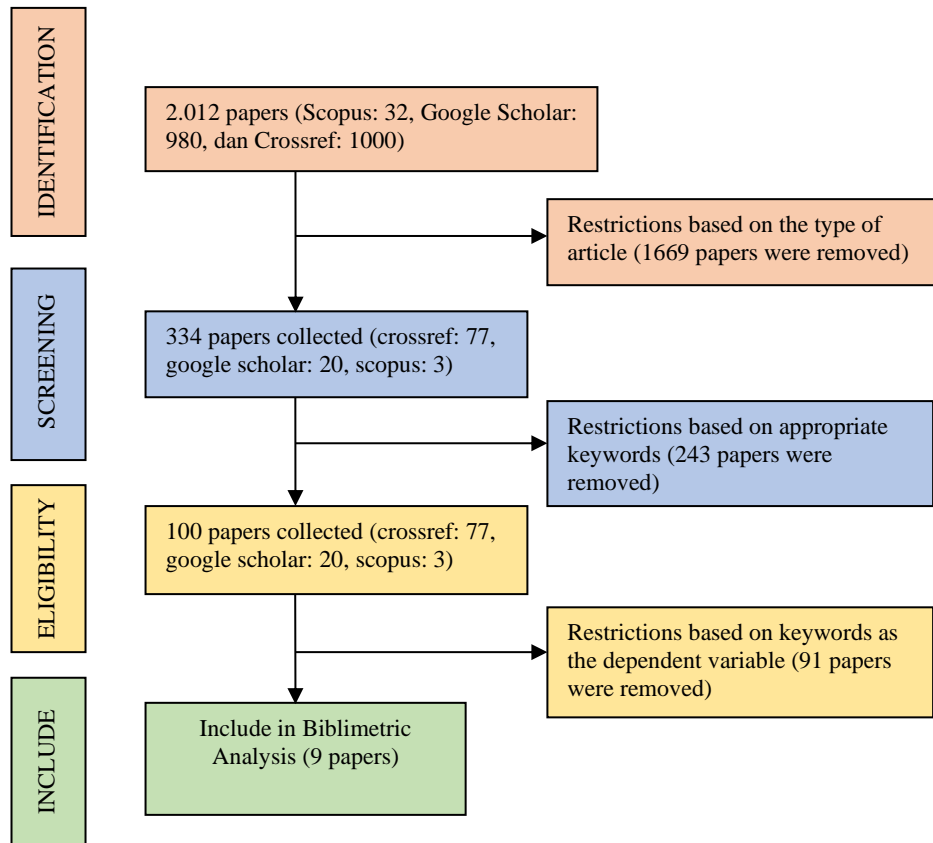


Figure 4 PRISMA Protocol Flow Diagram

4. RESULTS AND DISCUSSION

This research collected journals from Scopus, Google Scholar, and Crossref databases, resulting in 2,012 journals. Elimination was performed based on the keywords "Youth Unemployment," "Financial Crisis," "Global Financial Crisis," and "Crisis." After a detailed review of the abstracts, nine journals that met the requirements and were published between 2012 and 2015 were selected. Bibliometric analysis was conducted using VOSViewer software, employing a co-authorship and co-occurrence approach. This analysis aimed to classify and visualize the data, producing meaningful results.

An analysis was conducted to examine the current state of knowledge regarding youth unemployment and financial crises to map the number of scientific articles obtained from the Scopus, Google Scholar, and Crossref databases. It was observed that research on youth unemployment has been consistently increasing over the years. However, a limited focus has been on the relationship between youth unemployment and financial crises, indicating a need for more significant attention. Consequently, further research in this area is warranted. To provide an overview of the current state of knowledge, a co-occurrence mapping analysis was performed using VOSViewer software, revealing the interconnectedness and patterns within the research on youth unemployment and financial characteristics.

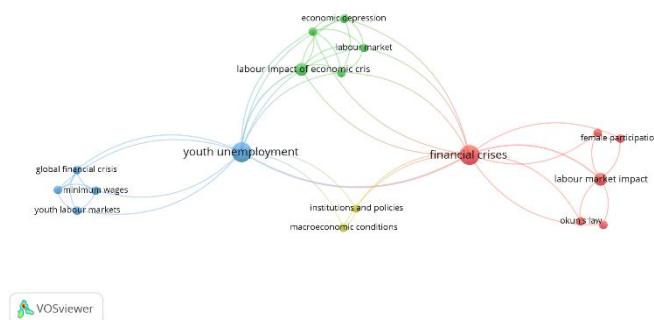


Figure 5 Network Visualization to Youth Unemployment and Financial Crisis

Figure 5 explains the mapping and clustering process based on the nine selected journals for a detailed review. As van Eck & Waltman, (2010) stated, mapping and clustering techniques are complementary. Mapping helps to reveal the structure of the bibliometric network in a detailed manner, while clustering enables the identification of distinct categories or groups within the network.

