

# **PROJECT OF ENGAGING SOCIAL NETWORKS AS A TOOL FOR INCREASING YOUTH EMPLOYMENT IN SMALL AND MIDDLE ENTERPRISES IN SPAIN**

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Master's Thesis  
2018 - 2019

 **Tomas Bata University in Zlín**  
Faculty of Management and Economics

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# MASTER'S THESIS ASSIGNMENT

(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

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Thesis Topic: **Project of Engaging Social Networks as a Tool for Increasing Youth Employment in Small and Middle Enterprises in Spain**

## Thesis Guidelines:

### Introduction

Define the objectives and the application methods used in the Master thesis.

#### I. Theoretical part

- Compile the theoretical information about youth employment, social networks and economy situation in small and middle enterprises sector.

#### II. Practical part

- Complete the analysis of current youth employment situation and analyse current possibilities of using social networks in small and middle enterprises in Spain.
- Design a project of the social networks engage as a tool for increasing youth employment in small and middle enterprises in Spain.
- Submit the project to cost and risk analysis.

### Conclusion

Thesis Extent: **cca 70 stran**  
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## **ABSTRAKT**

V rámci evropského ekonomického prostředí hrají klíčovou roli na trhu práce malé a střední podniky. Ve Španělsku je to dokonce 99,8% společností, které jsou největšími přispívateli HDP španělské ekonomiky. Tyto podniky zároveň zaměstnávají největší počet zaměstnanců ze všech skupin na trhu práce. V důsledku velké finanční krize 2008 však došlo k zásadním změnám na trhu práce. Mezi znepokojivé ukazatele patří především španělská míra nezaměstnanosti mladých, která patří s 36% v rámci Evropské unie k nejvyšším. Přes řadu vládních opatření a programů se situace na trhu práce výrazně nelepší. Trh práce mladých se jeví jako málo flexibilní, s nedostatkem relevantních informací pro firmy nabízející práci i uchazeče. Tyto bariéry mohou být odstraněny prostřednictvím nástrojů digitální ekonomiky a sociálních sítí. Důležitým předpokladem ale je, aby zprostředkované informace byly čitelné, pochopitelné a přijatelné pro obě strany trhu práce. Na základě analýz bylo zjištěno, že existuje mezera trhu pro podnikání v oblasti správy obsahu sociálních sítí zabývajících se e-recruitingem. Tento podnikatelský záměr byl tedy zpracován formou projektu do podoby, která bude následně realizována v praxi.

Klíčová slova: MSP, trh práce, mladá generace, (ne)zaměstnanost, sociální sítě, služby obsahu

## **ABSTRACT**

SMEs play a key role in the labor market within the European economic environment. In Spain, it is even 99.8% of the largest contributors to the Spanish economy's GDP. At the same time, these companies employ the largest number of employees from all groups in the labor market. However, because of the great financial crisis in 2008, there have been major changes in the labor market. Particularly worrying indicators are the Spanish youth unemployment rate, with 36% among the highest in the European Union. Despite several government measures and programs, the labor market situation is not significantly improved. The labor market of young people seems to be less flexible, with a lack of relevant information for companies offering jobs and candidates. These barriers can be eliminated through digital economy and social networking tools. An important prerequisite, however, is that the mediated information is legible, understandable and acceptable to both sides of the labor market. The analysis found that there is a market gap for e-recruiting social network content management business. Therefore, this business plan was elaborated in the form of a project, which will then be implemented in practice.

Keywords: SME, Job market, Young generation, (Un)employment, Social networks, Content service

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## INTRODUCTION

That Spain is suffering a bad economic situation is not new and the high Spanish young unemployment rate neither, caused mainly by the global financial crisis of 2008. Even if the government is using fiscal policies in order to minimize this rate, a big amount of young people is still without work in Spain, so that, they are not earning money, they cannot emancipate and they are not gaining any labor experience which it looks like a crucial element when finding a job.

Small and medium enterprises are the motor for all the European Countries economy, but especially of Spain, which is the country that is going to be analyzed in this thesis. The current economic situation in Spain, the young generation (un)employment and also the minimum and media wages. The use of social media of young people is incredible high as it is going to be shown in this thesis, which can be a starting point for the project of a business plan of a new social network as a tool for engaging Spanish SME and young generation in order to increase the Spanish young employment.

For that, through this thesis are going to be learned different theories about the economic situation, (un)employment, young generation and also about the increase and importance of social medias in the 21st century and how that changed the way of doing business.

## **I. THEORY**

## 1 EUROPEAN ECONOMIC ENVIRONMENT

Operating as a single market with 28 countries that operates as a cohesive economic and political block, the EU is a major world trading power (European Union, n.d.). Nineteen of the countries use the euro as their official currency and it is the second largest economy in the world in nominal terms, after the United States and according to purchasing power parity after China (Wikipedia, n.d.).

The EU grew out of a desire to form a single European political entity to end the centuries of warfare among European countries that culminated with World War II and decimated much of the continent. The European Single Market was established by 12 countries in 1993 to ensure the so-called four freedoms: the movement of goods, services, people, and money (Kenton, 2019).

EU economic policy focuses on creating jobs and boosting growth by making smarter use of financial resources, removing obstacles to investment and providing visibility and technical assistance to investment projects (European Union, n.d.).

Because of the recent financial crisis, the European Union (EU) has come to operate in crisis mode permanently. When the Treaty of Lisbon entered into force in December 2009, the EU finally appeared to have achieved institutional consolidation after the failure of the Constitutional Treaty. Around the same time, however, the mounting Greek balance-of-payment problem signaled the start of the euro crisis. As soon as ‘Grexit’ was averted in dramatic negotiations in July 2015, the migration flow across the Aegean Sea spiraled out of control. Finally, after the number of migrants reaching the shores of the EU had diminished to manageable numbers, the ‘Brexit’ decision of June 2016 spelled fresh uncertainty about the future of European integration. . In the euro crisis, governments agreed on the creation of a permanent rescue fund for member states threatened by sovereign default (the European Stability Mechanism ESM), a banking union with supranational banking supervision and a European recovery and resolution mechanism, and several new measures to improve the supervision of national budgets and the enforcement of fiscal discipline. In addition, the European Central Bank (ECB) transformed itself into a de facto “lender of last resort”. These steps amount to a major leap in supranational integration and mutual financial commitments (Schimmelfennig, 2017).

## 2 EUROPEAN SMALL AND MIDDLE ENTERPRISES

European SMEs are crucial as the “SME engine” is a central driver of investment and innovation and hence of economic growth and employment. Europe’s economy relies on SMEs to achieve its potential: 98 out of every 100 businesses are SMEs and they employ the majority of the workforce (Abel-Koch, del Bufalo, Fernandez, Gerstenberger, Lo, Navarro and Thornary, 2015). SMEs are a keystone of the euro area economy, as evidenced by the fact that they represent the vast majority of firms (99.8%) (ECB, 2013).

According to what Mukole Kongolo wrote on his “Job creation versus job shedding and the role of SMEs in economic development” research paper in 2010, one of the significant characteristics of a flourishing and growing economy is a booming and blooming small and medium enterprises (SMEs) sector. Small and medium enterprises play an important role in the development of a country (Feeney and Riding, 1997). SMEs contribute to economic development in various ways: by creating employment for rural and urban growing labor force, providing desirable sustainability and innovation in the economy as a whole. In addition to that, large number of people relies on the small and medium enterprises directly or indirectly (Fida, 2008). The development of SMEs is seen as the way to accelerating the achievement of wider socio-economic goals, including poverty alleviation (Cook and Nixson, 2000).

The negative effects of recent economic downturns have seriously affected the socio-economic conditions of many people worldwide. As a response to these negative conditions, it is necessary that small, medium and large entrepreneurs enhance their job creation abilities (Barakat, 2001).

Decline in living standards and unemployment due to economic downturns are the most challenges facing many poor people in developing countries. This has been made worse by the fact that the formal economy has been continuously shedding jobs and at the same time many workers being retrenched (Abraham, 2003; DTI, 2004). As a result, hundreds of new job seekers of whom the majorities are youths increase the army of unemployed people (Kongolo, 2010).

### **3 GROSS DOMESTIC PRODUCT AND CONTRIBUTORS OF ECONOMIC GROWTH**

The gross domestic product (GDP) is one of the primary indicators used to gauge the health of a country's economy. It represents the total dollar value of all goods and services produced over a specific time period, often referred to as the size of the economy (Kramer, 2019).

According to Krugman retrieved from MasterClass (2018), there are four different types of GDP:

#### **1) Real GDP**

Real GDP is a calculation of GDP that is adjusted for inflation. The prices of goods and services are calculated at a constant price level, which is usually set by a predetermined base year or by using the price levels of the previous year. Real GDP is considered the most accurate portrayal of a country's economy and economic growth rate.

#### **2) Nominal GDP**

Nominal GDP is calculated with inflation. The prices of goods and services are calculated at current price levels.

#### **3) Actual GDP**

Actual GDP is the measurement of a country's economy at the current moment in time.

#### **4) Potential GDP**

Potential GDP is a calculation of a country's economy under ideal conditions, like a steady currency, low inflation, and full employment.

GDP is used by economists to determine the health of the economy and whether an economy is growing. GDP growth over consecutive quarters indicates the economy is expanding. If GDP growth and economic growth continue, this could signal to economists that there might be a risk of inflation and policymakers should raise interest rates to help abate those consequences of growth. If the GDP growth is negative over two or more consecutive quarters, this is considered a recession. This indicates to economists and policy makers that measures to increase economic activity, like lowering the interest rate or printing more money, are necessary to maintain stability.

GDP data can also indicate how other countries or economic regions measure against each other. China has historically had the largest GDP in the world, which has only been interrupted in the past two centuries, first by the British Empire, then by the United States, and, briefly, by the European Union (Masterclass, 2018).

GDP impacts personal finance, investments, and job growth. Investors look at a nation's growth rate to decide if they should adjust their asset allocation. They also compare country growth rates to find their best international opportunities and then they purchase shares of companies that are in rapidly growing countries. If growth slows or becomes negative, then you should update your resume. Slow economic growth leads to layoffs and unemployment (Amadeo, 2019).

There are three different ways that economists and statisticians can calculate GDP and they should all, theoretically, produce the same number (Masterclass, 2018):

### **1) Expenditures**

This is the value of everything that is purchased within the country plus that country's net exports to other countries.

$$\text{GDP} = \text{consumption (C)} + \text{investment (I)} + \text{government spending (G)} + (\text{exports (X)} - \text{imports (M)})$$

### **2) Income**

This is the income of all the individuals and businesses within the country, also called national income.

$$\text{GDP} = \text{Compensation of employees} + \text{gross operating surplus} + \text{gross mixed income} + (\text{taxes} - \text{subsidies on production and imports})$$

### **3) Production**

This is the value of everything that is produced within the country.

This approach takes into account the value added to the entire domestic output. The value added is calculated by taking the price at which a seller is selling a product and subtracting that from the price at which the seller purchased the product from the supplier.

All three of the methods outlined above should arrive at the same GDP measurement; however there are often slight differences between them which are usually caused by discrepancies in the raw statistics used to calculate them.



According to Hua (n.d.) there are some other economic growth indicators:

1. Stable Inflation

When inflation is at the desired level of 2-3 per cent consistently then it can indicate that the economy is on track for good economic growth. If inflation is too high, consumers will have less disposable income to spend on goods as their cost of living is too expensive. If consumers don't have the ability to spend, then it will hinder GDP growth. Low inflation can signify weakness in the economy. High unemployment or low consumer confidence will keep consumer demand lower which stops prices from rising.

2. Interest rates are rising

When interest rates are raised, it is a sign that the economy is recovering. Interest rates are lowered to stimulate the economy by making consumer borrowing easier so people have more money to spend. Low interest rates also encourage businesses to borrow money and invest in their business. When interest rates are increased instead of lowered, it indicates the economy is heating up, in some instances too quickly as the rising interest rates are intended to slow things back down.

3. Wage Growth

Economic growth can be attributed to consumer demand. However, this spending power is directly related to consumer income. Demand cannot increase if consumers do not have sufficient disposable income to spend money. If productivity is growing then wage growth can grow as well without increasing the real cost of labor for business. This means wage growth follows after a stronger economy once there is more investment and production. There is currently a lack of demand for goods due to low wage growth. If wage grows, it is a good indication that the economy has strengthened.

4. Strong employment numbers

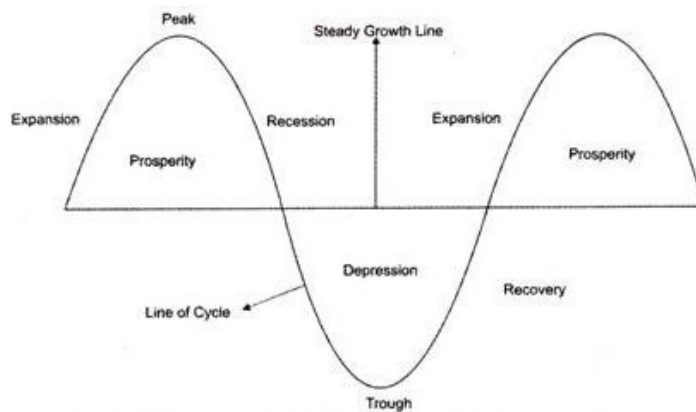
To see economic growth there needs to be an increase in Gross Domestic Product (GDP). This can occur through an increase in consumer spending or an increase in products produced. The level of disposable income can determine the demand of consumers. This means that unemployment figures are a very important indicator when deciding if the economy is strong. When there is high unemployment and redundancies, people may have less money to spend on goods and services. Less demand for goods and services means that more companies will struggle, which in turn drags down GDP. The other effect of high unemployment

and redundancies is that people who are already employed may not feel secure with their jobs. This can discourage them from spending money and they will save it in case they lose their jobs. Of course, this will also have a negative impact on GDP.

#### 4 BUSINESS CYCLE THEORY

The term “business cycle” (or economic cycle or boom-bust cycle) refers to economy-wide fluctuations in production, trade, and general economic activity. From a conceptual perspective, the business cycle is the upward and downward movements of levels of GDP (gross domestic product) and unemployment (Lumen Learning, n.d.).

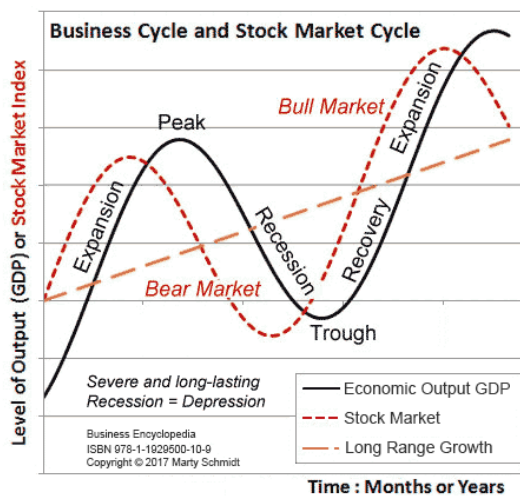
Graph 1: Business cycle



Source: Nitisha, n.d.

The image below shows how the rising and falling GDP produces business cycle phases. The model also presents another cycle, the stock market cycle. This cycle typically runs more or less parallel to the business cycle, but ahead of the business cycle. Some analysts, therefore, see the stock market cycle as a leading indicator of future business cycle phases (Business Encyclopedia, 2019).

Graph 2: Business cycle in relation with market cycle



Source: Schmidt, retrieved from Business Encyclopedia, 2019

The GDP of most countries tends to grow over time, as the long-range growth line in the figure suggests. The long-term growth line serves as a baseline reference. Economic output fluctuates around the baseline with different business cycle phases. Note that stock market prices usually rise or fall ahead of like changes in the economy (GDP).

In reality, these cycles tend to be less predictable, less regular, and less smooth than those in the chart. The length, severity, and sequence of phases may differ from what the figure shows (Schmidt, 2019).

Business cycles are identified as having four intermediary phases: expansion, peak, contraction, and trough, which lead into the main phases that are: Prosperity, recession, depression and recovery.

## 4.1 Phases of Business Cycle

### - Prosperity phase

When there is an expansion of output, income, employment, prices and profits, there is also a rise in the standard of living. This period is termed as Prosperity phase.

The features of prosperity are:

- 1) High level of output and trade.
- 2) High level of effective demand.
- 3) High level of income and employment.
- 4) Rising interest rates.
- 5) Inflation.
- 6) Large expansion of bank credit.
- 7) Overall business optimism.
- 8) A high level of MEC (Marginal efficiency of capital) and investment.

Due to full employment of resources, the level of production is Maximum and there is a rise in GNP (Gross National Product). Due to a high level of economic activity, it causes a rise in prices and profits. There is an upswing in the economic activity and economy reaches its Peak. This is also called as a Boom Period (Akrani, 2011).

### - Recession phase

The turning point from prosperity to depression is termed as Recession Phase.

During a recession period, the economic activities slow down. When demand starts falling, the overproduction and future investment plans are also given up. There is a steady decline in the output, income, employment, prices and profits. The businessmen lose confidence and become pessimistic (Negative). It reduces investment. The banks and the people try to get greater liquidity, so credit also contracts. Expansion of business stops, stock market falls. Orders are cancelled and people start losing their jobs. The increase in unemployment causes a sharp decline in income and aggregate demand. Generally, recession lasts for a short period (Akrani, 2011).

#### - **Depression phase**

When there is a continuous decrease of output, income, employment, prices and profits, there is a fall in the standard of living and depression sets in.

The features of depression are:

- 1) Fall in volume of output and trade.
- 2) Fall in income and rise in unemployment.
- 3) Decline in consumption and demand.
- 4) Fall in interest rate.
- 5) Deflation.
- 6) Contraction of bank credit.
- 7) Overall business pessimism.
- 8) Fall in MEC (Marginal efficiency of capital) and investment.

In depression, there is under-utilization of resources and fall in GNP (Gross National Product). The aggregate economic activity is at the lowest, causing a decline in prices and profits until the economy reaches its Trough (low point) (Akrani, 2011).

#### - **Recovery phase**

The turning point from depression to expansion is termed as Recovery or Revival Phase.

During the period of revival or recovery, there are expansions and rise in economic activities. When demand starts rising, production increases and this causes an increase in investment. There is a steady rise in output, income, employment, prices and profits. The businessmen gain confidence and become optimistic (Positive). This increases investments. The stimulation of investment brings about the revival or recovery of the economy. The banks expand credit, business expansion takes place and stock markets are activated. There is an increase

in employment, production, income and aggregate demand, prices and profits start rising, and business expands. Revival slowly emerges into prosperity, and the business cycle is repeated (Akrani, 2011).

## 4.2 Business cycle and unemployment

In consonance with Mankiw's Macroeconomics book (2009), economic fluctuations present a recurring problem for economists and policymakers. The economy's output of goods and services do not grow smoothly, growth is higher in some years than in others; sometimes the economy loses ground, and growth turns negative. These fluctuations in the economy's output are closely associated with fluctuations in employment.

An expansion is characterized by increasing employment, economic growth, and upward pressure on prices. A peak is the highest point of the business cycle, when the economy is producing at maximum allowable output, employment is at or above full employment, and inflationary pressures on prices are evident. Following a peak, the economy typically enters into a correction which is characterized by a contraction where growth slows, employment declines (unemployment increases), and pricing pressures subside. The slowing ceases at the trough and at this point the economy has hit a bottom from which the next phase of expansion and contraction will emerge.

An expansion is the period from a trough to a peak, and a recession as the period from a peak to a trough. The NBER (National Bureau of Economic Research) identifies a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production." This is significantly different from the commonly cited definition of a recession being signaled by two consecutive quarters of decline in real GDP. If the economy does not begin to expand again then the economy may be considered to be in a state of depression (Lumen Learning, n.d.).

A recent recession began in late 2007. From the third quarter of 2007 to the third quarter of 2008, the economy's production of goods and services expanded—well below the normal rate of growth. Real GDP then plunged sharply in the fourth quarter of 2008 and the first quarter of 2009. The unemployment rate rose. In early 2009, the end of the recession was not yet in sight, and many feared that the downturn would get significantly worse before things started to get better (Mankiw, 2009).

Economists call these short-run fluctuations in output and employment the business cycle. Although this term suggests that economic fluctuations are regular and predictable, they are not. Recessions are actually as irregular as they are common. Sometimes they occur close together, while other times they are much farther apart.

Many changes in the government's budget deficit occur automatically in response to a fluctuating economy. When the economy goes into a recession, incomes fall, so people pay less in personal income taxes. Profits fall, so corporations pay less in corporate income taxes. Fewer people are employed, so payroll tax revenue declines. More people become eligible for government assistance, such as welfare and unemployment insurance, so government spending rises. Even without any change in the laws governing taxation and spending, the budget deficit increases. These automatic changes in the deficit are not errors in measurement, because the government truly borrows more when a recession depresses tax revenue and boosts government spending. But these changes do make it more difficult to use the deficit to monitor changes in fiscal policy. That is, the deficit can rise or fall either because the government has changed policy or because the economy has changed direction. For some purposes, it would be good to know which is occurring. To solve this problem, the government calculates a cyclically adjusted budget deficit (sometimes called the full-employment budget deficit). The cyclically adjusted deficit is based on estimates of what government spending and tax revenue would be if the economy were operating at its natural level of output and employment. The cyclically adjusted deficit is a useful measure because it reflects policy changes but not the current stage of the business cycle (Mankiw, 2009).

### 4.3 Okun's Law

The movement of the economy through business cycles also highlights certain economic relationships. While growth will rise and fall with cycles, there is a long-term trend line for growth; when economic growth is above the trend line, unemployment usually falls. One expression of this relationship is Okun's Law, an equation that holds that every 1% of GDP above trend equates to 0.5% less unemployment (Simpson, n.d.).

In agreement with Linda Levine (2013) and her publication about the economic growth and the unemployment rate, it is said that in the short run, the relationship between economic growth and the unemployment rate may be a loose one. It is not unusual for the unemployment rate to show sustained decline some time after other broad measures of economic ac-

tivity have turned positive. Hence, it is commonly referred to as a lagging economic indicator. One reason that unemployment may not fall appreciably when economic growth first picks up after a recession's end is that some firms may have underutilized employees on their payrolls because laying off workers when product demand declines and rehiring them when product demand improves has costs. As a result, employers may initially be able to increase output to meet rising demand at the outset of a recovery without hiring additional workers by raising the productivity of their current employees. This temporarily boosts labor productivity growth above its trend (long-run) rate. Once the labor on hand is fully utilized, output can grow no faster than the rate of productivity growth until firms begin adding workers. As an economic expansion progresses, output growth will be determined by the combined rates of growth in the labor supply and labor productivity. As long as growth in real gross domestic product (GDP) exceeds growth in labor productivity, employment will rise. If employment growth is more rapid than labor force growth, the unemployment rate will fall.

Over an extended period of time, there is a negative relationship between changes in the rates of real GDP growth and unemployment. This long-run relationship between the two economic variables was most famously pointed out in the early 1960s by economist Arthur Okun. Okun's law, which economists have expanded upon since it was first articulated, states that real GDP growth about equal to the rate of potential output growth usually is required to maintain a stable unemployment rate (Levine, 2013).

Thus, the key to the long-run relationship between changes in the rates of GDP growth and unemployment is the rate of growth in potential output. Potential output is an unobservable measure of the capacity of the economy to produce goods and services when available resources, such as labor and capital, are fully utilized. The rate of growth of potential output is a function of the rate of growth in potential productivity and the labor supply when the economy is at full employment. When the unemployment rate is high, as it is now, then actual GDP falls short of potential GDP. This is referred as the output gap (Levine, 2013).

In the absence of productivity growth, as long as each new addition to the labor force is employed, growth in output will equal growth in the labor supply. If the rate of GDP growth falls below the rate of labor force growth, there will not be enough new jobs created to accommodate all new job seekers. As a result, the proportion of the labor force that is employed will fall. Put differently, the unemployment rate will rise. If the rate of output growth exceeds the rate of labor force growth, some of the new jobs created by employers to satisfy the rising



demand for their goods and services will be filled by drawing from the pool of unemployed workers. In other words, the unemployment rate will fall (Levine, 2013).

