

EconWorld2016@Barcelona

---

# Analysis of Youth Unemployment Hysteresis in High-Income OECD Countries: Evidence from Panel Unit Root Test with Structural Breaks

Gülten Dursun<sup>1</sup>, Babogobafiêni Kara<sup>1</sup><sup>1</sup>Kocaeli University, Turkey

## ABSTRACT

---

This paper examines youth unemployment in high-income OECD countries over the 1996-2014 period, using panel unit root tests that allow for structural breaks. We consider two group of countries: first, a sample of 16 high-income OECD countries whose youth unemployment rate is above the OECD average (14.06 %), and second, a group of 14 high-income OECD countries with youth unemployment rates below the OECD average. Using a panel unit root test based on structural break introduced by Carrion-i Silvestre et al. (2005), we investigate whether or not youth unemployment rates are stationary. The results confirm the stationarity of youth unemployment. We then find evidence supportive of the absence of hysteresis in our sample, except in some countries. The persistence is particularly high in the US, Canada, Japan and some EU countries such as Belgium, Norway and Denmark. These results thus suggest that cyclical fluctuations have temporary effects on youth unemployment instead of permanent effects. However, structural factors may affect the natural rate of youth unemployment, as the latter appears stationary around a process that is subject to structural breaks.

**KEYWORDS** Youth Unemployment; Hysteresis; Cross-Section Dependence; Panel KPSS

**JEL** C12, C23, E12, E24