



YOUTH (UN)EMPLOYMENT

Some basic concepts

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www.iza.org/en/webcontent/personnel/photos/index_html?key=4209

In general, the indicators of labour market status are based on survey data - in the EU these are usually undertaken every quarter. The information is then coded according to a unique 'principal' status¹.

Information based on official registers (e.g. registered unemployment), are less useful since they are based on country specific institutions - for example, people usually register as unemployed in order to obtain unemployment benefits. The institutions and criteria to become registered are different across countries.

Some definitions

According to the internationally accepted definitions provided by the International Labour Organisation:

- **Employment:** to be employed, a person of working age must have worked for pay, profit or family gain for at least one hour during the reference period (usually the previous week).
 - **Unemployment:** to be unemployed, a person (of working age) must be:
 - Out of work
 - Available for work
 - Actively seeking work
- ✚ Thus, those who wish to work but who are not actively seeking work are excluded, as well as those who do not wish to work.

¹ This is becoming increasingly problematic because it is not always straightforward what someone's principal status is. For example, more and more young people work while they study and it is not always clear which is the principal status, nor indeed conceptually, whether in some cases such a status actually exists.

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- The **labour force** is composed of the unemployed plus the employed.
- The **unemployment rate** is defined as the number of unemployed persons divided by the number of persons in the labour force (the sum of the employed and unemployed people).
- **Young people** are defined by their age. There is some difference across nations in the typical definition of young people, the most widely accepted international usage is to define young people as those:
 - Who are of an age to legally leave full-time education
 - Have not yet reached their twenty fifth birthday
- ✚ Thus young people are conventionally defined as those between around 15 and 24 with the lower bound depending on national context.
- The **youth unemployment rate** is then the unemployment rate for 15-24 year olds: the number of 15-24 year old unemployed persons divided by the number of 15-24 year old labour force participants.
- ✚ One thing that distinguishes the 'youth labour market' from the 'labour market for older workers' is that many young people do not participate in the labour market because they are still in education.

The 'youth employment rate' is the most commonly used indicator of youth labour market problems; a high youth unemployment rate is undesirable in the sense that many young people who are actively seeking work do not find it.

A critical note about 'youth unemployment'

There are however some problems with the 'youth unemployment' indicator. It implies a rather restricted definition of the labour market:

- ✚ Youth unemployment does not include those people who would like to work but do not seek it because they know or believe that no suitable work is available: **the discouraged**.
- ✚ And what about those who, given current labour market conditions, **choose to do 'other things'**? For example, have and look after children, enjoy leisure or travel, migrate to other countries or participate in education.
- For most, the choice to do 'other things' is related to the quantity (and quality) of the work available.

The youth unemployment rate does not show the extent of youth labour markets problems as they affect young people as a whole. For instance: if almost everyone

participates in education until 25 (*so they are not yet in the labour force because unavailable for work*), but if most of the young people who did enter the labour market are unemployed, then the youth unemployment rate will be very high. However this reflects a problem affecting only a relatively small group of people (*those available on the labour market*) and not young people as a whole (*because many are still in education*).

Talking about joblessness instead

Youth joblessness is a more inclusive concept than 'youth unemployment'. The OECD adopted the term NEET (Not in Employment, Education or Training) for this category, alongside the more traditional youth unemployment rate.

There are different possible indicators calculated on this basis. The World Bank for instance uses the relatively simple 'jobless rate' in their World Development Report 2007. This is defined as **all young people who are neither in education or employment as a proportion of the population** (of the relevant age-group).

And even though it does not take into account the 'quality of employment', the jobless rate does have the advantage of giving a sense of the size of the 'youth labour market problem'. The jobless rate shows the proportion of young people who are not 'productively' or 'usefully' occupied. It indicates the extent to which the potential employment of young people is maximised.

Which indicator to use?

The use of the jobless rate as an indicator of youth labour market problems is by no means neutral in its implications for the interpretation of the nature of the problems. Both youth unemployment and youth joblessness affect different types of young people to differing extents. Which groups are most affected will vary somewhat according to whether one uses the unemployment or jobless rates as an indicator of problems and thus will affect the identification of for example, disadvantaged groups in the youth labour market.

The jobless rate is a useful indicator because:

- It includes all those young people who are not in some sort of 'productive' or 'useful' activity. Specifically, it includes a substantial group of young people who are not actively seeking work but would do so if conditions in the labour market improved. Arguably, it is precisely the discouraged young people who are most in need of intervention in terms of education, training and/or Active Labour Market Policies in order to prevent them from becoming entirely detached.
- It gives a sense of the size of youth labour market problems in relation to the youth population as a whole. The youth jobless rate is an indicator of the incidence of youth labour market problems amongst young people as a whole; and,
- The comparison of youth jobless rates with youth unemployment rates also helps in the interpretation of the employment adjustment process and consequently throws further light on cross-country differences in youth unemployment rates.

Further reading on this topic at: www.euroframe.org/index.php?id=156