If GDP growth equals labor force growth in the presence of productivity growth, more people will be entering the labor force than are needed to produce a given amount of goods and services. The share of the labor force that is employed will fall. Expressed differently, the unemployment rate will rise. Only as long as GDP growth exceeds the combined growth rates of the labor force and productivity (potential output) will the unemployment rate fall in the long run. Knowing what that rate of GDP growth is might be useful to policymakers interested in undertaking stimulus policies to bring down the unemployment rate. But as just stated, the rate of output growth necessary to lower the unemployment rate requires knowledge of the rates of labor force and productivity growth (Levine, 2013).

## 5 IMPACT OF GREAT FINANCIAL CRISIS ON ECONOMICS GROWTH

The financial crisis adversely impacts most of the SMEs, reducing the development rate and increasing the number of bankruptcies. Startups in particular are most vulnerable, lacking the resources to survive the downturn. Nevertheless, for a small number of SMEs, i.e. those that identify the changes in the market and react promptly, this period may prove favorable. In times of crisis, some SMEs, unlike the big companies, have the advantage of greater flexibility, being able to implement new services and launch new products more easily. Not bound by strategies devised at higher echelons and by the need to get approvals, SMEs can make decisions more easily and thus become much more efficient based on prompt action and solutions adjusted to market circumstances (Hodorogel, n.d.).

However, it is important to stress that SMEs are generally more vulnerable in times of crisis for many reasons among which are (OECD, 2009):

- it is more difficult for them to downsize as they are already small
- they are individually less diversified in their economic activities
- they have a weaker financial structure (i.e. lower capitalization)
- they have a lower or no credit rating
- they are heavily dependent on credit and
- they have fewer financing options.

The adverse effects of the financial crisis are visible particularly in the case of SMEs in sectors like commerce, constructions and real estate. In conditions of financial crisis, SMEs can support stability and macroeconomic growth, acting as a growth engine. That is why action is being taken to release funds to finance small and medium enterprises, to identify solutions to preserve jobs and generate new ones. The measures proposed for the SME sector in the anti-crisis plan include: tax exemption for reinvested profit, which, besides creation of new jobs, will determine the setting up of new SMEs and stimulate investment by companies that so far have refrained from investing; offsetting the VAT to be recouped with the VAT due to be paid or with other dues to the state budget; making the Counter-Guarantee Fund for SMEs operational; earmarking large funds from the state budget to promoting exports, and increasing the state's contribution to financing this activity.

Ireland, Greece, Spain and France, had already exceeded, in 2008, the maximum 3% deficit, and the European Commission envisages a further worsening in 2009. Austria, Belgium,

Germany, France, the Netherlands, Luxembourg, Ireland and the UK have taken steps to bail out the banks through capitalization, state guarantees or taking over control of the banks. France, Germany, Italy, Slovakia, Spain and the UK have also chosen to provide aid to the automobile industry, one of the worst affected industries by the crisis.

To fight the crisis effects, the European Council adopted, in December 2008, the European Economic Recovery Plan (Hodorogel, n.d.).

This European Economic Recovery Plan (2008) is the Commission's response to the suffered economic situation. Given the scale of the crisis Europe was facing, the EU needs a coordinated approach, big enough and ambitious enough to restore consumer and business confidence. It needed to bring together all the policy levers available at EU and national level. Most of the economic policy levers, and in particular those which can stimulate consumer demand in the short term, were in the hands of the Member States. Member States have very different starting points in terms of fiscal room for manoeuvre. But that makes effective coordination all the more important.

All Member States needed to take action to deal with the crisis. Properly coordinated, national efforts could target different goals in parallel. They could cushion the blow of recession in the short term. But they could also promote the structural reforms needed to help the EU emerge stronger from the crisis, without undermining longer term fiscal sustainability. For this reason, this Recovery Plan puts particular emphasis on innovation and greening of EU investment. The EU level can act as a catalyst for such "smart action", combining EU policies and funds to help Member States maintain or pull forward investments which will create jobs, boost demand, and strengthen Europe's capacity to benefit from globalization.

The strategic aims of the Recovery Plan were to:

- Swiftly stimulate demand and boost consumer confidence;
- Lessen the human cost of the economic downturn and its impact on the most vulnerable. Many workers and their families were hit by the crisis. Action could be taken to help stem the loss of jobs; and then to help people return rapidly to the labor market, rather than face long-term unemployment;
- Help Europe to prepare to take advantage when growth returns so that the European economy is in tune with the demands of competitiveness and the needs of the future, as outlined in the Lisbon Strategy for Growth and Jobs. That means pursuing the

necessary structural reforms, supporting innovation, and building a knowledge economy;

- Speed up the shift towards a low carbon economy. This will leave Europe well placed to apply its strategy for limiting climate change and promoting energy security: a strategy which will encourage new technologies, create new 'green-collar' jobs and open up new opportunities in fast growing world markets, will keep energy bills for citizens and businesses in check, and will reduce Europe's dependence on foreign energy.

This European Economic Recovery Plan (2008) proposed a counter-cyclical macro-economic response to the crisis in the form of an ambitious set of actions to support the real economy. The aim was to avoid a deep recession. The Plan was anchored in the Stability and Growth Pact and the Lisbon Strategy for Growth and Jobs. It consisted of:

- ✓ An immediate budgetary impulse amounting to € 200 bn (1.5% of EU GDP), made up of a budgetary expansion by Member States of € 170 bn (around 1.2% of EU GDP), and EU funding in support of immediate actions of the order of € 30 bn (around 0.3 % of EU GDP);
- ✓ And a number of priority actions, grounded in the Lisbon Strategy, and designed at the same time to adapt our economies to long-term challenges, continuing to implement structural reforms aimed at raising potential growth.

The Plan sets out a comprehensive program to direct action to "smart" investment. Smart investment means investing in the right skills for tomorrow's needs; investing in energy efficiency to create jobs and save energy; investing in clean technologies to boost sectors like construction and automobiles in the low-carbon markets of the future; and investing in infrastructure and inter-connection to promote efficiency and innovation.

At the same time, the ten Actions for Recovery included in the Plan helped Member States to put the right social and economic levers in place to meet today's challenge: to open up new finance for SMEs, cut administrative burdens and kick-start investment to modernize infrastructure. It will drive a competitive Europe ready for the low-carbon economy (Durão Barroso, 2008).

## 5.1 Situation in the productive sector

The difficult macroeconomic conditions have left their mark on the European productive sector. SMEs, which are at the core of its dynamics, were hit particularly hard. Being less diversified and more financially fragile, they were particularly vulnerable to weak demand conditions and, in many instances, faced difficulties in access to finance. This reduced their investment expenditures and caused them to put off especially high return, yet risky projects (Abel-Koch, del Bufalo, Fernandez, Gerstenberger, Lo, Navarro and Thornary, 2015).

According to Mankiw in his Macroeconomics book (2009), investment is the component of GDP that links the present and the future. Investment spending plays a key role not only in long-run growth but also in the short-run business cycle because it is the most volatile component of GDP. When expenditure on goods and services falls during a recession, much of the decline is usually due to a drop in investment, because an increase in the real interest rate reduces investment.

There are three types of investment spending. **Business fixed investment** includes the equipment and structures that businesses buy to use in production. **Residential investment** includes the new housing that people buy to live in and that landlords buy to rent out. **Inventory investment** includes those goods that businesses put aside in storage, including materials and supplies, work in process, and finished goods.

The largest piece of investment spending, accounting for about three-quarters of the total is business fixed investment. The term “business” means that these investment goods are bought by firms for use in future production. The term “fixed” means that this spending is for capital that will stay put for a while, as opposed to inventory investment, which will be used or sold within a short time. Business fixed investment includes everything from office furniture to factories; computers to company cars (Mankiw, 2009).

Investment is far more volatile than consumption over the business cycle. When the economy heads into a recession, households respond to the fall in their incomes by consuming less, but the decline in spending on business equipment, structures, new housing, and inventories is even more substantial (Mankiw, 2009).

Besides, key for European firms, will be a rebound in investment and innovation, as a persistent slack threatens competitiveness and long-term growth prospects of European economies, hampered by slowing productivity growth and an ageing population. European SMEs

are certainly important in this respect, they can be considered a key driver of investment and innovation, and hence of economic growth and employment. Many public policies which have been implemented in various European countries in recent years acknowledge this and represent important steps in the right direction. In any case, the present easing of financial and economic conditions is an opportunity for European SMEs to address these issues. Encouraging investment strategies of SMEs, especially if they are directed towards innovation and growth, can best help to strengthen competitiveness in the deflationary environment of the euro area (Abel-Koch, del Bufalo, Fernandez, Gerstenberger, Lo, Navarro and Thornary, 2015).

Despite macroeconomic challenges such as weak domestic demand, difficult access to finance and lingering economic uncertainty, they continue to be an essential part of the productive sector. SMEs in France, Germany, Italy and Spain employed more than half the workforce in these countries. The future international competitiveness and thus the long-term growth and welfare prospects of the four largest economies in Europe will therefore depend to a large extent on the viability of their micro, small and medium-sized enterprises (Abel-Koch, del Bufalo, Fernandez, Gerstenberger, Lo, Navarro and Thornary, 2015).

## **5.2 Situation in the financial sector**

In consonance with Alin Marius Andries, Nicu Marcu, Florin Oprea and Mihaela Tofan (2018) and their “Financial Infrastructure and Access to Finance for European SMEs” article, access to bank credit is often indicated as one of the main constraints that affect small- and medium-sized enterprises (SMEs) and it is an important topic for policymakers and researchers alike, as the financial institutions are at the center of any transition to a sustainable economy. In the wake of the financial crisis of 2008–2009, much attention has turned to the relationship between the development of the financial sector and the health of the economy, because the core purpose of the financial system is to ensure that finance flows to support the long-term needs of what the G20 defines in its own mission statement as “balanced, sustained growth”. The crisis had shown that excessive risk-taking combined with a low loss-absorbing capacity of the financial system could threaten the stability of the financial sector and have enormous costs for the economy as a whole.

Access to bank credit is often indicated as one of the main constraints impairing firm growth, productivity, innovation, and export capacity, especially because it affects small- and medium-sized enterprises (SMEs). Multiple research papers were conducted on the financing

of small businesses and they concentrate on testing the determinants and effects of bank lending constraints on firms since the onset of the crisis. The availability and cost of bank loans are crucial for many small businesses because these businesses often lack other options for external funding. Reliance on banking finance by SMEs is particularly increased during financial crises; therefore these suffer most from disruptions in financial markets and the slowdown in economic activity. Thus, the availability and cost of loans to small businesses can depend on the behavior of competing local banks (Andries, Marcu, Oprea and Tofan, 2018).

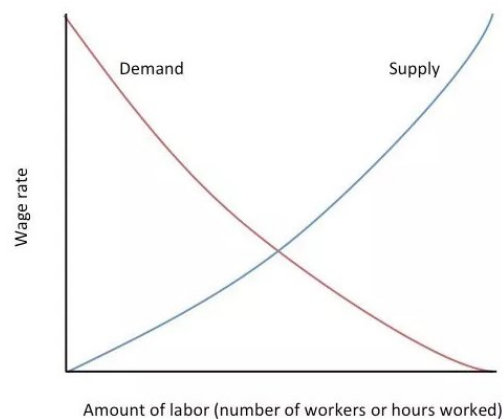
In addition to the deterioration in SMEs' financial situation during the crisis, as previously mentioned, SMEs in some countries are encountering difficulties in accessing finance owing to the fragmentation of the financial and banking markets. Sovereign spreads and macroeconomic weakness, in addition to borrowers' risk, are likely to influence financing costs. The fragmentation of euro area financing conditions is an impediment to the investment and growth opportunities of SMEs in particular, as they are traditionally highly dependent on banks. Looking at developments over time, spreads remained substantially higher for SMEs in Italy and Spain than before the start of the financial crisis. Hence, the general economic situation characterized by bank funding fragmentation and subdued loan dynamics in some jurisdictions constitutes a challenging environment for SMEs (ECB, 2013).

## 6 LABOUR MARKET

The labor market, also known as the job market, refers to the supply and demand for labor in which employees provide the supply and employers the demand. It is a major component of any economy and is intricately tied in with markets for capital, goods and services. At the macroeconomic level, supply and demand are influenced by domestic and international market dynamics, as well as factors such as immigration, the age of the population and education levels. Relevant measures include unemployment, productivity, participation rates, total income and gross domestic product (GDP).

According to macroeconomic theory, the fact that wage growth lags productivity growth indicates that supply of labor has outpaced demand. When that happens, there is downward pressure on wages, as workers compete for a scarce number of jobs and employers have their pick of the litter. Conversely, if demand outpaces supply, there is upward pressure on wages, as workers have more bargaining power and are more likely to be able to switch to a higher paying job, while employers must compete for scarce labor (Kenton, 2018).

Graph 3: Labor market equilibrium



Source: Kenton, 2018

Some factors can influence labor supply and demand. For example, an increase in immigration to a country can grow the labor supply and potentially depress wages, particularly if newly arrived workers are willing to accept lower pay. An aging population can deplete the supply of labor and potentially drive up wages.

These factors don't always have such straightforward consequences, though. A country with an aging population will see demand for many goods and services decline, while demand for healthcare increases. Not every worker who loses his job can simply move into



healthcare work, particularly if the jobs in demand are highly skilled and specialized, such as doctors. For this reason, demand can exceed supply in certain sectors, even if supply exceeds demand in the labor market as a whole (Kenton, 2018).

## 6.1 Definition of Unemployment

One aspect of economic performance is how well an economy uses its resources. Because an economy's workers are its chief resource, keeping workers employed is a paramount concern of economic policymakers. The unemployment rate is the statistic that measures the percentage of those people wanting to work who do not have jobs, where the labor force is defined as the sum of the employed and unemployed, and the unemployment rate is defined as the percentage of the labor force that is unemployed.

Unemployment is the macroeconomic problem that affects people most directly and severely. For most people, the loss of a job means a reduced living standard and psychological distress (Mankiw, 2009).

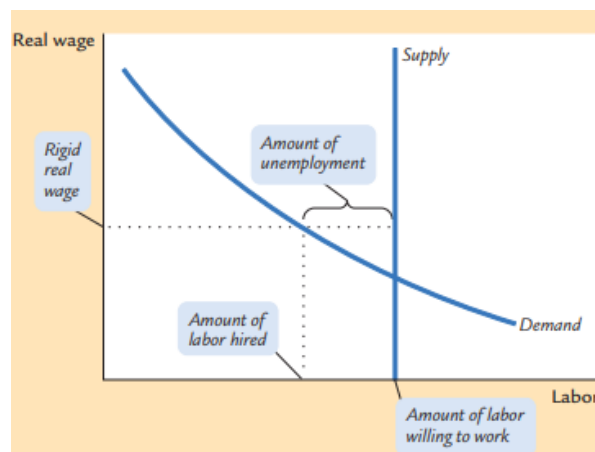
In agreement with Mankiw (2009), one reason for unemployment is that it takes time to match workers and jobs. The equilibrium model of the aggregate labor market assumes that all workers and all jobs are identical and, therefore, that all workers are equally well suited for all jobs. If this was true and the labor market was in equilibrium, then a job loss would not cause unemployment: a laid-off worker would immediately find a new job at the market wage. In fact, workers have different preferences and abilities, and jobs have different attributes. Furthermore, the flow of information about job candidates and job vacancies is imperfect, and the geographic mobility of workers is not instantaneous. For all these reasons, searching for an appropriate job takes time and effort, and this tends to reduce the rate of job finding. Indeed, because different jobs require different skills and pay different wages, unemployed workers may not accept the first job offer they receive. The unemployment caused by the time it takes workers to search for a job is called **frictional unemployment**.

A second reason for unemployment is seasonality. **Seasonal unemployment** exists because certain industries only produce or distribute their products at certain times of the year. Industries where seasonal unemployment is common include farming, tourism, and construction (Economics online, n.d.).

To finish, the third reason for unemployment is wage rigidity—the failure of wages to adjust to a level at which labor supply equals labor demand. In the equilibrium model of the labor

market, the real wage adjusts to equilibrate labor supply and labor demand. Yet wages are not always flexible. Sometimes the real wage is stuck above the market-clearing level. When the real wage is above the level that equilibrates supply and demand, the quantity of labor supplied exceeds the quantity demanded. Firms must in some way ration the scarce jobs among workers. Real-wage rigidity reduces the rate of job finding and raises the level of unemployment. The unemployment resulting from wage rigidity and job rationing is sometimes called **structural unemployment**. Workers are unemployed not because they are actively searching for the jobs that best suit their individual skills but because there is a fundamental mismatch between the number of people who want to work and the number of jobs that are available. At the going wage, the quantity of labor supplied exceeds the quantity of labor demanded; so many workers are simply waiting for jobs to open up (Mankiw, 2009).

Graph 4: Wage rigidity leads to unemployment



Source: Macroeconomics, Mankiw (2009)

When the real wage exceeds the equilibrium level and the supply of workers exceeds the demand, it might be expected firms to lower the wages they pay. Structural unemployment arises because firms fail to reduce wages despite an excess supply of labor (Mankiw, 2009).

As reported by N. Gregory Mankiw (2009), the government causes wage rigidity when it prevents wages from falling to equilibrium levels. Minimum-wage laws set a legal minimum on the wages that firms pay their employees. Economists believe that the minimum wage has its greatest impact on teenage unemployment. The equilibrium wages of teenagers tend to be low for two reasons. First, because teenagers are among the least skilled and least experienced members of the labor force, they tend to have low marginal productivity. Second, teenagers often take some of their “compensation” in the form of on-the-job training

rather than direct pay. For both these reasons, the wage at which the supply of teenage workers equals the demand is low. The minimum wage is therefore more often binding for teenagers than for others in the labor force.

### **6.1.1 Main causes of unemployment generally**

According to Bitlanders (2017) there are many causes that lead to unemployment. These causes destroy a country economy badly. Some of the major causes of unemployment are:

#### **1) Lack of job opportunities**

Many students or qualified members are there in the society who needs a job. But the number of jobs or seats is limited. This cause a very few people to get the job and all others remain jobless. The government offers few vacancies due to which a large number of people face rejection. Experienced and aged members are preferred while new and fresh degree holders are rejected.

#### **2) Population growth**

A rapid growth in population can cause severe damage to a country economy. Increasing number of people while resources are still limited can cause a disturbance. The need for food, facilities, jobs, money etc. increases with the number of population. Fast growth in population is causing unemployment worldwide.

#### **3) Lack of education**

As it's the era of technology and science, a non-educated person will find difficulty in surviving in that environment. New and advance knowledge is the demand of today's society. An uneducated person is useless for the society, because without education nothing is going to happen.

#### **4) Lack of technical skills**

Technical skills are important nowadays. But the education system is based on cramming and reading. There are no proper platforms for providing technical skills to people. Without skills, people are worthless for the industry. Taking degree is not enough rather learning new and advanced technology is necessary.

## 6.2 Young generation on the labor market

Generation theory explains how the era in which a person is born affects how they view the world. The value systems are shaped in the first decade of life, by families, friends, communities, significant events and the general era in which a person is born. A generation tends to be about 20 years in length, representing roughly the time from the birth of a group of people to the time they come of age and start having their own children (Lee Miller, 2015).

According to Hansen and Leuty (2012), the term generation typically refers to a group of individuals (employees) who share common work experiences or life experiences. The unique life experiences introduced during formative years inevitably contribute to the values of the individuals of each generational cohort. Current discussions point to the presence of four distinct generations that are working (living) today: Baby-boomers, Generation X, Generation Y and Generation Z.

Every employee is not only unique in terms of their skills, education, needs, values and expectations, but also in terms of their age and personal know-how. These differences deepen all the more even within generations. Today's labor market is made up of employees that belong to the generation of baby-boomers, Generation X, Generation Y and Generation Z, and in the future, Generation Alpha. While having a diversity of ages in the workplace can be beneficial, companies and employees alike have observed differences in the way in which these four generations function in the workplace. Companies are now faced with the challenges of integrating different generations in the workplace, as well as with the complexity of creating environments to attract and satisfy these workers (Hansen and Leuty 2012).

### 6.2.1 Definition of generations

**Generation X** includes those born between 1965 and 1981, during the reconstruction of Europe after the war. Their life has not been easy, since, after a period of upheaval, finding a job was a great challenge. To work and produce was their philosophy of life, leaving no room for idealism. Individualism, ambition and an addiction to work — or being a workaholic — are the values with which they grew up (Iberdrola, n.d.)

The advent of single-parent homes and dual-income families is considered to be the most influential factor on the development of Generation X (Knight 2014; Leiter, Jackson and Shaughnessy 2009). They are the original latchkey generation (Gardiner, Grace and King 2015; McNeese-Smith and Crook 2003; Stuenkel, de la Cuesta and Cohen 2005; Zemke,

Raines and Filipczak 2000), children from this generation were sent to participate in after-school programs or returned home to an empty house (Lancaster and Stillman 2005; Wieck 2005). Xers became resourceful and independent. They tend to seek balance between their work and personal lives and are motivated by consistent work values (Lancaster and Stillman 2005; Stuenkel, de la Cuesta and Cohen 2005). Having grown up in the presence of computers, Xers are adept with technology, synthesizing diverse information to gain knowledge and understanding (Stuenkel, de la Cuesta and Cohen 2005). Xers are characterized as being independent, seeking emotional security, preferring informality, and having more entrepreneurial skills than babyboomers (Howe and Strauss 2007). Xers appear to value their work-life balance, growth opportunities, and positive work relationships more highly than boomers or Generation Y; they love freedom and room to grow (Eisner 2005; Beutell and Wittig-Berman 2008; Shen Kian, Wan Yusoff and Rajah 2013; Wan Yusoff and Shen Kian 2013) (Bejtkovský, 2017).

The parents of this generation had the worst part: they lived through the postwar period. They are the Baby boomers — born between 1945 and 1964 — and they are called this because they were born during the baby boom, the period in which the birth rate shot up in a number of Anglo-Saxon countries, above all the United States, Canada and New Zealand, after the end of the Second World War (WJSchroer, n.d.).

**Generation Y** (also often referred to as Millennials or as the Next Generation), is the first "global" generation. The people from Generation Y have similar characteristics and attributes irrespective of their country of origin. Generation Y refers to people who were born between 1980 and 1995 (Horváthová, Bláha and Čopíková 2016; Knight 2014; Zemke, Raines and Filipczak 2000) (Bejtkovský, 2017).

Also known as digital natives, technology is part of their everyday lives: all their activities are mediated by a screen. The concept of on and off is completely integrated into their lives. However, they were not born into it; they migrated to the digital world from the analogue one in which they were living. Unlike previous generations, because of the economic crisis, the world requires them to be better trained to get a job, as competition is increasing. Unlike their parents, Generation X, digital natives are not satisfied with the world around them and are ambitious and want to achieve their goals (Iberdrola, n.d.).

Martin (2005) suggests that Generation Y employees may be prepared to make long-term commitments to companies, however, that can mean one year. In a cross-cultural study,

Murphy, Gordon and Anderson (2004), found similarities across generations, but noted that members of Generation Y are not prepared to work as many hours as baby-boomers or traditionalists do, irrespective of their cultural origin. The following is said of Generation Y (Smola and Sutton 2002; Eisner 2005; Morrison, Erickson and Dychtwald 2006; Shaw and Fairhurst 2008; Cugin 2012; Shen Kian, Wan Yusoff and Rajah 2013; Wan Yusoff and Shen Kian 2013): (1) 'connected' 24 hours a day; (2) work is just one priority in life, not the priority; (3) want minimal rules and bureaucracy; (4) prefer openness and transparency; (5) favours an inclusive style of management, team orientation; (6) expect to be empowered; (7) want daily feedback and thrive on a rush of new challenges, opportunities and being pushed to the limits; (8) seek a portable career and greater degrees of personal flexibility; (9) want education and development, but it needs to be relevant, interactive, personalized and entertaining; (10) want a positive work climate; (11) positive, polite and energetic (Bejtkovský, 2017).