Figure 5 displays circles that represent frequently occurring keywords or terms. The size of each circle corresponds to the intensity of its occurrence, as explained by Waltman. The analysis of the metadata from the 9 journal articles revealed the formation of four clusters, indicated by different colors. These clusters consist of two dominant clusters and two minority clusters.

The first cluster in blue focuses on youth unemployment, encompassing indicators such as the youth labor market, minimum wages, and the global financial crisis. The second cluster in red centers around financial crises and includes indicators like labor market impact, Okun's law, and female participation. These two clusters exhibit a strong interconnection, with youth unemployment in the blue cluster and financial crises in the red cluster. Financial crises have a significant impact on the level of youth unemployment, which is even more severe compared to overall unemployment (Marelli et al., 2012). Current research primarily concentrates on the influence of financial crises on unemployment, but the repercussions on youth unemployment are particularly critical. Notably, there is an ongoing exploration in the field of youth unemployment, such as the study by Signorelli et al., (2012), which examines the relationship between financial crises and youth unemployment with a focus on female participation. Moreover, based on the clustering depicted in Figure 5, two indicators, namely institutions, policies, and macroeconomic conditions, show great potential for further investigation. Research addressing youth unemployment using these indicators remains scarce, presenting an opportunity for cutting-edge research in the field.

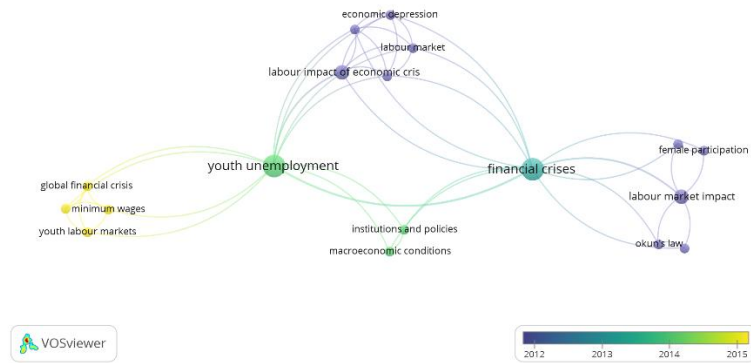


Figure 6 Overlay Visualization Related Youth Unemployment and Financial Crises

Figure 6 presents an overlay visualization illustrating the annual discussion topics. Between 2012 and 2013, various subjects were explored, including financial crises, female participation, labor market impact, Okun's law, unemployment, economic depression, and economic crises. Before 2014, the focus shifted to youth unemployment, institutions and policies, and macroeconomic conditions. 2015 the discussions revolved around global financial crises, minimum wages, and the youth labor market. Analyzing these topics provides insights into areas that warrant further research, as indicated by the density visualization.

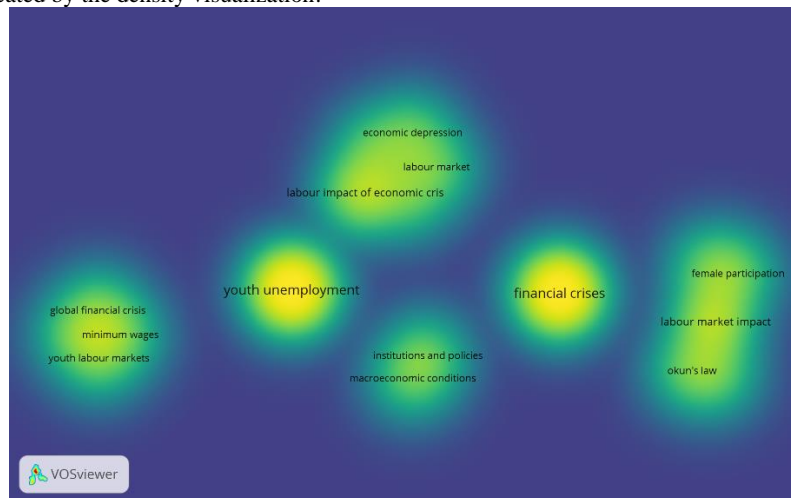


Figure 6 Density Visualization related youth unemployment and financial crises

VOSviewer software utilizes the Red-Green-Blue (RGB) color scheme for its visualizations. Figure 6 displays the Density visualization, which reveals the proximity of nodes to one another. The yellow nodes, representing youth

unemployment and financial crises, indicate extensive research on these topics. On the other hand, the green nodes correspond to less explored subjects such as institutions and policies, macroeconomic conditions, and female participation.

5. CONCLUSION

This study focused on clustering research themes related to youth unemployment and financial crises using metadata from 9 articles indexed in Scopus, Google Scholar, and Crossref between 2011 and 2015. The dominant topics examined were the impact of financial crises on youth unemployment and the labor market. Furthermore, this research identified potential opportunities in financial crises and youth unemployment while providing concrete policy recommendations for the youth labor market. It is important to note that this study was limited to Scopus, Google Scholar, and Crossref metadata and employed VOSViewer for visualizing mapping and topic clustering. Future research could consider incorporating additional databases such as Web of Science, Wiley, Taylor and Francis, and others.

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