

LSE Centre for Economic Performance: Jobs and Youth Unemployment: It's bad, but not as bad as you might think

Apr 21 2010

A new series of [Election Analyses](#) is now available from the LSE's Centre for Economic Performance (CEP). The series will discuss the research evidence on some of the key policy battlegrounds of the 2010 General Election, including macroeconomic policy, immigration, health, education, crime, poverty and inequality, labour market policy, regional policy, energy and the environment, financial regulation and bankers' bonuses, and foreign aid.

The UK's rate of unemployment has just hit 8% and the number of people unemployed has risen to 2.5 million. According to researchers [John van Reenen](#) and [Barbara Petrongolo](#) at the Centre for Economic Performance (CEP), while these figures are bad, they are not as bad as might be expected given the large fall in output in the current recession, the worst decline of any other post-war recession.

Young people, however, have fared much worse than other groups with larger increases in their unemployment and bigger falls in hours and wages than for adults. The CEP researchers argue that, unfortunately, this is to be expected as young people always suffer worst during downturns. It does not seem that (relatively) they are doing particularly badly in the latest recession compared with the 1980s and 1990s recessions.

More worrying, however, is that the fact that youth unemployment and numbers of NEETs (young people 'not in employment, education or training') were bad going into the recession, having been rising since 2004.

The latest CEP Election Analysis provides more detail on the research evidence on jobs and youth unemployment – and the potential policy responses. The publication is summarised below and posted in full on the CEP website here: http://cep.lse.ac.uk/_new/publications/series.asp?prog=CEPEA

- The Great Recession of 2008-2010 has inflicted a larger cumulative loss of UK output than any of the other post-war recessions. Nevertheless, unemployment is much lower than we would have expected given past experience.
- Young people have fared badly during the recession, with larger increases in their unemployment rates than adults. But young people always do worse in downturns, and there is no evidence that they are doing relatively worse this time round than in previous recessions.
- Youth unemployment has fallen since the last recession, but then rose after 2004 prior to the onset of the current recession. The weakening of the adult labour market can only account for part of this rise. Increased immigration, the minimum wage, skill demand changes and schooling are other possible explanations – but there is little compelling evidence for any of these factors.
- Labour's welfare reforms – such as the New Deal for Young People introduced in 1998 – have had a positive impact on jobs. But after 2004, the Employment Service put less emphasis on the young unemployed compared with other groups (such as lone parents and people on incapacity benefits), and this may be a factor in the post-2004 rise in youth unemployment.



Image Courtesy of See Wah via Flickr



- The trends for 18-24 year olds 'not in employment, education or training' (NEETs) follow the same pattern as youth unemployment. NEET rates for 16-17 year olds are very high (and rising) only if we include all part-time students. When these are removed, teenage NEET rates are more like 10%.
- There is substantial consensus between the main parties on jobs and youth. An unanswered question for all parties is: if they think the current system is not working, then how will 'more of the same' radically improve things?