However, the millennial generation is labeled as being lazy, narcissistic and spoiled. In fact, in 2014, Timemagazine labelled them as the me-me-me generation (Iberdrola, n.d.).

**Generation Z** (also often referred to as Generation M or as Post-Millennials) do a lot of things differently to the baby-boomers, Generation X or Generation Y. Generation Z are those people born between 1995 and 2010, roughly (Bejtkovský, 2017).

Also labeled as centennials, for having been born into the world at the turn of the century they arrived with a tablet and a smartphone under their arms. It is a group of people that is marked by the Internet. It is part of their DNA: it storms into their homes, their education and their way of socializing. And if Generation Y has difficulty finding a job, the situation for post-millennial is even worse (Iberdrola, n.d.).

Those members of Generation Z, who are about to join the workforce, mostly born after 2000, are also referred to in literature as the mobile generation. They have grown up with technology, the world-wide web, mp3 players, short messages, mobile phones, PDAs, YouTube, iPads, and other media technologies (Kapil and Roy 2014). Generation Z are self-confident, happy, fit into the team spirit and are more interested in social activities than the previous generations (Ozkan and Solmaz 2015). Generation Z are also (West 2014): (1) well-integrated with technology; they are often referred to as "digital natives"; (2) social media savvy; (3) multitasks; (4) concerned about the environment; (5) influenced by their friends about products and brands; (6) smart, with the ability to process a lot of information quickly.

Within the next five years, Generation Z will constitute a fifth of the workforce. This is a group of people that grew up with wireless technology. Workers from this generation of young adults tend to be innovative and creative, wanting to make an impact on society. They want to advance and grow professionally, and are willing to use internships and learning experiences to do this. Generation Z are also more interested in working for a cause or company that they are passionate about, and may be willing to be paid less to do so. If a company has the intention of attracting a young, talented workforce, it must therefore offer competitive salaries and benefits; otherwise they will find an employer who does meet their demands. They also have higher expectations of their relationship with their bosses. Even though they are fluent in a world of social media, text messages and email, they would much rather have genuine conversations and connections with those higher up. Additionally, this generation is very project-oriented, ready to run with whatever is given to them. However, they prefer extensive feedback and input from those higher than them. Generation Z has a great amount of drive, talent, and ambition to bring to the table. They are not above working hard for their paycheck. They are loyal and are able to drive through innovations to match the changing times. They are willing to grow and progress quickly and do so with the intention of making an impact on the company they work for from the beginning. This means that these companies must be willing to work hard for their attention, offering adequate salaries and benefits in order to attract talented young adults to their doorstep (McGraw 2014) (Bejtkovský, 2017).

As for the current generation, those born after 2010, they have been termed the **Alpha generation**.

The dates of birth range between 2010 and 2025. Their formative years will take at least 30 years. They are or will be the children of Generation X, Generation Y and Generation Z. Five predictions have been made for Generation Alpha (Schawbel 2014): (1) they will be the most entrepreneurial generation so far; (2) they will be the most tech savvy generation ever and will never have known a world without social networking; (3) they will primarily shop online and have less human contact than previous generations; (4) they will be extremely coddled and influenced by their Generation X and Generation Y parents; (5) they will be more self-sufficient, better educated and prepared for big challenges (Bejtkovský, 2017).

### 6.2.2 Youth Unemployment

As per the ILO Convention No. 138, the minimum age for employment is 15 years but variation exists in the youth definition for statistical purpose. The UN and ILO define youth unemployment as the share of the labor force ages 15-24 inclusive without work but available for and seeking employment. There are four models which helping determining the factors affecting youth unemployment. These groups of factors form a temporal sequence with social background most removed in time from the measurement of unemployment incident followed by school factors, qualifications, and prior employment experience being the most influence on unemployment incidence: Model 1 specifies social background factors as influences on youth unemployment. Total effects of age, gender, parental occupational status, location and ethnicity on being unemployed for three months or more in a given year are isolated. On the other hands, model 2 adds school factors namely achievement in literacy and numeracy. The effects for the social background factors are direct effects net of school factors. Model 3 adds educational qualifications. The final model adds employment experience. This model produces the direct effects of qualifications, school and social background factors net employment experience (UKEssays, 2018).

In agreement with Francesca Fazio (2012) from the book *Youth unemployment and joblessness*, comparing adult's unemployment with the rate of unemployment among the youth, its two to four time smaller. One reason for this is that young people, usually hired under fixed-term contracts, are most affected by the "super-cyclical" trend of the labor market. Their unemployment rate is more sensitive to the economic cycle than that of their adult counterparts, for making them redundant is easier and less expensive.

It's true that starting from 1990s, young people in industrialized countries have been facing unprecedented difficulties in entering the labor market, but this situation culminated in the recent economic crisis of 2008 and caused youth unemployment rates to increase and double those of adults (Fazio, 2012).

In times of economic recession, the labor market contracts and the number of unemployed people rises sharply. But for young people these periods are doubly troubling, not only are they the first targets of job cuts but also their transition from school to the job market becomes almost impossible. UN World Youth Report launched on 6 February 2012, says that during economic downturn, young people are often the 'last in' and the 'first out' – the last to be hired, and the first to be dismissed. This issue has particularly severe implications for



the school to work transition, the period when young people enter the labor market to look for their first job (United Nations Regional Information Centre for Western Europe, n.d.)

The financial and economic crisis was posing daunting challenges to young people in every country. School-leavers were competing with more jobseekers for fewer vacancies, and employers had become very selective in their hiring of new staff. Even for those youth already in the labor market but with temporary jobs, the short-term outlook was grim: they had been among the first to lose their jobs and were finding it particularly difficult to get another one (OECD, 2009a). More importantly, education matters and the consequences of a crisis are usually more dramatic for low skilled youth, who even before the crisis faced multiple barriers in finding work, are now at high risk of long-term inactivity and exclusion (Scarpetta, Sonnet and Manfredi, 2010).

In any case, adopting the definition of Quintini and Manfredi (2009), the crisis is pushing more and more youth, even those who have performed well in good times, into the group of “poorly-integrated new entrants” and possibly in to the group of “youth left behind”. In particular, Scarpetta et al. (2010) highlight the risk to have a “lost generation” and he need to adopt effective (active and passive) labor policies and school to work transition institutions for minimizing the increase in the number of youth losing effective contact with labor market and permanently damaging their employment prospects (Choudhry, Marelli and Signorelli, 2012).

### **6.2.3 Main causes of youth unemployment**

Young people are disadvantaged in finding employment, especially in rigid labor markets. There are several factors, such as their relative lack of skills, unstable labor market experience and discrimination, which contribute to the difficulty usually faced by young people entering the labor market. Thus, unemployment among young people has become a major policy challenge for governments and employers in the 21<sup>st</sup> century (Fashoyin, 2012).

In line with UKEssays (2018) the main causes of youth unemployment which have been widely studied in the economic literature are:

#### **1) Performance of Economy**

Following the former approach, the determinants of youth unemployment more often quoted are aggregate demand, youth wages, and the size of the youth labour force and the lack of

skills among youth (O'Higgins, 2001) Indeed, unemployment of young people seems to be more sensitive to changes in aggregate demand than adult unemployment, as young people are more likely than older workers to leave their jobs voluntary and to do so, albeit to a lesser extent, during a recession. On the demand side, it is likely that the first reaction of firms to a recession is to stop recruitment, and this affects young people more strongly. Furthermore, when firms start redundancy procedures, it is cheaper for them to fire young workers rather than older workers. Turning to the argument of wages, the evidence seems to suggest that, in industrialized countries (Blanchflower, 1999) the young are not being priced out of jobs by wages that are too high.

## **2) Labor Market Regulations**

Moreover, the Employment Protection Legislation (EPL) and other interventions, such as the introduction of minimum wages, have been recurrently criticized to affect youth unemployment. The enforcement of the minimum wage can limit the attractiveness of taking in young workers without any prior work experience. Several studies argued that countries with strict EPL usually present also high youth unemployment, however there is no clear indication of this correlation (ILO, 2006). The effect of minimum wages on youth employment is often found to be significant (Neumark and Wascher, 1999).

## **3) Labor Market Mismatch**

The microeconomic theory puts forward other explanations to youth unemployment, however, not specific to the young generation. The theory of human capital (Schultz, 1961, Becker, 1964, Mincer, 1974) differentiates the individuals by their schooling and training investment and accounts for some of the differences in productivities between young people and more generally between cohorts. Young people with low education and experience will go through more difficulties to find employment (Giret, 2001).

Another possible cause of high youth unemployment and low quality employment – low entrance wages, bad-quality jobs, and diffusion of non-standard labour contracts – has been found in the mismatch between the knowledge acquired through formal education and the skills required by the labor market.

## **4) Information and signaling failures**

Under economic perspective, youth unemployment is caused by an imbalance between supply and demand. In most circumstances the demand for young workers is lower than its

supply. A potential justification is the mismatch between the youths' education and the skills required to obtain a certain occupation. Young people are often unsophisticated and typically lack information about the compensation and job categories that their education and limited experience can fetch. Thus, if young job seekers sense that opportunities open to them are, and will remain, limited until they have acquired more experience and more training, then they will be better equipped to assess their marketability. Employers cannot find the right competences and working experience within the youth labor force (ILO, Tackling Youth Employment Challenges, 2011).

### **5) Demographic changes**

The proposition of young people in the population was often referred to as an indirect determinant of youth unemployment. According to Freeman's analysis an increase in the relative number of youngsters has a positive impact on the youth unemployment rate (Freeman & Wise, 1982). Location problems can also account for mismatches of supply and demand for skills. There is a high cost associated with out- of- town job search and employment.

## **6.3 Solutions of unemployment**

Unemployment can be resolved through different aspects; it can be eliminated or reduced by following techniques (Bitlanders, 2017):

- Education: As lack of education is causing unemployment, an excess of education can reduce unemployment. Education is the only thing that can lead a destroyed nation towards the achievement. Educating society can increase opportunities globally. Education gives strength to a person so that he can fight for a better future. In this way, unemployment gets decreased.
- Providing technical and vocational skills: When education gives practical approach besides reading then it proves beneficial for beginners. New and fresh talent will be preferred when they have potential and skills. This happens only when technical knowledge is provided to people.
- Creating job opportunities: job opportunities must be provided in a vast amount. Jobs should not only give to the sharp students. But also there must be some vacancies for the average students. Compensating all the members is necessary for removing unemployment.

- Communication must be improved: The problem young generation often face is they don't even know where to go, what to do, which field is for them etc. are common. These problems can be minimized when communication between members and experts increases. There should be free communication between the applicant and the owner. The person must get knowledge about the type of job that is suitable for him. He must understand the job first and then apply for the one that is best.

On the other hand, in line with Pettinger (2017) there are two main strategies for reducing unemployment:

- ✓ Demand side policies to reduce demand-deficient unemployment (unemployment caused by recession)
- ✓ Supply side policies to reduce structural unemployment (the natural rate of unemployment)

These are other methods apart from those above mentioned, to reduce unemployment efficiently:

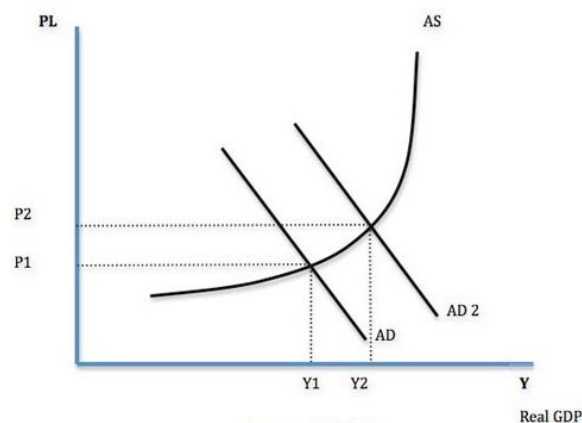
- ✓ Monetary policy – cutting interest rates to boost Aggregate Demand (AD)
- ✓ Fiscal policy – cutting taxes to boost AD.
- ✓ Education and training to help reduce structural unemployment.
- ✓ Geographical subsidies to encourage firms to invest in depressed areas.
- ✓ Lower minimum wage to reduce real wage unemployment.
- ✓ More flexible labour markets, to make it easier to hire and fire workers.

Fiscal policy can decrease unemployment by helping to increase aggregate demand and the rate of economic growth. The government will need to pursue expansionary fiscal policy; this involves cutting taxes and increasing government spending. Lower taxes increase disposable income and therefore help to increase consumption, leading to higher aggregate demand (AD).

With an increase in AD, there will be an increase in Real GDP (as long as there is spare capacity in the economy.) If firms produce more, there will be an increase in demand for workers and therefore lower demand-deficient unemployment. Also, with higher aggregate demand and strong economic growth, fewer firms will go bankrupt meaning fewer job losses.

Keynes was an active advocate of expansionary fiscal policy during a prolonged recession. He argues that in a recession, resources (both capital and labor) are idle. Therefore the government should intervene and create additional demand to reduce unemployment (Pettinger, 2017).

Graph 5: Impact of Higher AD on Economy



Source: Pettinger, 2017

However, it depends on other components of AD. E.g. if confidence is low, cutting taxes may not increase consumer spending because people prefer to save. Also, people may not spend tax cuts, if they will soon be reversed. Fiscal policy may have time lags. E.g., a decision to increase government spending may take a long time to affect aggregated demand (AD). If the economy is close to full capacity, an increase in AD will only cause inflation. Expansionary fiscal policy will only reduce unemployment if there is an output gap (Pettinger, 2017).

Expansionary fiscal policy will require higher government borrowing – this may not be possible for countries with high levels of debt, and rising bond yields. In the long run, expansionary fiscal policy may cause crowd out, i.e. the government increase spending but because they borrow from the private sector, they have less to spend, and therefore AD doesn't increase. However, Keynesians argue crowding out will not occur in a liquidity trap (Pettinger, 2017).

Regarding to the monetary policy, it would involve cutting interest rates. Lower rates decrease the cost of borrowing and encourage people to spend and invest. This increases AD and should also help to increase GDP and reduce demand deficient unemployment.

Also, lower interest rates will reduce exchange rate and make exports more competitive.

In some cases, lower interest rates may be ineffective in boosting demand. In this case, Central Banks may resort to Quantitative easing. This is an attempt to increase the money supply and boost aggregate demand (Pettinger, 2017).

## 7 THE DIGITAL AND SHARING ECONOMY

The phenomenon of the sharing economy has undergone significant growth, especially since the 2008 crisis: both media and dedicated literature showed an increasing interest towards this umbrella concept whose boundaries are still blurred, which is why it is not simple to provide a unified and ‘official’ definition. In fact, the name ‘sharing economy’ may be interpreted under different labels: collaborative consumption, collaborative economy, on-demand economy, peer-to-peer economy, zero-marginal cost economy, and crowd-based capitalism are just some examples of the different interpretations that are currently interconnected to the notion of sharing economy.

According to a study developed in 2010 by Latitude in collaboration with Shareable Magazine (one of the most prominent publications on sharing economy) it is possible to distinguish four main driving forces that supported the emergence of the sharing economy:

- **Technology:** web and mobile technologies play a critical role in building large-scale sharing communities, because they offer speed of contact and of the supply-demand cycle. Practices of sharing, renting and bartering already existed before the internet, but it is evident that the emergence of new web and mobile technologies has accelerated and facilitated the rise of the sharing economy, enabling up scaling and enhancing economic impact.
- **Environmental concerns:** sharing and sustainability are connected concepts; many people who decide to adopt sharing practices consider their choices as being ‘better for the environment’. In times of scarcity, to share resources and assets means to collaborate for more sustainable ways of living.
- **Global recession:** the most popularly perceived benefit of sharing is saving money. This is particularly crucial in times of economic crisis (a crisis that affects not only the market but also governments and thus the welfare state), in which people lose purchasing power and, at the same time, gain increasing awareness about purchasing decisions, stressing practicality over consumerism. However, the idea of ‘saving money’ is not opposite to that of doing something ‘good for society and environment’, these two principles are both important for those people who decide to adopt sharing practices and use collaborative services.
- **Community:** the network paradigm can be seen as a re-enactment of the ancient concept of community. What is happening now is that online connectivity also facilitates

offline sharing and social activities, allowing direct contact among people who live in the same area but do not interact.

In 2010, Botsman and Rogers published the first book about the sharing economy: *What's Mine Is Yours*—the rise of collaborative consumption, providing a general definition of: traditional sharing, bartering, lending, trading, renting, gifting and swapping redefined through technologies and peer communities. They also explain how the sharing economy may become more than a niche economy, because it may be considered as a veritable market that produces sizeable numbers and increasing turnovers. Indeed, the sharing economy has been named by TIME as one of the '10 Ideas That Will Change the World' highlighting the enormous social, economic and environmental potential of this phenomenon. AirBnB (a platform for the rental of private accommodation), Zipcar (one of the first car sharing companies) and Taskrabbit (a platform to directly broker personal services) are just some examples of how the sharing economy can grow and provide a wide variety of services that shift from ownership to access and build upon distributed networks of connected individuals and communities.

In their book, Botsman and Rogers propose the following distinction between different forms of the sharing economy:

- Collaborative consumption: an economic model based on sharing, swapping, trading, or renting products and services, enabling access over ownership. It is reinventing not just what we consume but how we consume. It has three distinct systems: redistribution markets, collaborative lifestyle, product service systems.
- Collaborative economy: an economy built on distributed networks of connected individuals and communities versus centralized institutions, transforming how we can produce, consume, finance, and learn. It has four key components: production, consumption, finance and education.
- Sharing economy: an economic model based on sharing underutilized assets, from spaces to skills to items for monetary or non-monetary benefits. It is currently talked about mainly in relation to P2P marketplaces but equal opportunity also lies in the B2C models.

In their article entitled 'Sharing Economy: A Step towards the Re-Embeddedness of the Economy?', Pais and Provasi (2015) argue that the failure of the two most important economic models of the 20th century (the Keynesian and the neoliberal) left a vacuum that, in



a way, is being filled by the sharing economy. This is happening because the previous models contributed to ‘disembedding’ economic relations from their social ties and, now, the sharing economy seems able to occupy this vacuum “by experimenting with collaborative social forms able (at least potentially and ideally) to embed economic relations once again in social ones”. Pais and Provasi developed a working hypothesis that the sharing economy may help in remedying these failures by experimenting with new forms of relationship between economy and society (Selloni, 2017).

## 7.1 Social networks

Don Tapscott on his *The Digital Economy* book of 1995 was already updating everyone about the significance of the internet and social media in the world and especially in the companies. Now 24 years later, it can be seen that what he had foreseen for these two decades was absolutely right and maybe with much bigger effect than what he could expect.

Kaplan and Haenlein, (2010) define social media as a group of internet-based applications that build on the ideological and technological foundations of Web 2.0, and the internet-based applications allow the exchange of user-generated content (Lee, 2014). Safko and Brake (2009), refer to media that people can use to be social. In the end, social media are about online interactions and connections (Looy, 2016; retrieved from *European Business Review*, 2017).

Who could have foreseen the next two decades? Who could have seen the way open platforms like the Web would transform nearly every part of our society and economy? That the power of networking would redefine collaboration and leadership, expanding both humanity’s and its potential? These are some of the questions that Eric Schmidt, the executive chairman of Google had on his mind due to the previously mentioned book, he could not imagine and no one could, the impact that the Internet was going to cause in the entire life of all the individuals, but Don Tapscott did. He was one of the first people showing the importance of the technology in the new age, calling it the digital revolution. This revolution was a once-in-a-generation event that continues to transform every corner of the global economy, allowing businesses to run more efficiently, increase productivity and develop entirely new and enriching business models (Schmidt, 2014).

According to Tapscott (2014), in October of 1994 the first commercial Web browser was released and in the same period of time, the first Web sites had started to appear. The first

Research in Motion (RIM) pager did not appear until 1999, same year where Google became available and it was not until 2007 that the first iPhone appeared on the market. It's important to mention too, that there were little companies on the Web, but nothing relevant, until later on. For example, in 1996 AuctionWeb little company was found in the Internet, with huge potential to change retail, price discovery and create a vast community of people who make a living through selling stuff. This small company after a few years changed its name to eBay, which now is an enormous company known worldwide. Amazon was also founded in July of the same year, but still, the concept of social media was not invented. 10 years after MySpace blog and YouTube were created and 15 years later Twitter was developed.

Networking can change the intelligence of a business by bringing collective know-how to bear in problem solving and innovation. Even if it can be dangerous the use of this new media, due to still is unknown and are being used without control, it is changing the way of doing business, working, learning, playing and even thinking. Internet provides everything you can imagine everywhere (Tapscott, 1995).

### **7.1.1 Benefits of using social media for young people**

What converts social networks into a channel for business is the number of users each one has. Nowadays, more than half of the world's population already has access to the Internet, of which about a quarter of a billion accessed for the first time at some in 2017. With access to the Internet, there is also access to social networks (Gonzalez, 2018).

For its part, eMarketer believes that the future growth of access, especially in regions where it has lagged, will come hand in hand with market development, marked by this same increase in the affordability of smart phones and government investments in coverage mobile broadband.

Social media use grows in tandem with Internet use. However, there is a generational split, as a consequence of XYZ generation theory. The use of social media as a percentage of total Internet use is far higher for younger people (i.e. digital natives)) than for older people. In other words, when younger people are on the Internet, they are more likely to be using social media than older people, who have more uses for the Internet than social media. This generational split may be set at 40 years of age, as the 40-54 age group tends to act more like the 55+ age group while the 25-39 age groups tends to act more like the 15-24 age group. These differences need to be considered for the effective deployment and uptake of social media

organizations (Directorate-General for the Information Society and Media (European Commission), 2013).

Social media has revolutionized the way to communicate; no one more so than teenagers and young adults, who spend on average 2-3 hours, a day connected to social media sites. Online social networking provides young people with a range of positive opportunities to maintain social connections and share emotional support, learning and an almost infinite array of interests. However, social media use can also have negative impacts, such as excessive use, social isolation, loss of privacy, cyber bullying, anxiety and self-esteem pressures (Healey, 2017).

Using social media Web sites is among the most common activity of today's children and adolescents. Any Web site that allows social interaction is considered a social media site, including social networking sites such as Facebook, MySpace, and Twitter; gaming sites and virtual worlds such as Club Penguin, Second Life, and the Sims; video sites such as YouTube; and blogs. Such sites offer today's youth a portal for entertainment and communication and have grown exponentially in recent years (O'Keeffe, G., Clarke-Pearson, K. & Council on Communications and Media, 2011).

According to Salazar (n.d.) social networks are currently part of the most effective growth strategies. In addition to serving as a means to get in touch with your acquaintances, they serve as platforms to promote practically anything. Its use goes beyond sharing viral memes and videos because, its potential scope and the ease with which it is integrated into people's lives, make social networks an effective channel to position your business and increase sales. Although its main function is to serve sociability, social networks are not relegated to be used as advertising media. It is well known that the economic cost, not to mention other kinds of sacrifices, simply to pay advertising expenses can be quite high. The problem is that they themselves involve infinity of concerns that undoubtedly translate into time and money.

Brochures, spectacular, spots on radio or television, represent expenses that can be reduced remarkably today due to the revolution of social networks. Perhaps the solution to these problems does not lie in omitting completely typical advertising expenses, but with such a vast and interactive medium as social networks, it becomes increasingly necessary to opt for them.

As it is inevitable to run into advertisements in daily life, it is in a certain way also in social networks; they are everywhere and this means cannot be the exception. It is truly amazing

how many companies and organizations have been gaining a considerable amount of support due to the vertiginous spread of social networks.

If social movements, organizations of events and common causes arrive in the most immediate way to the computer or smart phone of any individual, imagine in what way your company could position itself in one of their interests. The most incredible thing is that this range of people is not limited only to a small social sector, state or even country, but it is something that is spreading around the world.

