PRESS RELEASE

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YOUTH UNEMPLOYMENT: TODAY’S FIGURES IN CONTEXT – AND WHAT CAN BE DONE

The latest official figures for the UK labour market confirm that youth unemployment is at stunning levels. But according to Professors John Van Reenen and Barbara Petrongolo of the Centre for Economic Performance (CEP), the picture may be less bleak than is imagined. But they also argue that immediate policy actions can reduce the threat of large numbers of young people facing long-term unemployment and the lifetime scars that leaves.

The CEP researchers note that youth unemployment is always very high in recessions because young people are the first to lose jobs and the slowest to be re-employed. Compared with older workers, they have fewer skills tied up in firms and lower redundancy costs. This has always been the case and is equally true in this recession – see Figure 1.

Indeed, given the huge fall of national output of over 6% in the Great Recession of 2008-09, it is surprising that youth (and total) unemployment did not rise by more. Figure 2 shows that the rise in unemployment since the start of the 2008-09 recession has been less severe than in the previous two recessions.

The main problem is growing long-term (youth and adult) unemployment, which leads people to lose motivation and skills and not to compete for jobs. This is what happened in the 1980s and 1990s – it makes high unemployment persist over many years even when output starts growing again.

The main problem is that youth unemployment and NEET (‘not in employment, education or training’) rates started rising in 2004 prior to the Great Recession (see Figure 1) and no one is quite sure why. CEP research indicates that greater immigration and the minimum wage do not seem to be the problem.1

The New Deal for Young People introduced in 1998 increased job finding rates by around 20%, but the changes in Department for Work and Pensions policies in 2003/04 could have meant that other groups – such as lone parents and the disabled – were given priority over young unemployed people.

What can be done?
The Chancellor could announce several budget measures to improve the chances of young people avoiding long-term unemployment:

- Reverse the decision to abolish the Education Maintenance Allowance, which effectively keeps low-income pupils in schools.
- Maintain the commitment to grow apprenticeships.
- Slow down the extreme budget austerity programme.2

Are the numbers all wrong?
Are the headline figures completely unreliable because many young unemployed are in education or training?3 Those whose ‘main economic activity’ is education or training are not included, but those who are studying but would also take a job are included. If we excluded all young people doing any kind of training or education this would almost halve the NEET rates. But surely we do not want to count as ‘in education’ someone who does an hour or two or training a week.

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1 See http://cep.lse.ac.uk/pubs/download/ea012.pdf
2 http://cep.lse.ac.uk/_new/events/audio.asp?id=3317
3 http://www.peoplemanagement.co.uk/pm/articles/2011/03/youth-unemployment-overstated-says-cipd.htm
Figure 1: Unemployment, 1974-2011

Note: This is from the Labour Force Surveys, ILO definition of unemployment

Figure 2: The growth of claimant count unemployed in the last three recessions

Note: This shows the growth of claimant count unemployment during the last three recessions. Data end in December 2010.
Notes for Editors:

1. The Centre for Economic Performance is an independent ESRC funded research centre based at the London School of Economics. Its members are from the LSE and a wide range of universities within the UK and around the world.

2. For more information, contact Romesh Vaitilingam, email: romesh@vaitilingam.com or tel: 07768661095 or Helen Durrant, email: h.durrant@lse.ac.uk or tel: +44 (0)20 7955 7395.