This means that a person from China can contact another person from Europe, or someone residing in Mexico can easily share their privacy with someone who lives on the other side of the world. A Facebook page, for example, that has 10,000 "likes", causes a deeper impression on any consumer than a 500, considerable changes in which it can help even the most distant public.

It is clear that social networks never exceed the fact of being truly economic. The benefits are innumerable and those that can approach in the future can turn out to be even more numerous (Salazar, n.d.).

### **7.1.2 Benefits of using social media for small and middle enterprises**

According to the European Commission (2013) SMEs are considered one of the “driving forces” of modern economies, mainly due to their contributions to job creation and innovation. Jobs in SMEs account for 67% of total employment in Europe.

Moreover, the ability of SMEs to innovate is important because it improves not only their own competitiveness, but also the entire industry and economy via linkages and knowledge spill-overs with other firms. Better understanding the use of social media, a rapidly growing and potentially limitless phenomenon, by SMEs, “the backbone of the European economy”, is necessary to design policies that help unleash the full potential of European business activity ( Directorate-General for the Information Society and Media, 2013).

Social media regarded as a medium of marketing by many businesses. Social media have changed the ways in which businesses communicate with their customers and vice-versa. It allows businesses to customize messages and make them interactive by involving the user in the construction of the message. As noted by Oracle (2012) and Salermo et al., (2013), consumers are helping business shape their brand and service by having conversations with

other consumers that will ultimately affect the revenue of the businesses. Moreover, according to Trusov, Bucklin and Pauwels (2009), word-of-mouth on internet social networking site has a strong impact on new customer acquisition and has longer carryover than traditional forms of marketing.

Social media and internet have proven to be the most powerful tools in directing the mindsets of customers. There is a large number of social media that SMEs can use to interact with their customers. The most popular social media platforms are Facebook, Twitter, LinkedIn, YouTube and Blogging (Peres and Mesquita, 2015).

Social media tools can provide improved communication and collaboration between the firm and its stakeholders (e.g. customers, suppliers, business partners) (Burke, Fields and Kafai, 2010, Culnan, McHugh and Zubillaga, 2010), an innovative way for firms to identify products with high selling potential (Liang and Turban, 2011) and a better channel for attracting and retaining online customers (Information Resources Management Association, 2016). According to Coremetrics (2010), social media is the fastest-growing marketing channel in the world, (Pentina, Koh and Le, 2012) (retrieved from European Business Review, 2017).

According to a study by Adglow, a company specializing in technology and advertising services for social networks, Facebook, Twitter or LinkedIn has become a key tool for SMEs, who use social networks as an element of their business. And is that the digital marketing strategy of any entrepreneur goes through designing a social network plan, an area in which increasingly shifts with greater security and maturity (A.M; 2018).

Social networks have not only revolutionized the internet landscape as a means of communication and entertainment but as a key marketing tool for most companies.

The incessant growth of the markets and the internet as a communication platform has meant that companies have to reinvent themselves and adapt to these new demands. Therefore, at the business level it is as important to know them as to know how to handle them correctly.

It is proven that those companies that have an Internet presence and social media profiles have not only increased their sales ratio, but have also managed to build customer loyalty, attract new ones and promote their businesses. Nowadays, the presence in Social Networks is essential for the growth of any company (Master social media, 2018).

According to Sheila Carralón (2018), these are some of the benefits that the use of social media can bring to small and medium enterprises:

1. Strengthen the link with the user. The client is the protagonist of the company, therefore, makes them participant in the activity. Little by little, a community will be created around the business. The youngest are the generation most likely to become subscribers of a brand.
2. Maintain a bidirectional communication. Not only the company is the one who must "talk" about it: listening is essential. This way the company will know what is being said 'in the seas of the Internet' about the business. The enterprise can even know the latest trends or the actions competitors are doing.
3. It collects the needs of the client. Criticism, if it is constructive, will always help to improve. Social networks are an incredible tool to communicate with the users. Those who will congratulate the company, criticize or give suggestions ...
4. Improve the company position. Being present in social networks will help in a positive way to the web positioning of the enterprise page.
5. Makes the enterprise different. Being innovative can be a strategy for the organization to differentiate it from the competitors. This should be reflected in the communication strategies. Social networks will also help to 'keep an eye' on what the competition does online. Thus, the firm will be aware of their movements and will know more easily how to differentiate from others.
6. They bring value. The contents that are disseminate through them must be relevant and attractive, in order to generate the desired viral. Users tend to share those contents with what they feel identified; their attention has attracted or impacted them.
7. Low cost compared to conventional campaigns. Budgets adaptable to any scenario and pocket. Social networks have become ideal platforms for promotion actions.
8. They attract traffic to the company's website. If the profile is interesting, call attention, communicate and listen, sooner or later it will become the gateway to the website.

## 8 BUSINESS PLAN

From an academic point of view, a business plan is a roadmap, a statement of strategy, an operational model, a business forecast or some other conceptual label. From an entrepreneur's viewpoint, a business plan is a selling document, a sales pitch it's given to prospective venture capitalists and banks. A business plan does not sell a product or a service or a work environment, it sells an entire innovation project, the entire business venture or a new company. It is based on supporting evidence in the form of solid research and experience. The innovation, new product or service idea that it's being sold or form a company about should be real, credible, convincing, promising, attractive, demonstrable, and worth investing for stakeholders (Mascarenhas, 2009).

Business planning is the process of determining a commercial enterprise's objectives, strategies and projected actions in order to promote its survival and development within a given time frame. Business planning mostly focuses on two key aspects: dealing with risks and making profits. (Peterson, Jaret & Schenck 2010.) (Yakovleva, 2017).

A completed business plan is a guide that illustrates where someone is, where is going and how to get there (Charles J. Bodestab). A business plan may tell by the time it's done that this is not a profitable business. If a person goes into the business world without a path to walk down, without some sort of guidelines, he or she is in trouble (Geoff Walsh). The business plan could be the most useful and important document as an entrepreneur. The plan keeps the individuals thinking on target, keeps her or him creativity on track, and concentrates the power on reaching the goal (Megginson, Byrd, Scott and Megginson 1994: 138).

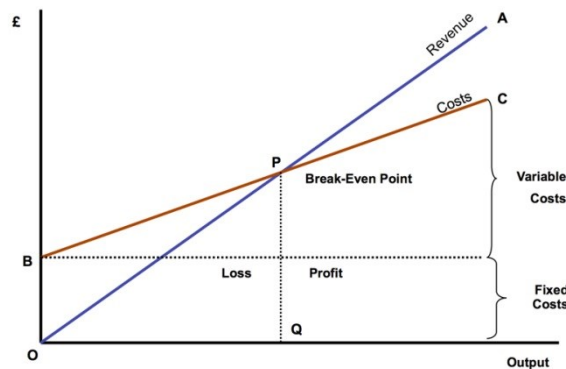
A properly developed and written business plan serves as an effective communication tool to convey ideas, research findings and proposed plan to potential investors. The business plan is the basis for managing the new venture. It also serves as a measure to gauge progress and evaluate needed changes (Mascarenhas, 2009).

It's important also from the cost and revenues point of view, so that a break-even point can be calculated. Break-even analysis entails the calculation and examination of the margin of safety for an entity based on the revenues collected and associated costs. Analyzing different price levels relating to various levels of demand a business uses break-even analysis to determine what level of sales are necessary to cover the company's total fixed costs. A demand-side analysis would give a seller significant insight regarding selling capabilities.

Break-even analysis is useful in the determination of the level of production or a targeted desired sales mix. Break-even analysis looks at the level of fixed costs relative to the profit earned by each additional unit produced and sold. In general, a company with lower fixed costs will have a lower break-even point of sale. However, the accumulation of variable costs will limit the leverage of the company as these expenses come from each item sold.

Break-even analysis is also used by investors to determine at what price they will break even on a trade or investment. The calculation is useful when trading in or creating a strategy to buy options or a fixed-income security product (Hayes, 2019).

Graph 6: Break-Even Point



Source: Riley, n.d.

## 8.1 Reasons for writing a business plan

Gumpert (1997) provides eight reasons for writing a good business plan:

1. It is a “sanity check”. Write the plan and run it through others for their response and reactions. Not all would agree with the plan. Nevertheless, agreements and disagreements will help to focus better.
2. To obtain Bank Financing: Getting bank finance is tough, and it will have to be made a clear persuading case to prospective bankers. Currently, (given the bank failures of the late 1980s and early 1990s), banks are under great scrutiny by federal regulators and, consequently, require entrepreneurs to include a business plan with any request for loan funds.
3. To obtain Investment Funds: A written plan endorses entrepreneurs belief and commitment to the business idea. Investors and the Securities Exchange Commission (SEC) want written business plans than mere oral presentations.



4. To arrange Strategic Alliances: Small and large companies need others and each other. Small companies need financial support and big companies need innovation. Besides obtaining funds, the business plan could ground joint research for developing the core product and competencies (front-end innovations) and joint marketing for bundling, promoting, retailing and servicing (backend innovations) the product.
5. To obtain large Contracts: The major buyers will not contract with the businessperson until they are convinced that the product meets with quality standards, and that the organizer will stay in business for at least three to five years. A formal written business plan should convince them about these concerns. Today, big corporations are looking for long-term supplier chain management (SCM) relationships.
6. To attract key Employees: Best talent normally looks for stable large companies. Hence, as a small business, the business plan must be able to attract good executive, engineering and blue-collar worker talent to the fledgling company. Good executive and engineering talent, tired of convoluted bureaucracies of large corporations, are seeking personalized, ethical, and empowering morale and climate of small companies.
7. To complete Mergers and Acquisitions: If the business plan intends a merger, acquisition, divestiture, technical collaboration, cross-licensing, strategic alliance or a joint venture, then the prospective business partner would like to know more about the venture from the business plan.
8. To motivate and focus the Management Team: A written business plan with clear short-term and long-term goals and strategies will enable the executives, engineers, marketers and workers to stay focused, motivated and productive.

## 8.2 Structure

According to Mascarenhas (2009) a business plan has usually three parts:

1. *A Summary Business Plan* (< 5 pages) containing executive summary on all the key points of your full business and operational plan.
2. *The Full Business Plan* (10-20 pages) covering topics 1-10 below, and
3. *The Operational Business Plan* (25+ pages) covering materials, purchasing, product design, production, inventory, sizing, packaging, bundling, costing, pricing, distribution, promotion and advertising, business forecasts, cash flows, and profitability.

The basic content of a business plan is for about 10 points (Mascarenhas, 2009), which are:

1. Executive summary: This is the business plan in miniature. It should catch the excitement and essence of the business. This is the single most important section of the business plan because most of the target audience will start reading the summary first before digging into the Business Plan proper.
2. Problem: What is the corporate identity? Provide the company's history in brief, the start-ups, current business strategy, management team, and a record of accomplishment of past products and successes (and failures). In describing the business strategy, describe the plan, the idea and the mission of the project as well as the competitive advantage in order to reach the goals set.
3. Trade & Customer: Who are the target market or potential buyers? How and why did the entrepreneur identify them? What was the market scanning, market research, and market forecasting on this? What is the customer base, customer prospects, and how best can the businessperson reach them? What are the target market demographics and possible demographic shifts? Detail on the size, accessibility, stability, buying power, volatility of the target market. What will make the market believe and buy- in the product? Analyze the market entrance barriers, and make a plan to solve them.
4. Competition: Unless the product is absolutely new to the world, it will have competing brands, substitutes and surrogates. Examine and assess them. Who are the competitors, their products or services, their quality and brand equity, their price and rebate offerings, their price and product bundling, their warranties and guarantees, and their credit and financing strategies? Se the competitive advantage against the competition.
5. Market entry & marketing: Detail on your marketing, advertising, promotion and distribution plan and strategies. Detail strategy for market entry, setting steps to make pre-market and post-market.
6. Team: Describe the management team and how it is geared to realize the future goals.
7. Business Model: What is the company selling? To whom? Why? How? When? Where? Through whom? How often? Describe the creation/innovation/invention/discovery product or service with its essential features and attributes, values, costs and benefits, quality and utility to the target markets. How can the product fulfill unmet needs, wants and desires of your target customers? What convenience and saving (of time, money, energy, effort, anxiety, space and pace) does your product provide that the competition does not? Quantify the costs and benefits to the prospective customer.

8. Financial factors: What are the costing, pricing, break-even and mark-up plans? Based on your business forecasts, project your cash flows, cash outflows, cash inflows, net cash flows and set the financing that the company needs for starting.
9. Setting the whole strategy: Summarizes your strengths and weaknesses, threats and opportunities, unique features and attributes, great values and benefits.
10. The plan of Implementation: Detail the current status, the time schedule for the realization of the project, and cost and risk analysis.

## **II. ANALYSIS**

## 9 SMALL AND MIDDLE ENTERPRISES CURRENT SITUATION IN SPAIN

In Spain, the business fabric is made up of two types of companies, the large companies, which make up only 1% of this network, and the so-called "SMEs", a heterogeneous group that is made up of small and medium-sized companies, which they make up 99.9% of the remaining tissue (EAE Business School, 2018). According to the Central Companies Directory (2018) there are 3,335,403 companies in Spain, of which 3,330,971 (99.9%) are SMEs.

While large companies have as their main common characteristic the number of employees, always exceeding 250 members, SMEs also keep a series of common features that define them, such as their number of employees, always less than 250, turnover, and other peculiarities that they share, among which its difficulties to find funding or internationalize stand out. However, within SMEs, there are companies with very different characteristics. Table 1: Companies according to employee stratum and total percentage, in Spain and in the EU28.

	Micro without employees	Micro 1-9	Small 10-49	Medium 50-249	<b>SME</b> <b>0-249</b>	Big 250 <	Total
SPAIN	1.844.760	1.338.538	126.191	21.482	<b>3.330.971</b>	4.432	3.335.403
%	55,3	40,1	3,8	0,6	<b>99,9</b>	0,1	100
EU %		93,1	5,8	0,9	<b>99,8</b>	0,2	100

Source: Elaborated by me, retrieved from Central Companies Directory (2018)

Thus, they can be differentiating between:

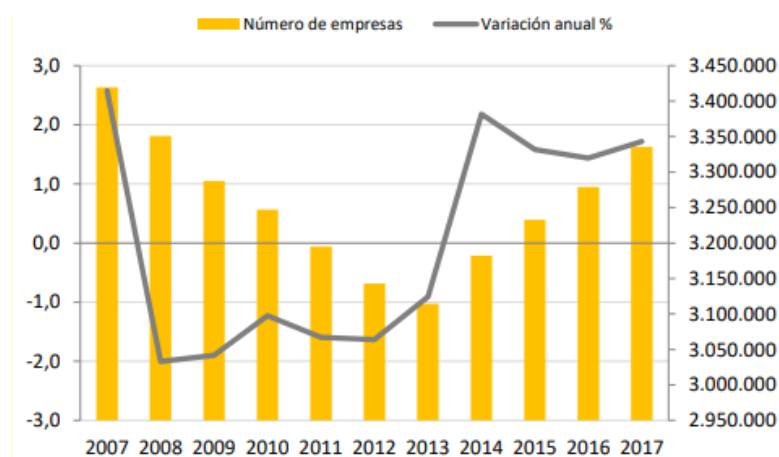
**Micro companies:** It is about the smallest companies. Within this group two subgroups can be observed, some without employees and another with a number of employees less than ten. Another characteristic that defines micro-enterprises is their turnover, which is less than two million euros.

**Small companies:** To be considered within this category, companies must be constituted by a staff of between 10 and 50 members and their turnover cannot exceed ten million euros.

**Medium businesses:** In this group are those companies in which less than 250 employees work and whose turnover does not exceed 50 million euros, or its annual balance does not exceed forty-three million.

In agreement with the Central Companies Directory (2018), in comparison with the European Union, microenterprises (from 0 to 9 employees) in Spain account for 95.4% of all companies, 2.4 points above the estimate available for the EU as a whole in 2016 (93% ), although, this difference has been reduced during the last years. There is also a significant difference in the representativeness of small Spanish companies (3.8%), 2 points below the estimate for the EU as a whole (5.8%). In addition, between 2007 and 2017, the total number of companies in Spain has decreased by 84,088 units, which is equivalent to a decrease in that period of -2.46%.

Graph 7: Evolution of the number of companies and annual variation (%).



Source: Central Companies Directory (2018)

In 2017, the number of SMEs increased by 56,283 companies, which means an increase of 1.7% compared to 2016 (CCD, 2018)

These small and medium enterprises, in addition to constituting an immense majority of the business sector, generate 66% of employment and are the ones that mainly move the economy of Spain. But, what do these SMEs mainly do?

According to the report on "The portrait of SMEs 2015" published by the Spanish Ministry of Industry, Energy and Tourism, more than 80% of Spanish SMEs are engaged in the tertiary sector. To be more exact, the study details that 24.3% of these SMEs work in the commerce sector, while the remaining 56.2%, carry out their activity in other services, such as advisory services, training, health, tourism, banking, leisure, culture or transport, among many others. After the services sector, and despite the decline after the crisis, the construction sector ranks second, with 13.1% of companies. While only 6.4% of SMEs are part of the industrial sector. 95% of these companies are part of the so-called microenterprises, of

which 53.6% do not have salaried employees. These, according to the report, head all sectors except the industrial sector, in which the micro companies that have a staff of less than 10 members are in first position. On the other hand, taking as a reference the size of the companies, we can observe how small and medium-sized companies have the greatest presence in this industrial sector, together with the large companies (EAE Business School, 2018).

In line with Central Directory of Companies of Spain (2018), retrieved from *Emprende Pyme* there are some characteristics of Spanish small and medium enterprises:

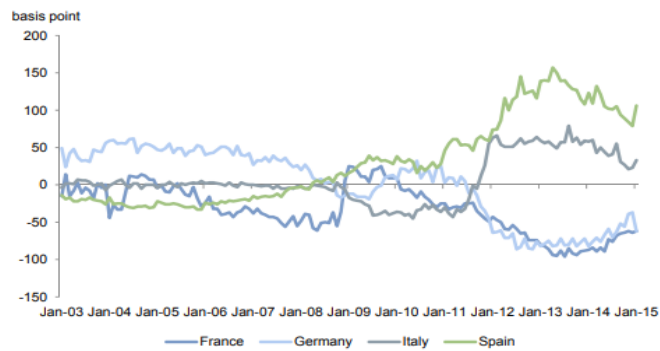
- ✓ Of the more than three million companies in Spain, about 94% are micro-companies: organizations with less than 10 employees or without salaried employees.
- ✓ There is a greater pace of creation of SMEs in Spain than in Europe, as well as a greater rate of destruction.
- ✓ In Spain there are about 7 SMEs per hundred inhabitants.
- ✓ The business activities with zero salaried employees are 52% of the companies
- ✓ The small ones comprised between 10 and 49 employees are 5%. of companies
- ✓ The medians between 50 and 249 are 0.70%
- ✓ Just over 60% are physical persons
- ✓ Around 27.5% are limited companies
- ✓ Between 4 and 5% are public limited companies
- ✓ Communities of goods, cooperative societies and other legal forms: about 8%.

## 10 FINANCIAL ISSUES CAUSED BY GREAT FINANCIAL CRISIS IN SMALL AND MIDDLE ENTERPRISE SECTOR IN SPAIN

When speaking about the facilities of SME getting bank loans in Spain, is getting better, but the years before the crisis, due to the lack of financing possibilities, so many companies went bankruptcy.

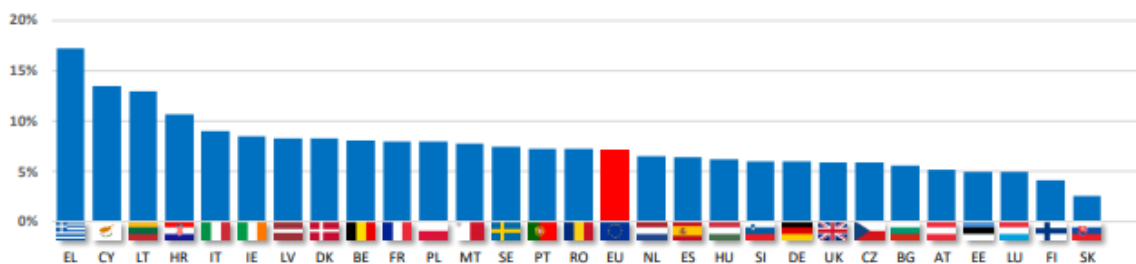
A simple comparison between interest rates on small loans (assumed to be granted mainly to SMEs) and those on large loans shows that SMEs were paying on average around 150 basis points more than large euro area companies in April 2013. Differences across countries remain considerable: in the same period the spread for Spanish SMEs was 250 basis points, while that for German SMEs was around 100 basis points. Looking at developments over time, spreads remained substantially higher for SMEs in Italy and Spain than before the start of the financial crisis, although they have declined since the last quarter of 2012. Hence, the general economic situation characterized by bank funding fragmentation and subdued loan dynamics in some jurisdictions constitutes a challenging environment for SMEs (ECB, 2013).

Graph 8: Spread on loan rates to non-financial corporations in the euro area



Source: SME Investment and Innovation based on ECB (2015)

Graph 9: SME access to finance in different countries (2018)

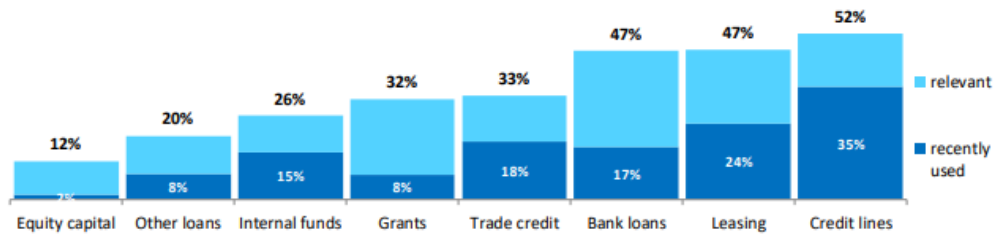


Source: 2018 SAFE results (ECB)



As it can be observed in the graph, the European Union average shows that almost 7% of small and medium enterprises have difficulties getting some financial help, but looking into Spanish data, only 5-6% of SMEs have problems. This percentage is quite better than the percentage of Portugal, France or Italy (7%, 8% and 9%). In addition, the European country with fewer difficulties for financing is Slovakia, with a 3%.

Graph 10: Relevant sources of financing for SMEs in the EU (2018)

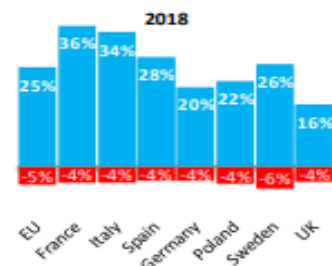
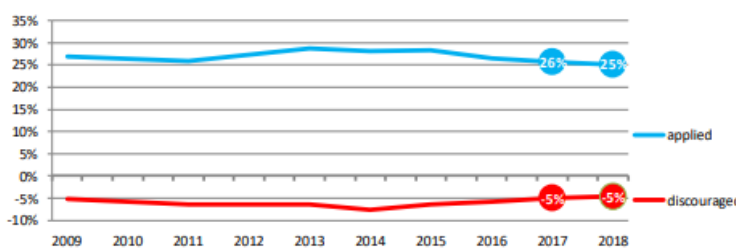


Source: 2018 SAFE results (ECB)

In the European Union, the SMEs who were asked about financing they used in the past or were considering in the future reported that the three most important sources of financing are credit lines (relevant for 52% of SMEs), leasing (47%) and bank loans (47%). Equity financing is relevant for 12% of the EU SMEs. In the past 6 months they most often used credit lines (35%) (SAFE, 2018).

Graph 11: Bank loans

Graph 12: Bank loans by countries

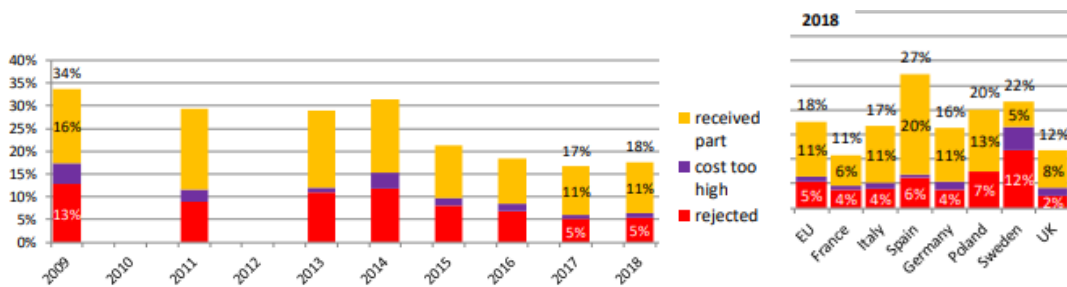


Source: 2018 SAFE results (ECB)

Bank loans remain the relevant form of external financing for 47% of the EU SMEs. Between April and September 2018, 25% of SMEs in the European Union actually applied for a bank loan. 5% did not apply because of fear of rejection. In the case of Spain as it is shown in the next graph, only 4% of the SMEs did not apply for a bank loan, which is a smaller percentage than the EU average, and 34% of companies did apply, almost 10% more than the EU average, only exceeded by France with a 36% of SMEs.

In the European Union, out of those SMEs who applied, 5% of bank loan applications were rejected. In addition to the problem of loan applications being rejected, 11% of companies who successfully applied received less than they applied for and 1% reported that they declined the loan offer from the bank because they found the cost unacceptable. It means that, in total, 18% of the EU SMEs did not manage to get the full bank loan they had planned for during 2018. Back in 2009, the rejection rate in the European Union was 13%, with 34% not getting the fully planned financing (SAFE, 2018).

Graph 13: Obstacles for getting loan 2018 and by countries



Source: 2018 SAFE results (ECB)

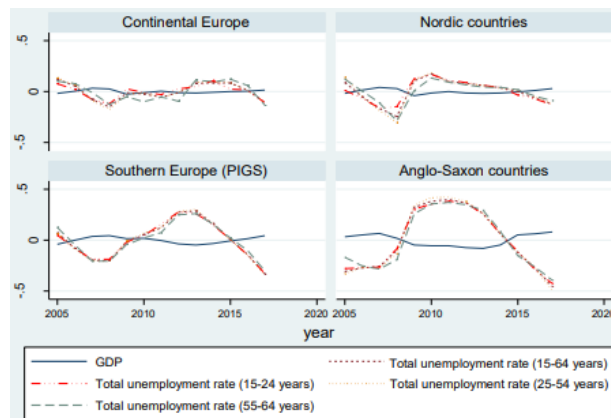
As it can be seen in the last graph, it's significant the difference between Spain and other EU countries for. In the case of Spain, out of those SMEs who applied for a bank loan, 6% were rejected. In addition to the problem of loan applications being rejected, 20% of companies who successfully applied received less than they applied for and 1% reported that they declined the loan offer from the bank because they found the cost unacceptable, which means that in total 27% of Spanish SMEs didn't manage to get full bank loans as they wanted during 2018.

## 11 YOUNG LABOR MARKET ISSUES

In Spain there is a 55% of youth unemployment and a dropout rate of 21%. These data reflect the difficulties of young people to continue training and access to a job. However, small and medium enterprises can do something to improve the youth employability rate (Gonzalez, 2018).

In the following graph it can be observe the difference between GDP and unemployment rate in different countries. It's obvious that in the group which is Spain, the youth unemployment rate as well as the unemployment rate is much bigger than in other countries.

Graph 14: Regional output (GDP) and unemployment rates differences in business cycles from 2005 to 2017



Note: Continental Europe: Austria, Belgium, France, Germany, Luxembourg, and Netherlands; Nordic countries: Denmark, Finland and Sweden; Southern Europe (PIGS): Portugal, Italy, Greece and Spain; and Anglo-Saxon countries: Ireland and the United Kingdom.

Source: Blázquez-Fernández, Cantarero-Prieto, Pascual-Sáez (2018).

All that information reflects the regional heterogeneity (across countries) in the relationship between output and unemployment. In fact, it can be appreciated the highest unemployment rates are due to the higher impact of the crisis in these countries. Besides, when considering age cohort, the largest values are reached by the youngest population years one (Rudawska, 2010) (Blázquez-Fernández, Cantarero-Prieto, Pascual-Sáez; 2018). Comparing Spain (Southern Europe graph) with other countries as Austria, France, Germany or Denmark and Finland, it can be checked the big amount of unemployment rate that Spain has. It can be normal due to the huge financial crisis impact that Spanish country has suffered, more than previous mentioned countries.

Do not forget that the economic and labor handicap of Spain is a problem of a political nature. Therefore, it can be affirm that Spain suffers from "structural unemployment caused by political causes". Unemployment in Spain is maintained structurally by the corrupt configuration of the political system, which parasitizes SMEs and the self-employed. The balance between public and private employment in Spain is a chimera. For example, in Extremadura, one out of every three employees belongs to the public sector. This disproportion can be extrapolated, although to a lesser extent, to the rest of the Autonomous Regions. Besides, in Spain too much public employment is created, subsidized, and it is one of the problems that holds back private, productive and quality employment as well as, legal insecurity, hyper regulation, bureaucracy, lack of market unity, lack of economic freedom, etc., are other factors that hinder the creation of companies and employment in Spain (Muñoz, 2015).

### 11.1 Young (un)employment in Spanish small and middle enterprises

During 2018, the Spanish SME maintains a particular importance in its contribution to the generation of business employment, occupying 65.9% of the total number of workers, a figure similar to that of the EU average. However, compared to the EU average, the percentage contributed by micro-enterprises is 2.5 points higher in Spain (Central Companies Directory, 2018).

Table 2: Business employment according to employee stratum and percentage of the total in Spain, and percentage in the EU28

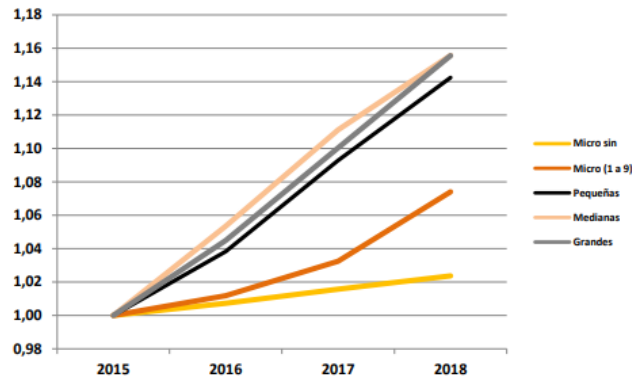
	Micro 1-9	Small 10-49	Medium 50-249	<b>SME</b> <b>0-249</b>	Big 250 <	Total
Number employees	5.076.757	3.014.168	2.405.347	<b>10.496.272</b>	5.427.071	15.923.343
%	31,9	18,9	15,1	<b>65,9</b>	34,1	100
EU %	29,4	20,0	17,0	<b>66,4</b>	33,6	100

Source: Elaborated by author, retrieved from Central Companies Directory (2018)

During 2018, the year-on-year growth of the total number of employees in SMEs is 3.53%, with an increase of 358,247 jobs, thus maintaining a positive variation for the fourth consecutive year. Small and medium-sized companies have the highest rate of increase, with 4.54% and 4.01% respectively. Employment in the stratum of large companies translates into an

increase of 259,129 jobs, representing a growth of 5.01%. Graph 16 shows how the employment of companies without employees is the one that has grown the least (2.37%). On the contrary, the employment of large and medium-sized companies experienced the highest growth, with a variation of 15.58% and 14.25% respectively, during the period 2015-2018 (Central Companies Directory, 2018).

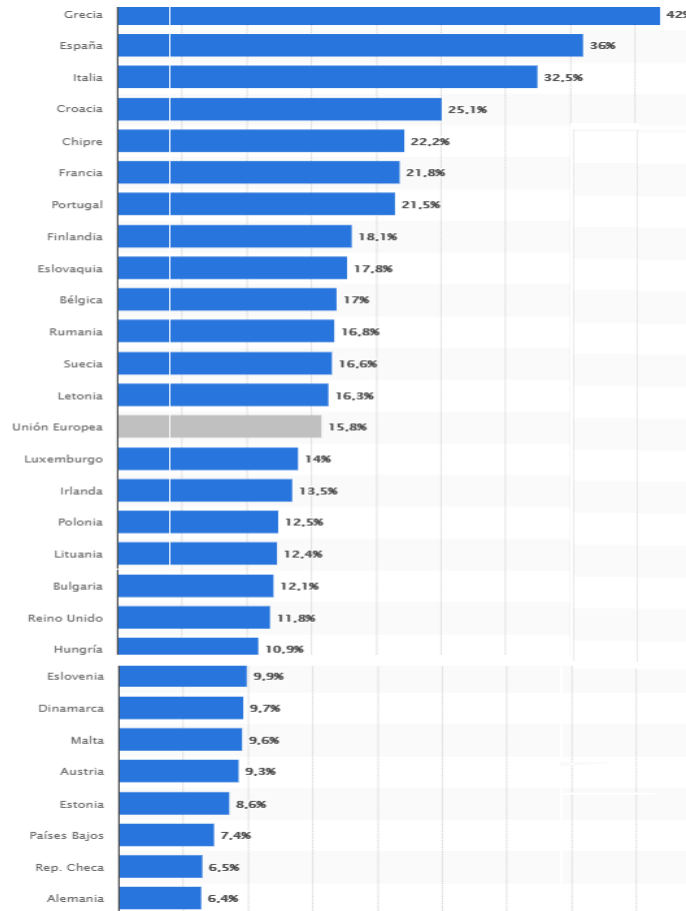
Graph 15: Evolution of employment by company size in Spain, (2015-2018)



Source: Central Companies Directory (2018)

Nevertheless, according to the Expansion Spanish newspaper, the highest youth unemployment rate in Europe, after Greece (42%) is that of Spain, in addition to having the worst working conditions. In March 2018 the unemployment rate for people under 25 in Spain stood at 36.3% compared to 6.4% in Germany, the EU country with the lowest youth unemployment rate. Thus, the EU has a youth unemployment rate of 16.8% (Morales, 2018).

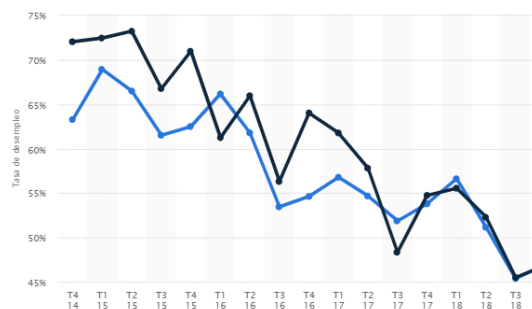
Graph 16: Youth unemployment rate in the countries of the European Union (EU-28)



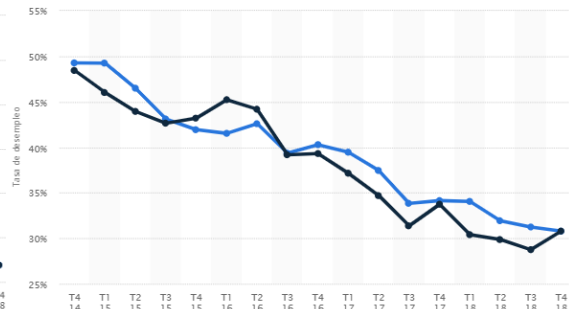
Source: Statista (2018)

Even if the Spanish youth unemployment rate is the second biggest in the European Union, it's important to look back, to the previous years, in order to understand how the economy and the unemployment rate is developing through the years. In the following graphs is going to analyze the progress of young unemployment from 2014 to 2018.

Graph 17: Youth unemployment rate (16-19 years) in Spain from 2014 to 2018



Graph 18: Youth unemployment rate (20-24 years) in Spain from 2014 to 2018



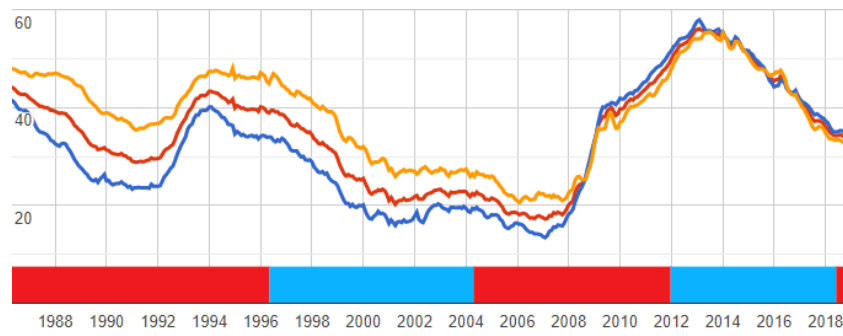
Source: Statista (2018)

This statistic shows the youth unemployment rate in Spain (16-19 years) from the fourth quarter of 2014 to the fourth quarter of 2018, by gender. In the fourth quarter of 2018, the unemployment rate among young people of both genders was exactly the same, at 46.89% (Statista, 2018) while, as it can be observe in the next graph, in the same analyzed period of time, the youth unemployment rate between people from 20 to 24 years old is much more smaller, reaching the 30%.

Examining the graphs, it can be said that the maximum, the biggest youth unemployment rate was on 2014, reaching the almost 50% for people from 20 to 24 and getting close to 70% in people from 16 to 19. It can be also analyzed the fact that the younger people are, the higher the unemployment rate is. In both cases, whether in 2014 or 2018, the highest rate of unemployment is among young people between 16 and 19 years old.

However, before the financial global crisis of 2008, the Spanish youth unemployment rate was decreasing, getting close to a 20% of unemployment rate. It's true that this number is still enormous, but due to this crisis, the rate grew up in such a big way going up to the previous mentioned numbers, as it can be observe in the next graph.

Graph 19: Youth unemployment rate under 25 in Spain (1988-2018)

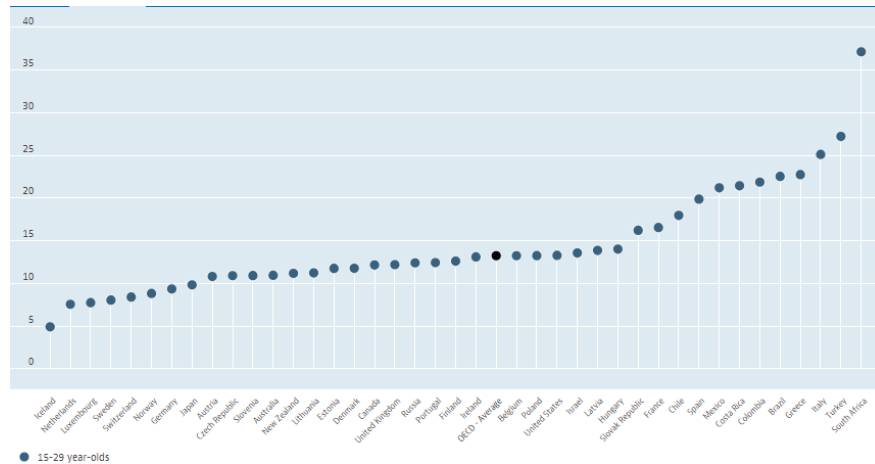


Source: Expansión (2019)

In this last graph it can be recognize how Spanish youth unemployment will be in 2019, since there is a clear downward trend in unemployment rate.

As reported by Barbagelata (2012) one of the main reasons why young people struggle in their search for employment, is the inadequate training or the lack of training, which is directly connected with the education. He also mentioned a crucial issue that affects the young generation which is complicated to deal with. He refers to young people in the 15-18 years age group who are not in employment nor in education training, called NEETs.

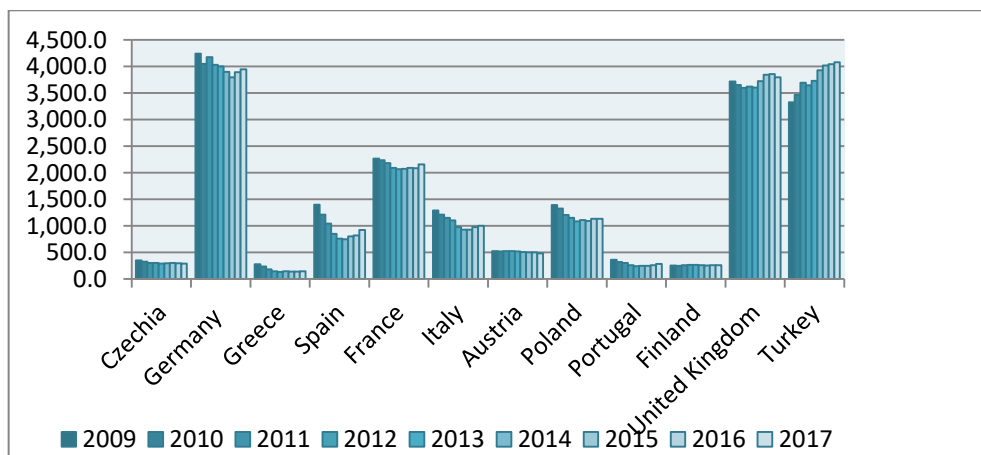
Graph 20: Youth not in employment, education or training (NEET) 15-29 year-olds, % in same age group worldwide, 2017



Source: OECD (2017)

The OECD average is in about 13% of NEETs, but if the graph is observed, the Spanish NEETs proportion is over 20%, which is a big difference taking into account that the country with lowest NEET percentage is Iceland with only 5% followed by Netherlands with 10%. Going back to the Spanish proportion, imagine how difficult can be for a person without any study and any training to find job, when people that is qualified is unemployed. The education is a basic for searching a job.

Graph 21: Youth employment from 15 to 24 years age in the EU (number on thousands)



Source: source of data Eurostat, elaborated by author

Analyzing the graph, the best countries, the countries with higher number of young workers are Turkey with the first position, followed by Germany and United Kingdom. Therefore, the countries with the lowest number of young people employed in the country are Czech



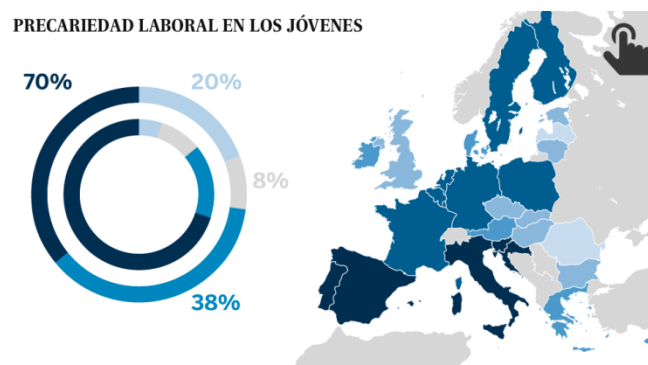
Republic, Greece and Portugal among others. It can be seen that Spain is not in the group with higher young employees' amount but neither in the group of the lower young employees' amount. On the contrary, because of the crisis in 2008 which cause an effect in Spain in 2009, the youth employment amount has decrease during the years, causing the huge percentage of youth unemployment that there is nowadays.

It's crucial to remark that the growth of employment is not transformed into better contracts and guarantees for the new generations, who still cannot become independent and this is a consequence of what in Spain is called the curse of young people: unemployment or precariousness.

In addition, Austria, Germany, Denmark, Ireland and the United Kingdom are the only countries in Europe where youth can find the first occupation after a year leaving education. In Austria and Germany; this is because of a well-established apprenticeship system; in Denmark, Ireland and the United Kingdom this happens as a result of a more flexible labor market. Significantly, in Italy, Spain and Greece the time needed to find the first job is nearly two years (Fazio, 2012). Which cause the precariousness and the job insecurity among youth generation.

From 2008 until today, those under 25 have clearly been the biggest victims of the regression experienced in the labor market. Even now that statistics have been reflecting improvements in employment for four years, new generations are finding it hard to start.

Figure 1: Job insecurity in young people in Europe



Source: El País (2019)

As reported by El País (2019) Spanish newspaper, the drastic fall in the remuneration of citizens between 16 and 29 years old makes it practically impossible for them to design a life project with average annual salaries of between 8,000 and almost 16,000 euros. So it is not surprising that Spain occupies one of the last European positions in emancipation, along

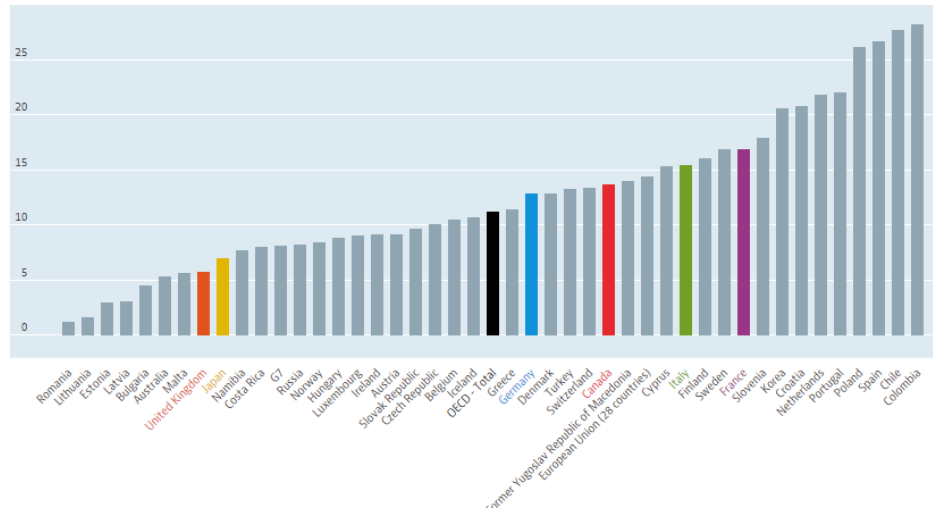
with Italy, Slovakia, Croatia and Malta, according to the study prepared by the Queen Sofia Center on Adolescence and Youth, which ensures that this "is the bigger gap with Europe, ahead of employment ". Between 20 and 24 years, only 8% of young people leave the family home (compared to 30% of the European average), and they add almost 39% when they are between 25 and 29 years old instead of 59% continental. And it is not uncommon for Spain to have the third lowest birth rate in Europe, just behind Italy and Greece.

However, there is something much worse and that this group of 6.5 million people is taking off socially, in the opinion of the Council of Youth of Spain, since almost four out of ten young people are at risk of poverty. "The current youth poverty is intuited as a future evolution towards another social model," says the institution. The Valencia Institute of Economic Research (Ivie) expresses it in another way: young people double their weight in the poorest population group, after worsening their employment opportunities by 40% since 2007. 45.7% of Spaniards among 16 and 30 years is in the lowest income group (compared to 21.3% in 2007), reflects the study conducted with data from 2016, the latest available.

Despite the fact that unemployment has dropped a lot, job instability is still huge for young people. Never before have we had more contracts for a week and part-time contracts have become a way to squeeze work shifts. The companies do not want to have workers and that's why they opt, in addition to temporary work, for the self-employed or for subcontracting in cascade, "says Carlos Martín, head of the Economic Office of CC OO. So much so that even organizations like the European Commission have warned Spain that the widespread use of temporary contracts contributes to income inequality and exposes young people to a greater risk of poverty.

As reported by Francesca Fazio (2012), the transition from school to work is usually marked by the widespread use of temporary contracts, arguably because young people lack work experience. Fixed-term contracts are usually transformed into open-ended employment contracts once adult age is reached.

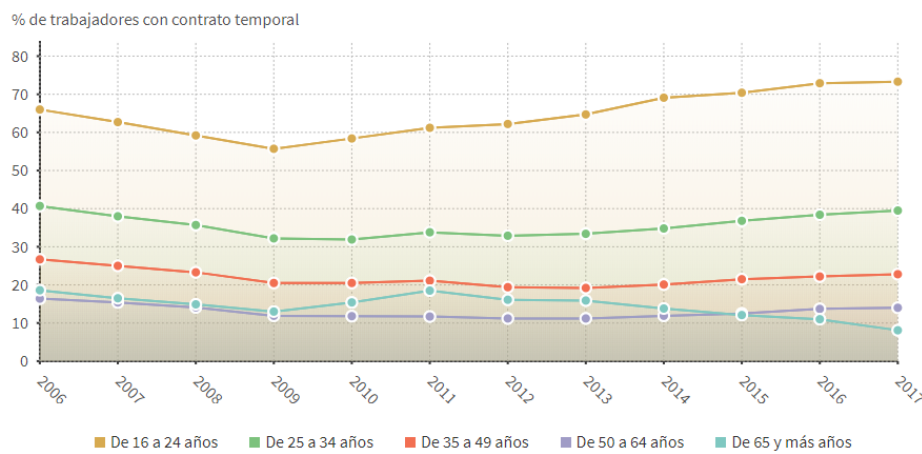
Graph 22: Temporary employment rate in % worldwide (2017)



Source: OECD (2017)

According to this graph West European countries, especially Spain in the head, followed by France, Portugal and Italy in the south are the ones with the highest temporary employment rate, because of the difficulties to enter in the labor market.

Graph 23: Percentage of workers with temporary contracts by age



Source: Epdata (n.d.)

Although, in this context, a positive fact stands out: many young people have taken advantage of these shortcomings to return to school or continue their studies, thus reducing the early school dropout rate between 18 and 24 years, from about 32% in 2008 to 18% current. One third of the young people have basic training, twice as many as in the OECD countries, and their situation is the most worrisome along with the 23% that have Secondary studies; while 44% are university students or have higher professional training (Sánchez-Silva, 2019).

But which are the causes of this high youth unemployment rate? It's obvious that the main cause is the financial crisis that affects almost every country, but why Spain is still with this big amount of young unemployed people and Germany is recovered?

## 11.2 Reasons for young unemployment in Spain

First of all, the lack of credit slows the creation of employment in SMEs. More than 55% of small and medium enterprises that have needed external financing have had difficulties to achieve it. Spanish small and medium-sized enterprises (SMEs) could create 259,000 jobs in the next three years if they obtain more financing, according to a report presented today by the Spanish Confederation of Guarantee Companies (SGR-CESGAR). The main obstacle that these companies have found to obtain financing has been the impossibility of providing the requested guarantees (in 24.6% of the cases, almost half of the previous year), as well as the price of the loan (for the 22 %, six points less than before) and by type of SMEs, the need for financing among exporters is double that among those that do not sell abroad (35% vs. 17.5%), and the same occurs among innovators (32.6%) to which they are not (16.3%) (Intereconomía, 2017).

Consequently, as the Intereconomía (2017) newspaper reveals, funding continues to condition "in an important way" the maintenance and job creation of Spanish companies of this type, so the association has demanded that the Government "increase its contribution" to reduce the "unaffordable" unemployment figures.

The next reason is the increase of the contribution bases. CEPYME alert of the risk for the recovery of employment that is the increase of the contribution bases. The Spanish Confederation of Small and Medium-Sized Enterprises (CEPYME, 2018) considers that the announced increase in the maximum contribution bases to Social Security of around 10% or 12% may jeopardize the recovery of employment, at a time when there are already signs of slowdown in the pace of job creation.

In this sense, CEPYME reminds that Spanish companies, 99% SMEs, pay more for Social Security contributions than the EU and Eurozone average. Thus, contributions in Spain represent 8.2% in terms of GDP and 24.7% in terms of revenue, compared to 8% and 20% on average in the EU and the Eurozone.

An increase in contributions means an increase in labor costs, which will compromise the competitiveness of Spanish companies vis-à-vis their European partners and penalize their

national and international activity, investment and job creation. It should also be noted that this additional increase in labor costs occurs within the framework of a multi-year agreement for employment with commitments on the upward revision of wage conditions.

In addition, the process of adjusting the activity that the Spanish economy is experiencing during the first quarter has a greater reflection in terms of reducing unemployment in annual terms and will make it increasingly difficult to maintain the rate of reduction in the unemployment rate (CEPYME, 2019).

## 12 SOLUTIONS AND CONSEQUENCES OF YOUTH UNEMPLOYMENT IN SPAIN

From the EU there are measures that aim to boost youth employment, among which youth guarantee programs stand out to help all young people under 25 receive a good offer of employment and training; financial aid for regions where youth unemployment rates exceed 25% as well as labor mobility programs so that young people can develop a training or employment period in another EU country (Morales, 2018).

### 12.1 Official government solutions

Here are some measures to tackle Spanish youth unemployment:

- ✓ Regulate non-work practices. Measures to link the practices to a training program and with duration proportional to the duration and reality of the corresponding curriculum.
- ✓ State youth employment offices. With counselors who work individually with each young person, to attend to the reality and characteristics of each one.
- ✓ Priority action for young people without professional qualification. Propose training itineraries associated with financial aid that encourages completion and completion of training and avoids abandonment.
- ✓ Commitment to review the regulation of the contract for training and learning. Establish greater guarantees of the training purpose and prevent the abusive use of this modality, by establishing a system of control and penalization for companies that abuse this method and improve the conditions, rights and guarantees of the contracts signed.

Moreover, the Chamber of Commerce of Spain has increased from 1,500 to 4,950 euros in aid to companies that hire people beneficiaries of the National Youth Guarantee System. These are young people, between the ages of 16 and 29, who have participated in the Integral Program for Qualification and Employment (PICE), which aims to adapt the training of future workers to the demand of companies. With the aim of benefiting self-employment, the Chamber also offers grants of 1,800 euros for entrepreneurs who are also beneficiaries of the National Youth Guarantee System (Expansión pymes, 2017).

The contracts for training and apprenticeships held with young employees registered in the Employment Office in companies with less than 250 workers, the reduction of the business quota is 10% during the entire term of the contract. In companies with more than 250 workers, the reduction is 75% (Infoautónomos, 2019).

Among the measures proposed, there is also Dual Vocational Training. The so-called Dual Vocational Training is a system that combines theoretical training with a practical training in companies, in real production processes, which objective is that young people have possibilities to find work, at the same time that SMEs obtain qualified professionals in their company. Between 2007 and 2014, the number of Dual FP students has increased from 462,000 to more than 793,000, which represents a growth of 22.44%. In the north of Spain, 96.2% of the students of this training are working, and 85% of them stay in the same company where they have carried out the combined learning. They propose to introduce in the issuance of the Vocational Training qualification a specification that registers the modality studied, whether it is "dual" or "non-dual" (González, 2018 and Moreno, 2019).

## 12.2 Consequences

The young people of today, born in the nineties, suffer more temporality and have lower salaries than those born a decade earlier despite being more educated, so that, young people today live worse (Doncel, 2018).

The high rate of youth unemployment causes a drain of talent in Spain (OBS Business School, n.d.), cause as young well prepared people couldn't find job in Spain they must go out in order to find possibilities to improve their life. According to the latest EURES annual report, the destination countries with the most demand are the United Kingdom, Germany and Switzerland. At the level of training, more than half of the applicants are university graduates, that is, there is a brain drain. Spain is one of the countries most affected by the loss of talent worldwide - position 83 of 107 - and with a lower capacity to attract it - position 74 of 107 (Fernandez de la Mora, 2018).

In addition, Spain has one of the lowest rates of intent of entrepreneurship internationally. In contrast, according to Eurostat, youth self-employment of Spaniards represents 7% of the total EU, placing Spain in sixth position (OBS Business School, n.d.).

## 13 RECOMMENDATION TO INCREASE YOUTH EMPLOYMENT

The solutions that the Spanish government is giving are not working in the best way, due to even if the young unemployment rate is decrease; it's not giving solution for every young people. The ones that are studying or studied vocational training have facilities to find job so I don't think that this segment is the one who needs more help than for example university degree job seekers. The main problem of young unemployment is not focused on vocational training job seekers but in those with higher education level.

The government should focus on the people with university degrees that are not finding job in Spain and are going abroad for work. Instead of being in Spain without work or on a work which salary of a university degree worker and vocational training course worker are the same or even smaller, are going abroad for a higher salary, so using salary for attracting young qualified people can make a difference.

### 13.1 Wages motivation

The minimum inter-professional salary (MIS) sets the minimum salary amount that the worker will receive for the legal working day, regardless of sex or age of the workers, whether permanent, temporary or seasonal. For determining it, factors such as the CPI, the average national productivity achieved or the increase in the share of work in national income are taken into account (Salario mínimo interprofesional, 2019).

For the year 2019 the Council of Ministers through Royal Decree 1462/2018 of December 21, 2018 has set the Minimum Inter-professional Salary in the following values:

Minimum daily wage: € 30.00

Minimum monthly salary: € 900.00

Minimum annual salary: € 12,600.00 (14 payments)

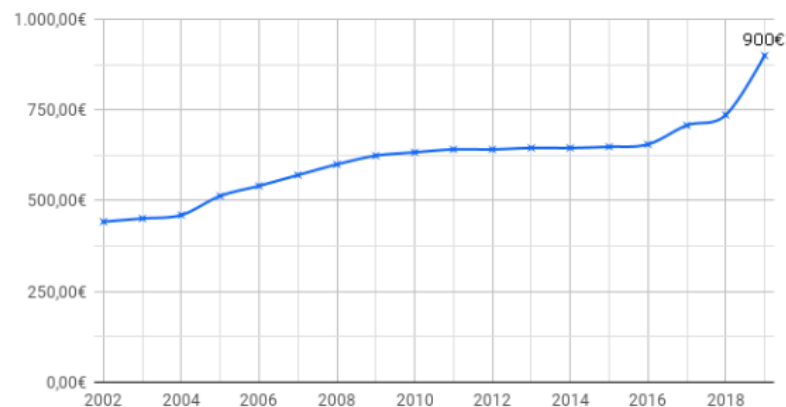
MIS Household Employees: € 7.04 per hour

Incidental and temporary SMI: € 42.62 per day

These values represent an increase of 22.3% compared to last year 2018 when the minimum salary was of 735€ and in the following graph can be observe the development of the minimum salary through the years.



Graph 24: Minimum inter-professional salary between 2002 and 2019



Source: Salario mínimo interprofesional (n.d.)

Comparing to Europe's big countries, Spain is the one with the smallest minimum inter-professional salary. In the following table it can be analyzed. The data is prorated in 12 months.

Table 3: Minimum Monthly Wage in Europe (in euros)

Country	Min. wage 2019
Spain	1050
Portugal	676,6
France	1498,47
Germany	1498
Luxembourg	1998,59
United Kingdom	1463,80
Czech Republic	468,87

Source: Elaborated by author, retrieved from Europapress (2018)

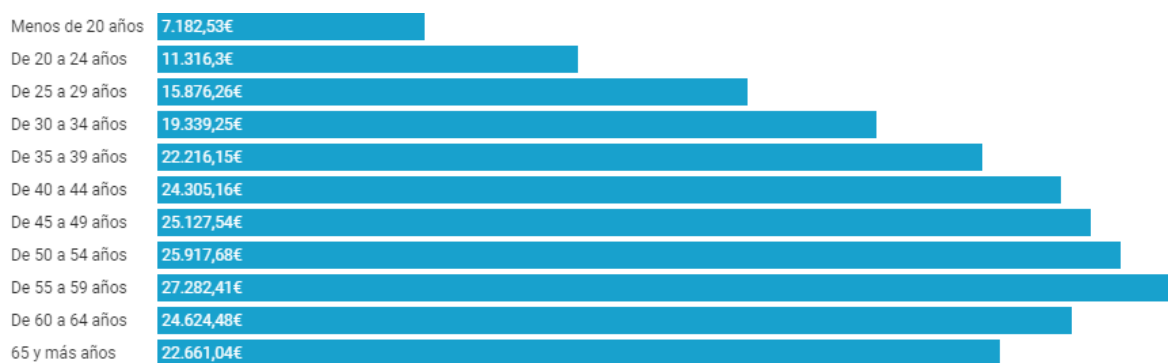
Of the 28 countries that make up the European Union, in 11 of them the average salary exceeds 2,000 euros per month. Denmark, Germany, Holland, Belgium, United Kingdom or Luxembourg would be some examples. Precisely this last country is the one that holds the highest minimum wage in the community territory, around 2,000 euros. On the other hand, there are 13 countries of the European Union in which the average salary does not reach 1,000 euros, such as Czech Republic, Poland, Estonia; o Romania and Bulgaria (countries that, in fact, have the lowest minimum wage) (Anonymous, 2018).

The average salary per month grew by 0.6% in 2017, to 1,889 euros gross, according to data revealed this Thursday by the National Institute of Statistics (INE). The median salary, which divides the total of workers into two equal parts, is 1,590.3 euros, implying that half of Spain charges less than that amount, which accumulates four years of falls.

The data, in fact, show that 30% of Spaniards, about 4.7 million, do not even reach 1,230.9 euros per month. Another 40%, about 6.3%, charge 1,230.9 to 2,136.3 euros; and 30% takes more than 2,136.3 euros per month. According to INE data, women, young people, people with a lower level of education, part-time workers and temporary workers have the lowest salaries (Redacción, 2018).

Some data that reveal that the highest salaries are found in the north: Basque Country, Navarra, Catalonia, Asturias, Aragon and Cantabria are the only communities next to Madrid (the capital) whose statistics are higher than the Spanish average. In spite of everything, we must be careful when interpreting these data because they do not reflect the reality of the country. Although the Spanish average is 1,889 euros, the INE data shows that the median salary, which divides the total of workers into two equal parts, is 1,590.3 euros. This data accumulates three consecutive years of falls. In addition, the data reveal that 30% of Spaniards have salaries lower than 1,230.9 euros. A phenomenon that is accentuated in temporary workers, in women and in those under 25 years of age. (Redacción, 2018).

Graph 25: Average annual gain by age groups



Source: Business Insider España (2018)

The stage of life in which the salaries of workers increase in a more pronounced way is during the twenties and thirties. The average salary of a worker between 20 and 24 years stands at 11,316 euros, while a worker between 35 and 39 years earns an average of 22,216 euros. This means practically doubling the salary of the previous age group.

The average salary of workers between 40 and 44 years old is 9.4% higher than the previous age range. Thus, employees who are between 40 and 44 years receive an average salary of 24,305 euros, a figure that increases to 27,282 euros to be in the age range between 55 and 59 years (Business Insider España, 2018).

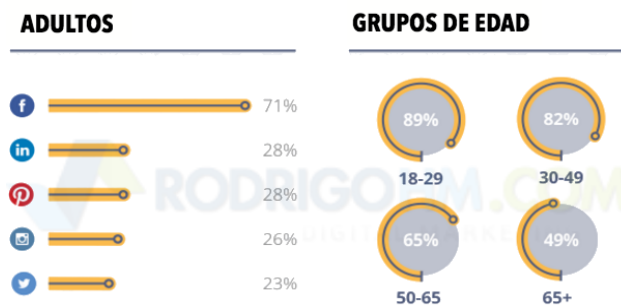
### 13.2 Create more flexible job market

#### 13.2.1 Use of social networks for youth

86% of Internet users aged between 16 and 65 use social networks, which represents more than 19 million Spanish users, according to the "Annual Study of Social Networks 2017" by IAB Spain. Both men and women know Twitter and Facebook mainly, but Instagram is becoming increasingly important among citizens. In addition, between 16-24% follows brands, participates in contests and makes purchases (A.M; 2018).

Young people between 18 and 29 are the ones that use most the social media with 89% users, followed by adults from 30 to 49 years old with 82% of the people (Hernandez, n.d.). These percentages are significantly important for this thesis, which are going to be crucial for the project that comes up in the next part.

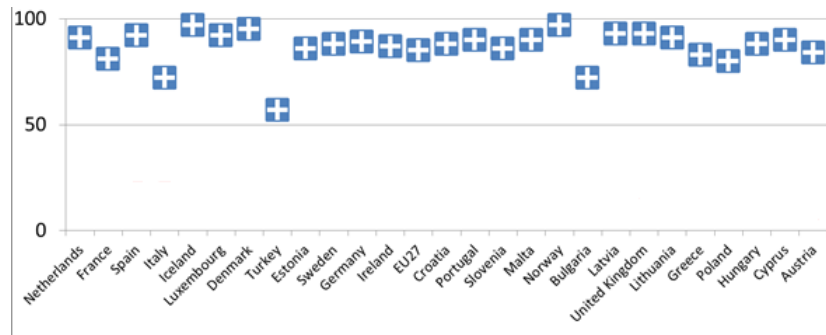
Graph 26: Social media demography



Source: Hernandez, R. (n.d.)

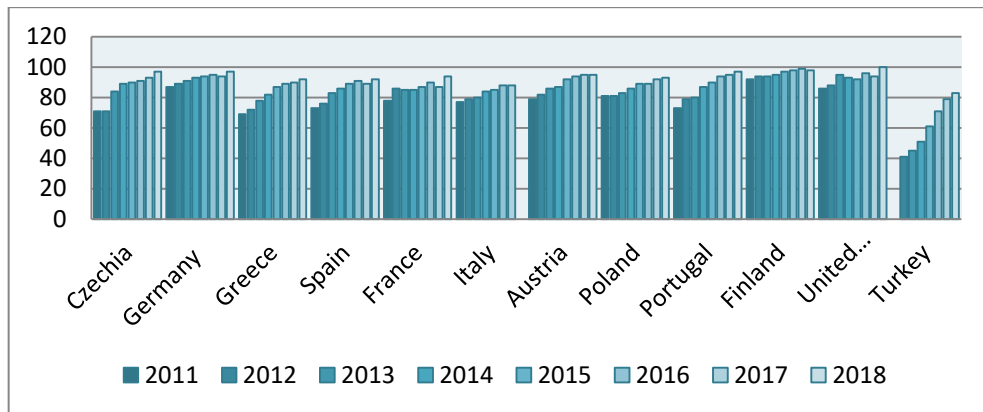
In the following graph (graph 26) can be see the use of social media by young generation in %. It's quite obvious that almost every young Spanish people are using social media in their life, but looking to the graph 28 it can be analyzed the percentage of young individuals with the age from 16 to 29 are using this social media.

Graph 27: Young people using social media (%)



Source: Digital diplomacy, Mickoleit for OECD (n.d.)

Graph 28: Frequency of Internet access daily of young people between 16 and 29 in percentage



Source: data from Eurostat, elaborated by author (2019)

In line with what have been mentioned before, it can be observe that nearly 100% of Spanish young people in this case are using the Internet and in consequence social media daily. It’s also significant to mention that the time of using these social networks has increase during the years, where in 2011 the percentage of daily use was about 76%, and nowadays the daily use is in 100% in Spain.

The Youth Internet Monitor 2018 has asked about the relevance young people ascribe to the platforms they use. This question leads to this ranking – the six favourites (“very important”) are: WhatsApp (78 per cent), Telegram (66 per cent), YouTube (53 per cent), Facebook (47 per cent), Instagram (45 per cent), and Snapchat (44 per cent).

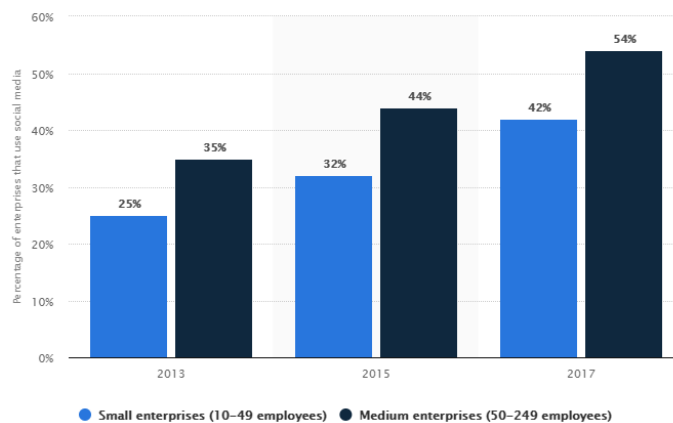
Thereby, one sees that WhatsApp (2017: 77 per cent) is not only the most used platform for young people, but also the most relevant one. YouTube has gained 8 per cent compared to

last year (2017: 45 per cent), the newly-surveyed platform Telegram is already ranked second, Facebook (2017: 21 per cent) records a growth of 26 per cent, and Instagram (2017: 34 per cent) increased by 11 per cent (Austrian Safer Internet center, 2018).

### 13.2.2 Use of social networks for small and middle enterprises

For all this it is not surprising that social networks have become a key tool among SMEs in Spain. Digitalization can greatly help small and medium-sized companies, which allows them to contact customers more directly, open new markets and better understand the habits and needs of users. This concern to adapt to new technologies translates into an increase in investment in relation to previous years and a commitment to introduce new digital tools (A.M; 2018).

Graph 29: Share of small and medium-sized enterprises that use social media for any purpose in the European Union (28 countries) from 2013 to 2017



Source: Statista (2018)

This statistic displays the percentage of small and medium-sized enterprises (SMEs) in the European Union (EU-28) that use social media for any purpose from 2013 to 2017. Throughout this period the percentage of both small and medium-sized enterprises that use social media has increased, with 54 percent of medium enterprises using social media as of 2017.

Day by day the number of SMEs and startups that are betting on communication is increasing, although it is true that currently only five out of ten small and medium-sized companies in Spain have a communication and marketing department, according to the agency of communication Eureka PR, which attributes this situation to the scarce relevance that businessmen have historically given to this area. In fact, data from the Press and Communication

consultancy indicate that three out of four organizations that closed last year had not integrated a marketing plan into their business model.

Although, 84% of entrepreneurs and SMEs would like to be more visible, when asked about the reasons for their lack of visibility, 44.6% of the respondents attributed it to the lack of budget to invest and 48% to the lack of time (Estrategias, 2018).

According to the report Business Development and Social Networks, the case of Spanish micro-enterprises, 42% of Spanish micro-companies are actively present in social networks. That is, one out of every two microenterprises manages their profile on Facebook, Twitter and LinkedIn. However, only a third of our microenterprises attend them daily: although they know the networks, they ignore the benefits they bring. The lack of planning and strategy also defines the micro-SMEs present in social networks.

The companies that most use social networks belong to the sector of professional, scientific and technical activities. On the other hand, two out of ten companies declare to have an important return of some of their actions in social networks. And one in three users has encouraged other companies recently to use it.

Micro-enterprises without employees, individual entrepreneurs and self-employed use social networks to manage the digital presence of their business. By sectors, the micro-companies that most use social networks belong to the professional, scientific and technical activities. The tourism sector, generator of 11% of the Spanish GDP, is also using social networks to enhance its possibilities and obtain greater visibility (Fundación Telefónica, 2015).

Where entrepreneurs are currently focusing their efforts is on the use of social networks: according to Hiscox's DNA Study of the Entrepreneur, 95% of Spanish SMEs use social networks in their business, which places them as leaders by in front of the United States, the Netherlands, the United Kingdom, France and Germany. And social networks are the cheapest and fastest way to move a company or product among your target audience (Estrategias, 2018).

Furthermore, in collaboration with CEPYME, Facebook on October of 2018 celebrated its "Impulsa tu Negocio" (Boost your business) event in Madrid, which aims to help SMEs boost their opportunities in the digital era. This initiative has been launched by the company in Europe and is part of Facebook's global commitment to offer small and medium-sized companies the support they need to grow and prosper, where, 61% of Spanish SMEs with presence on Facebook ensures that they have increased their sales thanks to the platform.

This meeting also gives companies the opportunity to get to know WhatsApp, Instagram and Facebook teams first hand, to talk together about the challenges they face and to explore the opportunities offered by these platforms to overcome them. One of the novelties presented on 2018 had been WhatsApp for Business, a solution that small and medium-sized Spanish companies are already using, with very good results (CEPYME, 2018).

## **14 ANALYZE OF NEW BUSINESS OPPORTUNITY FOR ENGAGING SOCIAL NETWORKS AS A TOOL FOR INCREASING YOUTH EMPLOYMENT IN SMALL AND MIDDLE ENTERPRISES IN SPAIN**

After analyzing the actual situation of Spain regarding to SMEs, youth unemployment and their relation with social media, in order to get my own primary data and to understand what are the needs of small and medium enterprises and what young people can offer to them, I decided to make two surveys which are going to be examined critically below.

### **14.1 Surveys analyses**

In this thesis are analyzed two surveys in order to understand what is going wrong in Spain, due to if the solution for the high unemployment problem is educated people, with skills and good qualifications, how can be in Spain such a big percentage of youth unemployment, 36%?

So for getting through this topic, in this part is going to be analyzed what the young people are offering to the labor market and which are the needs of Spanish SMEs. This study has been answered by 100 young people who anonymously have answered to the questions which can be seen in the appendix and by only 27 companies. For carrying out this investigation, I have been in touch with the Spanish government ministry and with the National Institute of Statistics (INE) of Spain but as they don't have a list of all the Spanish SMEs, I took a list of 500 SMEs from internet, and I send them the survey, but only 27 of them answered. This examination it's not conclusive in consequence of the low SMEs implication, but it's a good indicator to see the difference between what the company needs and what the young people can offer.

Firstly, evaluating what young people between 16 (the legal age for working in Spain) and 30 years old are offering, it can be observed, that 44 people from 100 answers had studied or are studying a bachelor and 20 people have studied or are studying a master, which can be a good indicator that more than a half of answered people are in good education level. That's not a problem for Spain, but it can become a problem is Spanish government as they are doing, they give more importance to Vocational Training than to other university studies, so that, this 66% of good education young people have more difficulties when finding a job.



It's true that 25% of people have this previously mentioned Vocational Training course, which is focused on the practical part and not that much on the theory, as it can be at the university.

In addition, 83% of people are bilingual, being able to speak in Spanish and English. The 91% of the people also speak Basque, which is a small language spoken in the north of Spain and which for searching a job in this north part can be crucial. By the way, 10% of people also speak German language and 7% French. These are good indicators for searching a job, because nowadays knowing as many languages as one can it can be a huge competitive advantage.

Besides the fact that 93% of people use social media frequently, every day so many hours a day, only 55% of them use it for searching job, which is a bad indicator, because it can be the easiest way to find a job when young people is almost every day with the phone or with the computer on their hands. In the other hand, no one of the SMEs use social media for recruiting (almost 78% of companies use newspapers and journals for recruiting or other companies (19%)), what they should change if they want to be in touch with young people and hire them, which I doubt, since half of the companies have only 1 to 10 young people working in their companies, and 70% of them do not have young person in company's higher positions.

According to the survey made for young people, 53% of them work in their area, in what they have study for. The people who are not working in what they really want is because almost all of them are still studying or because of they are not working on what they want they start to study again. In addition, they are not having any experience in that area (41% of people has no experience in their labor market), so the almost the percentage of people working in what they want is the same to the percentage of people working even if it's not in their area (52% working but not in what they want). It's also important to mention that people who is not working in what they want, is trying to find a job in their labor market. As it has been previously mentioned, people who is studying are not trying to find a job still (57%), but there are 27 people who have been looking for work on what they have studied from 0 to 3 months. Furthermore, 7% of young people are looking for a work from 4 to 8 months long, 6% of people for 1 year and 2% of them for 2 years. This is an indicator that government should study, because as much time as the young people needs to find a job on their area, more frustrated are and less independence have. In result, the emancipation of Spanish young people is with a late age.

In consonance with what the Spanish SMEs answered, the main cause of the failure of job seekers is the lack of attitude. In their opinion, young people who are looking for a work have no good attitude when are being interviewed or in the job itself. Lack of experience is also an indicator which is in the priorities for the work failure and lack of skills or lack of self-confidence too. What is strange is that lack of skills or languages can be some of the working failure causes, when as it have been explained before, young people have good education and almost all of them are bilingual, and some of them trilingual.

Lack of experience is still a hard concept, due to for almost every young people (70%) it's extremely difficult to find job without any experience. The only way to get some experience is working but as the companies' priority when analyzing a CV is the people labor experience, it's impossible for young people without previous experience to enter in the labor market. For almost all the companies the education and language level is also very important indicator when hiring someone, which in this case it's not worrying, cause before mentioned good education level. However, 96% of the companies give priority to have work experience instead of to have a good level of studies and qualifications.

Even if the 74% of the companies has been affected by the financial crisis, where due to the sales decrease and performance decrease people lose their jobs (in the same quantity young and adult people), nowadays they have already recover those loosen jobs, the 74% of them without government economic help and it's a good indicator of the best condition of the company that all the analyzed Spanish SMEs contracts are indefinite contracts. Nevertheless, checking to the young people results regarding to the type of contract that they are having, only 34% of them have indefinite contract, because 32% of them have temporal agreement and 23% have internship contract, which in this 57% of young generation opinion, the salary offered on those contracts is not in line with the education level they have.

Moreover, due to this bad labor situation regarding to young people, 62% of them thought that they would finish going abroad for job, where the 82% of them would be willing to it. Only 6% of examined young people have gone abroad because of Spanish bad economic condition. Those who have gone out from Spain have gone to different European countries as United Kingdom, Ireland and Italy. But the most shocking answer has been the one who has gone to Chine for work. It's not common for European people to go that far for searching a job, when in the EU28 the members have facilities to move from country to country. It's important to mention that even if for all of them the salaries abroad are better than in Spain,

the 83% would go back to their country which is Spain if all the life conditions, labor conditions... were favorable.

Speaking about going abroad for working, it's not common or it should not be, that only the 41% of young people have listen someday in their life the program that the European Union it's offering for young people and only 17% of them have participate in some of those programs, which is a very low indicator.

## **14.2 Conclusion for creating a new business plan**

After analyzing the critical situation of young Spanish people according to the labor market and the needs of the Spanish SMEs and the use of social media by the first group, I decide to create a company based on a social network in order to provide to the young generation as well as to an amount of the small and medium companies a content service that the country needs. The small and medium enterprises needs are not being listened, the young people who are looking for a job don't know what a company needs and wants, and the companies don't know what the young generation can offer, so in this context, in order to try to fix this lack of communication it's essential to create this social network.

There exists a gap that any company in Spain is filling it, which is the content service that a social network can provide for increasing youth employment. Taking advantage of the great use of social networks by young people, whether to chat, watch videos ... could be used to give instant and truthful information of the current job market, and thus help young people find work and companies to find workers, what SMEs are going to be willing to pay, so that I came up to an idea of creating a social network as a tool for increasing youth employment in Spain.

## **15 PROJECT OF ENGAGING SOCIAL NETWORKS AS A TOOL FOR INCREASING YOUTH EMPLOYMENT IN SMALL AND MIDDLE ENTERPRISES IN SPAIN**

In order to provide perfect and instant information about the labor market to the young generation and to SMEs, I will create a new social network, where SMEs and youth needs are going to be connected. It's known that young people are 24/7 connected to the Internet with the phones, tablets or even laptop, and as the companies are not using this information in their advantage as a recruitment way, I will create a business from it. It's going to be a social network where people will tell each other their experiences, their suggestions for find jobs, recommendations and also their CVs, which I will collect them and I will be an intermediary between them and SMEs. I'm going to be in touch with the companies and with the recent labor needs, so as to as soon as possible find a job for those young profiles. The small and medium enterprises will also explain their needs, and the specific characteristics for their vacancy job and this way SMEs and young people will be in touch by this network, and the young unemployment rate will decrease.

It's important to know that any of the competitors are using the social media this way, they update a job that need a worker and who is interested can apply for it, but this business the competitive advantage is bidirectional communication from young people to the social network and from the SMEs towards it, and the fact that the entrepreneur is young, since I can understand better than anyone how young people think today and which are their needs. It's something new that SMEs should start using for as their recruitment way, calling it social hiring, being cheaper than a publication on a newspaper or journal and reaching more people than those media.

### **15.1 Defining business mission and goals**

The goal of this project is to provide a content service in a social media way in one hand to the young people who are trying to find job and also to whom already have it, and in the other hand to the small and medium enterprises in Spain in order to increase the young employment in the country.

## 15.2 Defining Trade and Customers

### 15.2.1 Trade

As it is a social network and nowadays every young people have at least one, it's not going to be difficult to reach to so many people.

When speaking about the sales, this service is going to be free for the young people but not for the SMEs. It's true that both of them are going to get some benefit from it, but I'm sure for own experience, that if young people has to pay for creating a social network account, they wouldn't do it, so that, the companies will pay for giving information and for this social hiring.

As explained before, this social media is going to be focus in Spanish labor market, because as I'm Spanish I know how much time needs young people to find a job and the little time they need to use a cell phone and get into social networks. But if everything works according to the goal set, it's probable that in the future this social network could be used in any other countries.

There are not entry barriers. The easiest way to solve the current problem with the Spanish youth unemployment is this. The creation of a web site or social network is easy and cheap. The workers can even work from home with a computer so it's not need to have an office. The only problem is to get to people. It's going to be a new social network, which neither people nor companies are going to know it existence, and what for it is, so the only barrier can be the spread of the business.

### 15.2.2 Customer

The key customers of this project are 2: the young generation and the small and middle enterprises. With this business I'm trying to solve both customers' problems. In one hand with the creation of this social media, I'm giving the opportunity to young people to help to each other when finding a job, with suggestions, recommendations and I'm also giving them information about the companies demand. This way, they would easily find job and the unemployment rate would decrease.

In the other hand, I'm providing a service to the small and medium Spanish companies, in order to help them recruiting workers taking care of the needs they have and the people they need.

The main idea is to be focused on the young people between 16 and 30 years old who are unemployed. But the ones who are employed can also participate helping others or even searching for a new job for them.

The key factors to make customer satisfied are instant and immediate information in both sides, for young people and for enterprises in order to be up to date for new job offers in the case of young people and for young people skills, characteristics... in the case of SMEs.

## **15.3 Defining Competition and Main Competitive Advantage**

### **15.3.1 Competition**

The main direct competitors are Facebook and LinkedIn which are other social media where people can find jobs.

Facebook, Inc. is an American online social media and social networking service company. It is based in Menlo Park, California. It was founded by Mark Zuckerberg, along with fellow Harvard College students and roommates Eduardo Saverin, Andrew McCollum, Dustin Moskovitz and Chris Hughes. It is considered one of the Big Four technology companies along with Amazon, Apple, and Google. The Facebook service can be accessed from devices with Internet connectivity, such as personal computers, tablets and smartphones and it has more than 2.2 billion monthly active users

LinkedIn is a business and employment-oriented service that operates via websites and mobile apps. Founded on December 28, 2002, and launched on May 5, 2003, it is mainly used for professional networking, including employers posting jobs and job seekers posting their CVs. As of 2015, most of the company's revenue came from selling access to information about its members to recruiters and sales professionals. As of March 2019, LinkedIn had 610 million registered members in 200 countries.

They are strongly positioned on the market. They have so many registered people on their networks but the scariest one is Facebook Company. Inside this company there are other social networks such as Facebook, WhatsApp or Instagram where this last two of course are not good instruments for job seekers due to they don't provide any of the information needed, but Facebook with the amount of followers that it has, can make this project goal shake.

### 15.3.2 Competitive Advantage

The main advantage that this network has over its competitors is the fact that the idea is based on the bidirectional communication. Companies will inform about the job offer, and the social media will do the recruitment job for them. This way, young people will know which jobs are offered in the labor market and which characteristics they need to apply for them, so that, companies will get a worker and the young people with the best profiles will get jobs. But not only jobs, they also can communicate with other young people asking for help or someone who has been working in a company can recommend how the interview is in that company...

It's also important to mention unlike Facebook and LinkedIn CEO's, I'm a young person who has experienced what is to not have work, or to even if my qualifications are good, how without labor experience are worthless. I'm the best person who can understand the young generation situation and their needs and can communicate with them for getting the best job possible, because I'm part of that generation.

Speaking about the marketing mix or 4Ps, it's essential to say that the only part that would be different from the competitors is the product. Facebook and LinkedIn are offering jobs and the one who wants can apply for them, but as explained before it is not a bidirectional communication; it's only one side communication. This social networks post the job offer and that's all, but the one I will develop it's not working that way as it can be understood above. The price will be different too due to as this social media is still unknown, companies are not going to pay so much for something that they don't know if it would be worth it, and so in this case the competitors will be better. I don't need an office for doing business, I only need a computer and I will be able to work from home, and the promotion way I will use is promoting this new social network through the competitor's networks and through influencers on Instagram.

## 15.4 Defining market and market barriers

### 15.4.1 Market entry

As I have explained before, it's not going to be difficult to enter into the market. There exist many social media and they are working well each one on their own, so there is no problem. The price for the creation of social media or web site it's quite expensive but as I won't need

to have an office or a physical place to carry out the business, the cost will not increase that much.

### **15.4.2 Marketing plan**

The marketing channel more appropriate for this kind of service is the communication channel. Communication channels present information to pools of potential consumers known as the product's target markets. Communication channels may carry a company's advertisements, other types of persuasive messages, and business correspondence (Frenz, n.d.).

Since I'm going to provide a content service, the best way for reaching people is using other social networks as Instagram or Facebook. For this purpose, I am going to be use what in Spain are called as influencers. Those influencers are young people whose work is to show their life by Instagram, YouTube or by other channel. This way I will give them this content service, my social network so that they advertise it and so the company increases the sales by getting more accounts and this way more publicity and a bigger interest from SMEs. It's so efficient way, better than using TV or newspapers because this people with between 300.000 and 2.000.000 followers can reach more people in a fastest way. It's true that this influencers salary is not cheap, but as everything what they promote is assured success, in my opinion is the best way for getting people know about this new social network. In addition, after having a big public, it's easier to attract companies and to ask them money for the job which will be done.

Besides the strategies, the best manner to strengthen the brand will be completing the company's goal in an efficient way. If the young people get good jobs fast and a good service, they will speak in a good way about the network to their friends, those friends to another and successively, so the brand will be stronger than it will be in the beginning.

### **15.5 Defining team and team roles**

In the beginning as I'm not going to need anyone to create the social network, I will work alone, but as fast as it will grow, I will hire someone in order to help me with the social network.

I will be the content creator, the photographer, the social network designer, the contact person for SME and for young people and the person in touch with those influencers in order to promote my new business. But after having quite a lot of profiles in the social network, I'm not going to be able to work in all the roles, so I will hire 6 people through the social network



for doing previous mentioned works. However, as the CEO of this company, I will always work with the social hiring.

## **15.6 Creating new business model**

### **15.6.1 Sale**

First of all, this social network is going to be totally new, it's not an innovation of a media, no, it's new, and therefore no one knows about its existence. This service is going to be sold directly to the customer groups, by the marketing strategy mentioned above. This way, the publicity which is going to be made in the social media will attract young people to this social network. While that work is being done, I'm going to get in touch with Spanish SMEs to involve them in the project and thus get as many job offers as I can. This service is not going to be free for them; they will pay for giving their information and needs in the social network. The price will be discussed with the companies, and depending on how many jobs they can offer in the social network it's going to be cheaper or not.

### **15.6.2 Pricing Policy**

Even if I choose the best pricing policy for this project, it's obvious that in the beginning is going to be a loss of income for the company due to the high cost and low profit that it will have, but that will allow to take a position and some customers in the market.

With SMEs I will use the Penetration pricing, which is a pricing strategy where the price of the product is initially kept lower than the competitors' products to gain most of the market share and to trigger word of mouth marketing (Pahwa, 2018).

Even though this strategy leads to losses initially, it results in many customers shifting to the brand because of the low prices. Once these customers become loyal and the brand achieves a strong market penetration, marketers increase the prices to a point where they get optimum profits without much loss of customers (Pahwa, 2018).

However, for young people I will use the Freemium price policy. Freemium is an Internet-based pricing strategy where basic services are provided free of charge but charges are levied on additional premium features, so that, for the basic of the social network as chatting, searching job... it's going to be free. What will be for a minimum price is to know which companies have looked into their profiles (Pahwa, 2018).

### 15.6.3 Costs and revenues

To run this project I will have some costs, that are fixed and variable cost and some revenues which are going to be specify in the next table:

Table 4: Cost and revenues

Cost type	Cost/Revenues
<b>Fixed costs:</b>	
Buy copyright license	-120 €
Register company name	-200 €
Buy software	-3.000 €
Create App	-30€/month
Workers Salary	-1250*7=9000€
Influencers salary	-5.000 €
<b>Variable costs:</b>	
Taxes	Depends on revenues, but around - 3000€/month
<b>Revenues:</b>	
SMEs payments for social hiring service	10000€
Publicity	5000€

Source: elaborated by author

First of all, the creation of the social network, as I checked in internet, will carry out a fixed cost of 3000€. Even if for the creation of a web site with 100€ it's enough, for developing a social network it's need it a new software. In addition, the cost of registering the name of the company in Spain is around 200€. As every social network has an App, I will create one for this too by the "appyourself" website, which it will cost between 20€ and 40€ a month.

Besides, there are publicity costs. The cost of asking an influencer to promote this new social network can go from 500€ to 1000€, depending in how many followers have each of them.

As I won't need an office, I will be able to work from home with my computer and that new software.

## **15.7 Setting the whole strategy**

In this part I will sum up all the information previously mentioned regarding to the strategy.

First of all, this idea came up due to the bad Spanish young generation situation, and in order to help them to find job. There are quite a few companies such as Facebook and LinkedIn who works with the same objective, but in a different way. That different way which I will use in this social network is the competitive advantage of it, which is the way of relation between the young people, and the SMEs, the potential customers of this network and the advantage that any of the competitors CEO is young, so I will understand better the situation that young people are suffering. But to give the social network to know, it's essential to use the best marketing plan. In this case, I will use the communication channel, which is based on using other social media, advertisement, TV projection...for showing to young people and SMEs this new network. It's important to know that young people will have the option not to pay anything, but if they want to have more information they will need to pay some euros for getting the premium account. In the case of the companies, all of them will pay according to the amount of jobs they can offer. There are also some aids from the Spanish government for helping young women entrepreneurs, which will help to finance the project as well as the publicity.

## **15.8 The plan of implementation**

### **15.8.1 Current Status**

After analysing the market, I can say that this new social network can be crucial for the improvement of the labour market and the young employment in Spain. It is still an idea, but after this business plan is ready to start developing it.

### 15.8.2 Time schedule

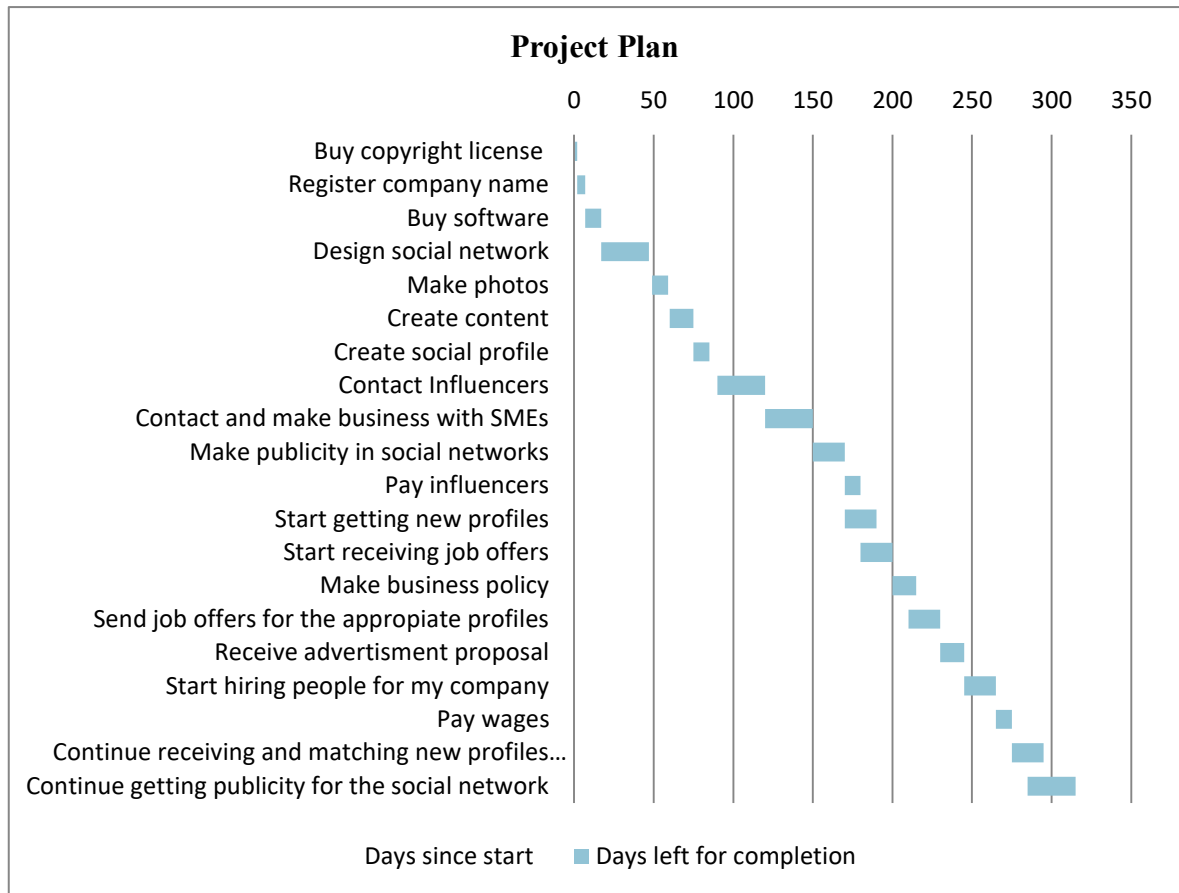
After analysing the task I have to do and the time I will need for each of them, I can say that I will need 315 days, less than a year to start working with the social network. This are the task and the time I will need to make this social network possible:

Table 5: Tasks and time needed

Tasks	Days since start	Days left for completion
Buy copyright license	0	2
Register company name	2	5
Buy software	7	10
Design social network	17	30
Make photos	49	10
Create content	60	15
Create social profile	75	10
Contact Influencers	90	30
Contact and make business with SMEs	120	30
Make publicity in social networks	150	20
Pay influencers	170	10
Start getting new profiles	170	20
Start receiving job offers	180	20
Make business policy	200	15
Send job offers for the appropriate profiles	210	20
Receive advertisement proposal	230	15
Start hiring people for my company	245	20
Pay wages	265	10
Continue receiving and matching new profiles with job offers	275	20
Continue getting publicity for the social network	285	30

Source: elaborated by author

Graph 30: Gantt chart of project plan



Source: elaborated by author

**15.8.3 Risks**

The biggest risk that the company assumes is that of not being successful, cause it cannot be attractive for younger nor for SME, since there are some companies as Facebook and LinkedIn that already have a solid brand and market, in which it is difficult to highlight despite the competitive advantage that this project has.

In the other hand, this company is going to be SME and those direct competitors are huge companies with a bigger financing and bigger amount of followers, so that, even if their cost is higher, they have more opportunities for changing according to the moment we are living and for innovation, which can be another risk for this company.

Another risk is of not being profitable. Even if it finally works, and it's a successful project, can happen that the cost of publicity and the promotion is higher than what I have expected, so that, I will have loss more than the first two years and the company will go bankruptcy.

## CONCLUSION

Through this thesis it has been shown the bad economic situation that Spain is suffering after the financial global crisis of 2008, which caused a huge unemployment rate, where the most affected ones are still the young generation. Even if the data shown shows that this young unemployment rate is decreasing, is still too big for a country as Spain. The government is working on it through the fiscal policies as well as supporting the vocational training which the main goal is to train and give some labor experience to the student before going out to the labor market, cause as it has been examined by the surveys made, one of the main causes of this unemployment is the lack of experience. Observing the survey results, companies when analyzing a CV, for them the most important part above the studies is the labor experience, what the university students cannot have as the vocational training students have. In consequence of that, the most prepared, qualified young people have to go abroad to get some labor experience and better salary.

The salary is also according to the experience a person has, instead of the qualification and studies that the person has, so that, a student of vocational training when going to the labor market will have more salary than a university student.

For solving the problem of young unemployment rate the most important, efficient and effective tool of the 21<sup>st</sup> century are the social networks. Young generation are active users of them, and even if the companies are not using them for recruiting, they know about the potential of this networks and the benefits that this could bring them, so that, if they use the described social network for working and hiring new workers, they would save money and they would hire an specific worker, with specific qualifications for they need, as well as the benefits of being in contact with young generation can bring to the companies. The use of this social network by both sides, by Spanish young people and small and medium enterprises, can connect them giving the labor market information immediately, and to the right people, so that, will decrease the Spanish young unemployment rate which is going to be good for the government and for the Spanish economic situation.

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**LIST OF ABBREVIATIONS**

SME: Small and Medium Enterprises

GDP: Gross Domestic Product

MEC: Marginal Efficiency of Capital

GNP: Gross National Product

NBER: National Bureau of Economic Research

OECD: Organization for Economic Co-operation and Development

VAT: Value Added Tax

UK: United Kingdom

EU: European Union

UN: United Nations

EPL: Employment Protection Legislation

AD: Aggregate Demand

AS: Aggregate Supply

P2P: People to people

B2C: Business to customers

RIM: Research in Motion

SEC: Securities Exchange Commission

CCD: Central Companies Directory

ECB: European Central Bank

FP: Formación Profesional

MIS: Minimum inter-professional salary

INE: Instituto Nacional de Estadística

ILO: International Labour Organization

NEET: Youth not in Education nor in Employment or Training

CCOO: Comisiones Obreras

IVIE: Instituto Valenciano de Investigaciones económicas

CEPYME: Confederación Española de la Pequeña y Mediana Empresa

PICE: Programa Integral de Cualificación y Empleo

CESGAR: Confederación Española de Sociedades de Garantía Reciproca

IAB: Interactive Advertising Bureau

SCM: Supply Chain Management

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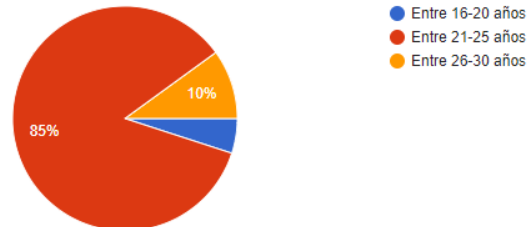
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## APPENDICES

### Young Spanish people and employment survey questions and results:

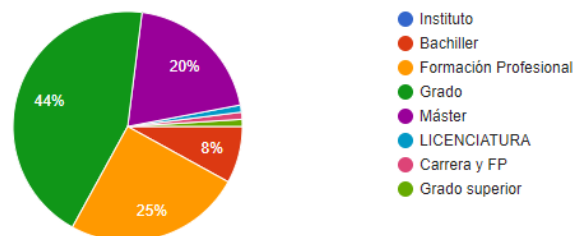
¿Cuántos años tienes?

100 respuestas



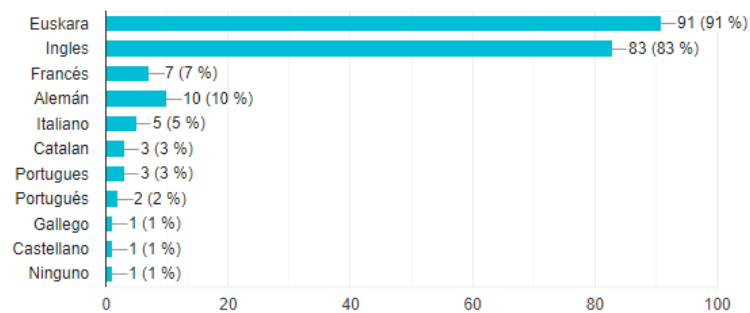
¿Qué estudios tienes?

100 respuestas



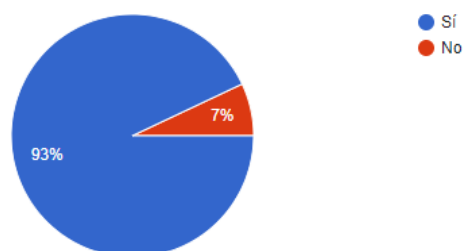
Además del español, ¿cuántos idiomas hablas?

100 respuestas



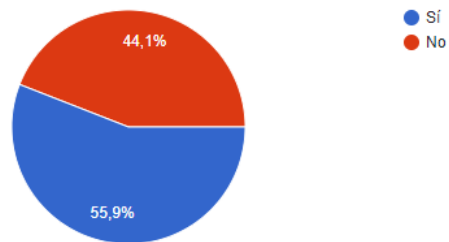
¿Eres asiduo a las redes sociales?

100 respuestas



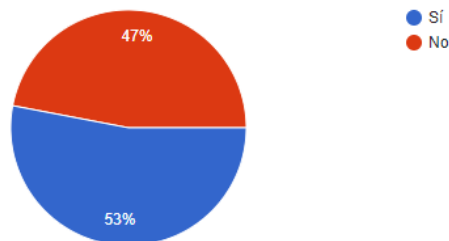
¿Has utilizado las redes sociales para buscar trabajo? (por ejemplo LinkedIn)

93 respuestas



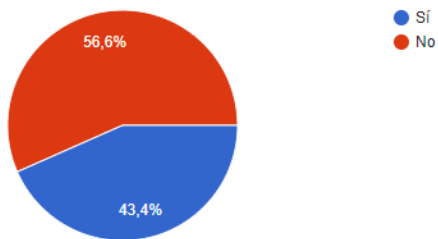
¿Trabajas actualmente en tu ámbito?

100 respuestas



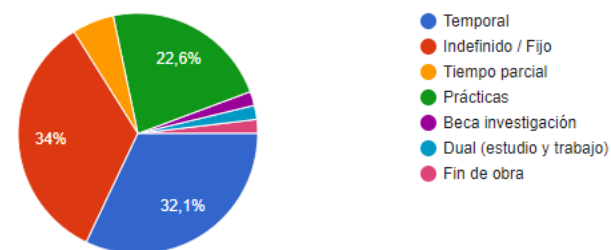
¿Crees que tu salario va acorde con tu nivel de estudios?

53 respuestas



¿Qué tipo de contrato tienes?

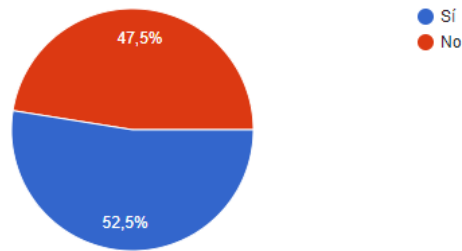
53 respuestas





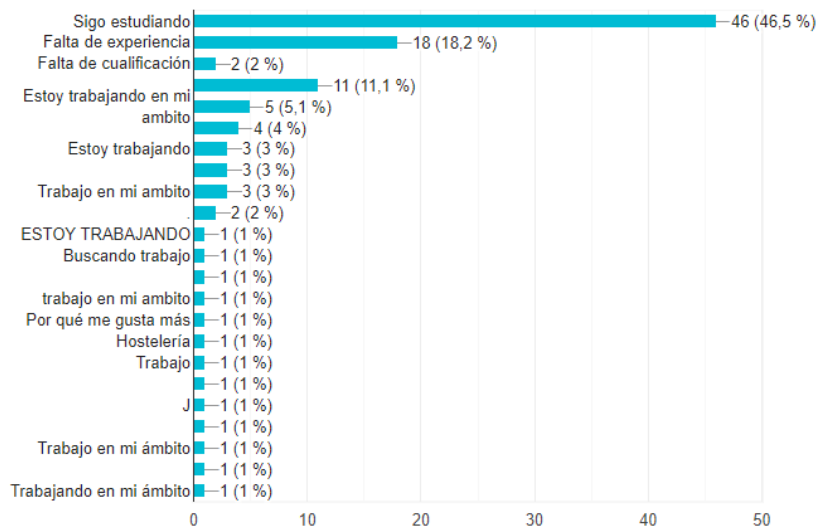
¿Estás trabajando aunque no sea en tu ámbito?

99 respuestas



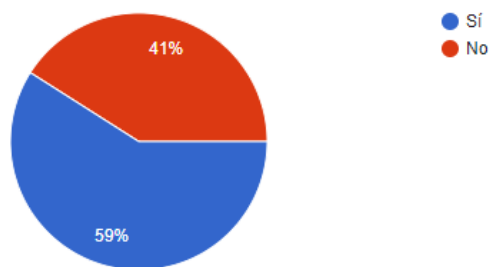
¿Por qué crees que no estas trabajando en tu ámbito?

99 respuestas



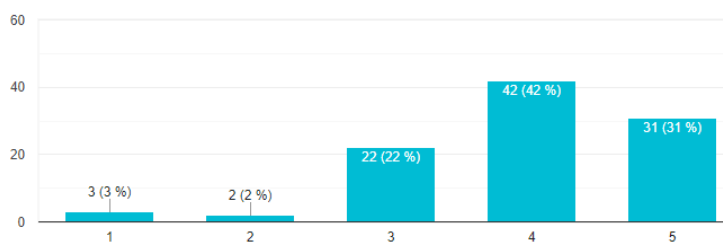
¿Tienes experiencia laboral en tu ámbito?

100 respuestas



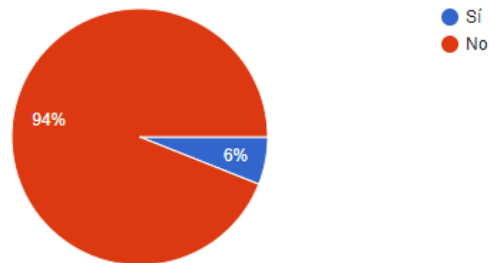
Del 1 al 5, ¿qué difícil crees que es encontrar trabajo sin tener experiencia previa?

100 respuestas



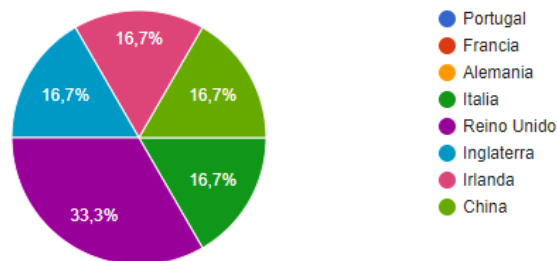
¿Has tenido que ir al extranjero a buscar trabajo porque en España no encontrabas nada?

100 respuestas



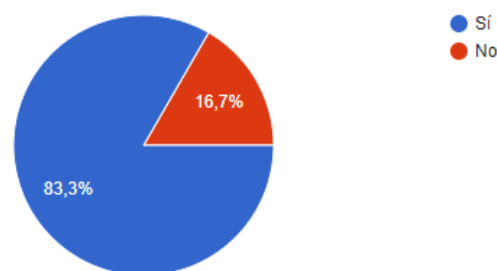
¿A dónde?

6 respuestas



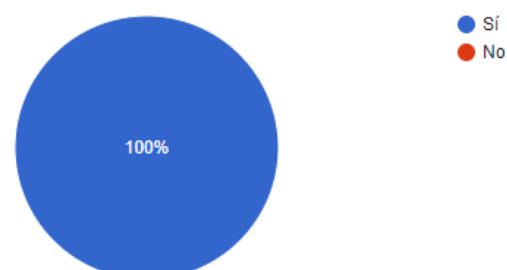
¿Volverías a España si todas las condiciones (de vida, laborales...) fueran favorables?

6 respuestas



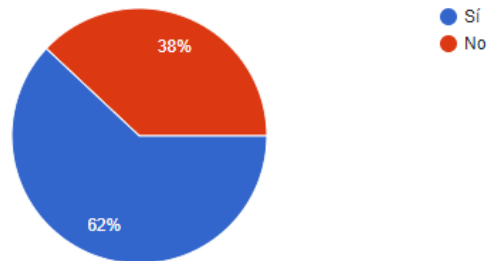
En tu opinión, ¿los salarios en el extranjero son mejores que los españoles?

6 respuestas



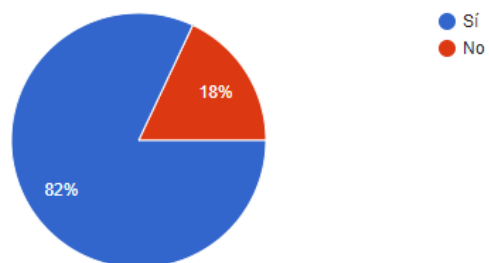
¿Has sopesado alguna vez que debido a la mala situación laboral en España tendrías que irte al extranjero por trabajo?

100 respuestas



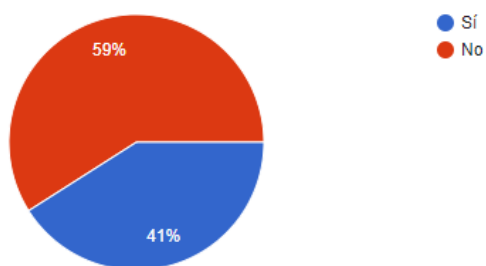
¿Dada la situación, estarías dispuesto / dispuesta?

100 respuestas



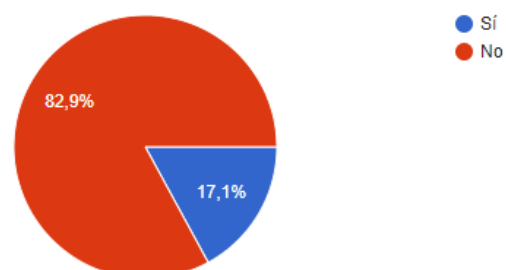
¿Has oído hablar sobre los Programas de Jóvenes que ofrece la Unión Europea?

100 respuestas



¿Has participado en algún Programa de Jóvenes de la UE?

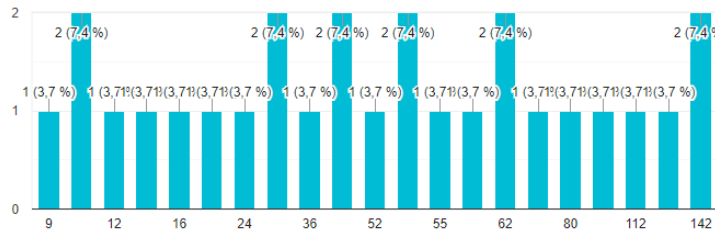
41 respuestas



SMEs relation with young (un)employment survey questions and results:

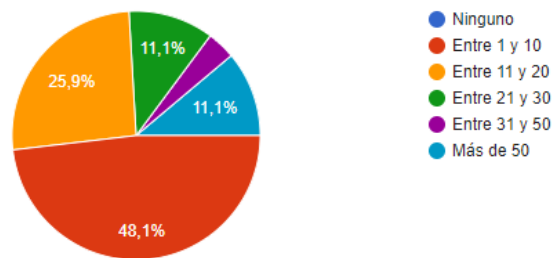
¿Cuántos trabajadores son en la empresa?

27 respuestas



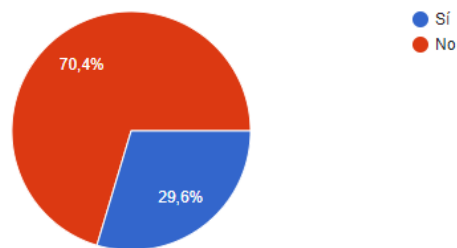
De ellos, ¿cuántos son jóvenes (entre 16 y 30 años)?

27 respuestas



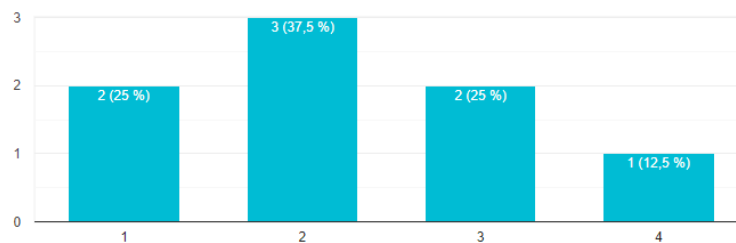
¿Hay personas jóvenes situadas en altos cargos de la empresa?

27 respuestas



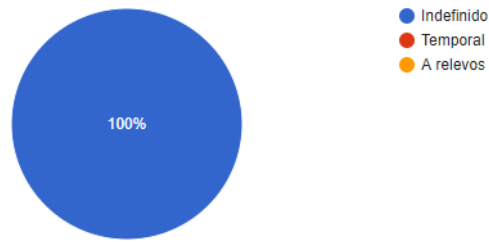
¿Cuántas personas jóvenes?

8 respuestas



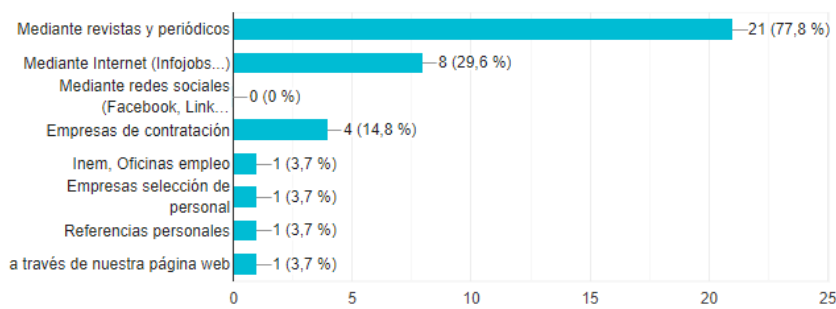
¿En la empresa qué tipo de contrato es el mas utilizado?

27 respuestas

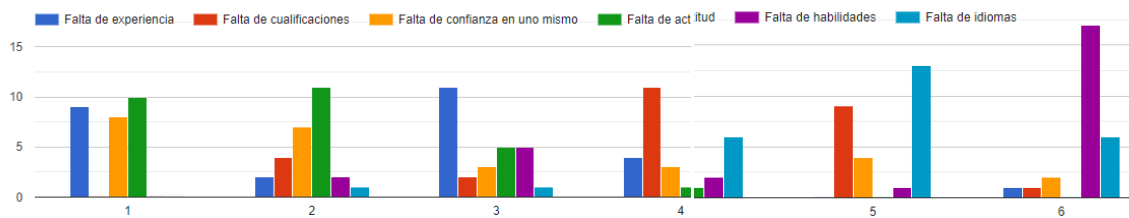


¿Qué fuente de reclutamiento utilizan?

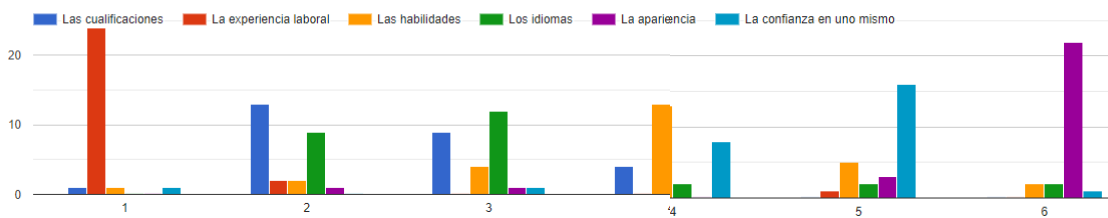
27 respuestas



¿Cuál considera que es la causa principal del fracaso de los solicitantes de empleo en su negocio? (da prioridades, 1 el mas prioritario y 6 el menos prioritario)

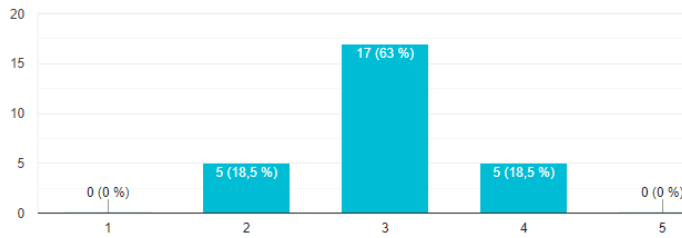


Al analizar un Curriculum, ¿qué prioridad tienen estos apartados para usted? (siendo 1 al que mas prioridad da y 6 al que menos)



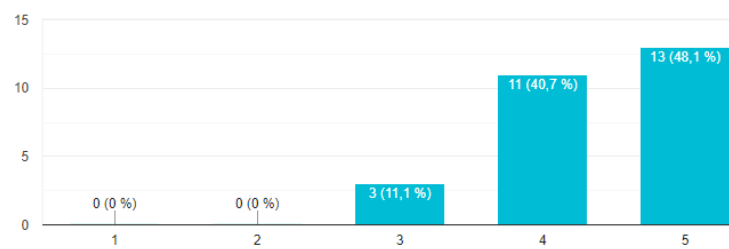
Del 1 al 5, ¿qué importancia le dan a los estudios a la hora de contratar a alguien?

27 respuestas



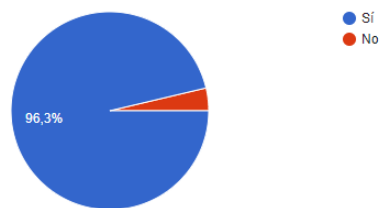
¿Y a la experiencia laboral?

27 respuestas



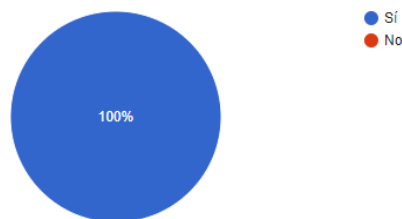
¿Dan prioridad a tener experiencia laboral a tener estudios a la hora de contratar a alguien?

27 respuestas



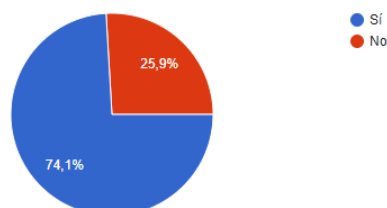
¿Tienen los empleados posibilidad de seguir creciendo profesional y personalmente, mediante estudios, cursos...?

27 respuestas



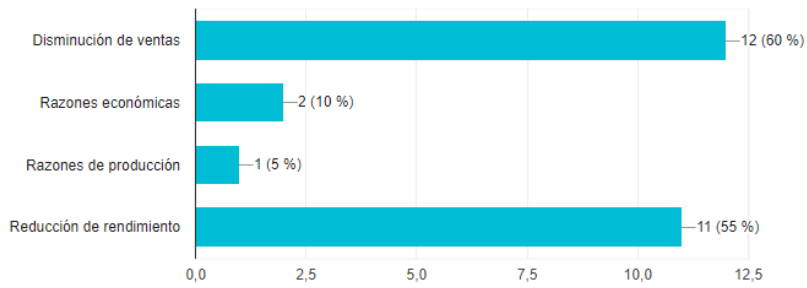
¿Se han visto afectados muchos puestos de trabajo a causa de la crisis?

27 respuestas



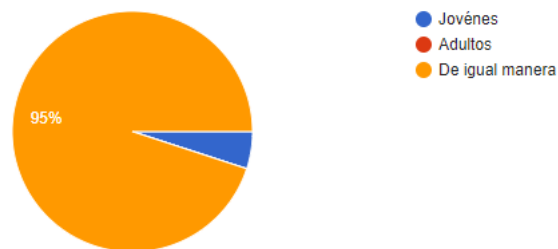
¿Por qué?

20 respuestas



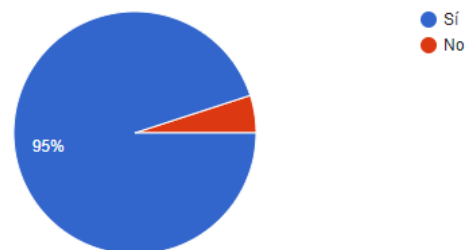
¿Mayormente en empleados jóvenes o en adultos?

20 respuestas



¿Ya ha renovado estas oportunidades de trabajo perdidas?

20 respuestas



¿Reciben ayudas económicas por parte del gobierno como pequeña y mediana empresa?

27 respuestas

