

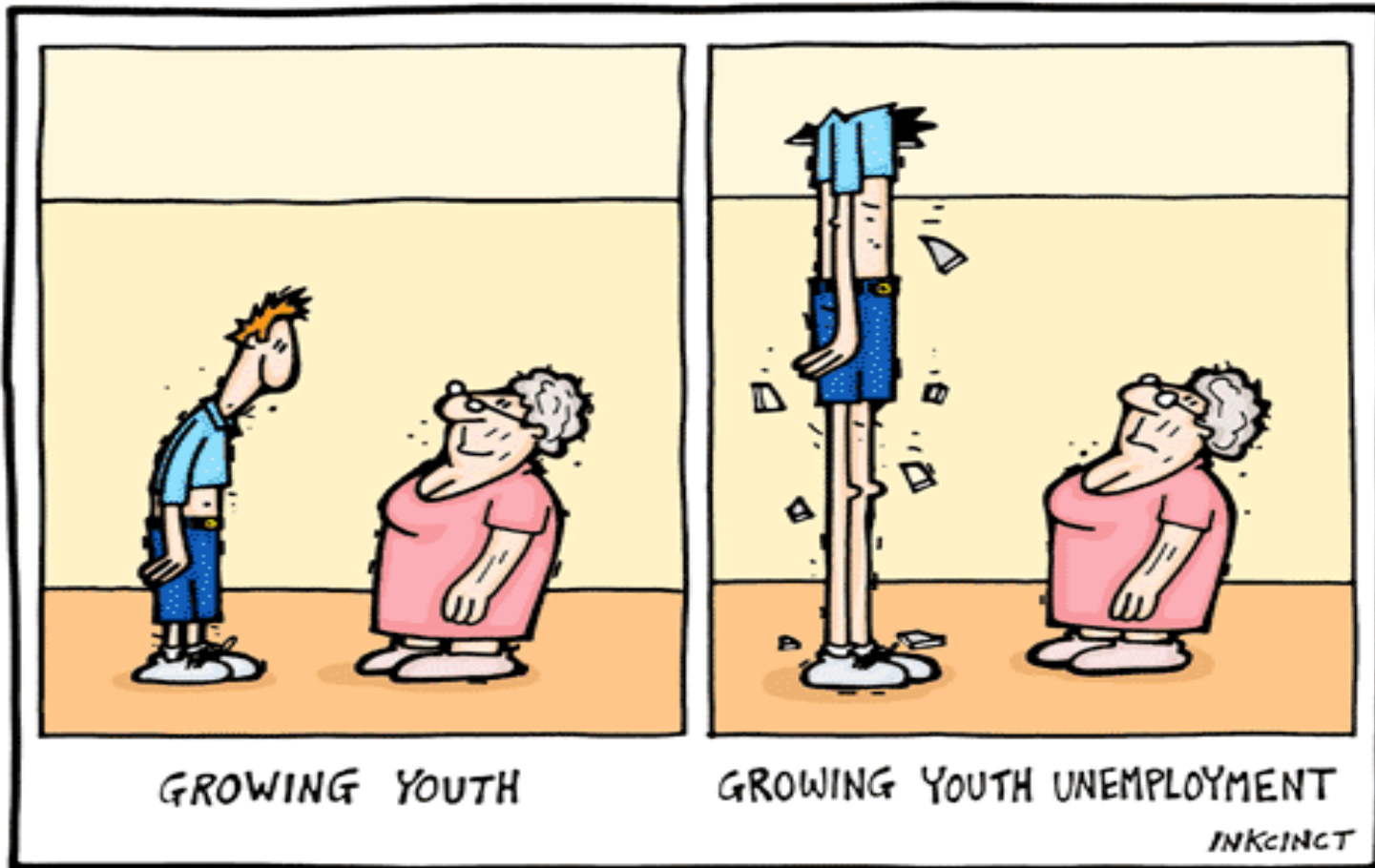
WASTED YOUR?

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WORLDWIDE CONCERN



SUMMARY

- Young people have done very badly during this recession
 - But this is always true: no worse than previous recessions relative to adults
- Youth unemployment rising since 2004 prior to recession
- NEETs trends basically similar to unemployment

OUTLINE

1. Why Care about Youth?

2. Youth unemployment during the recession

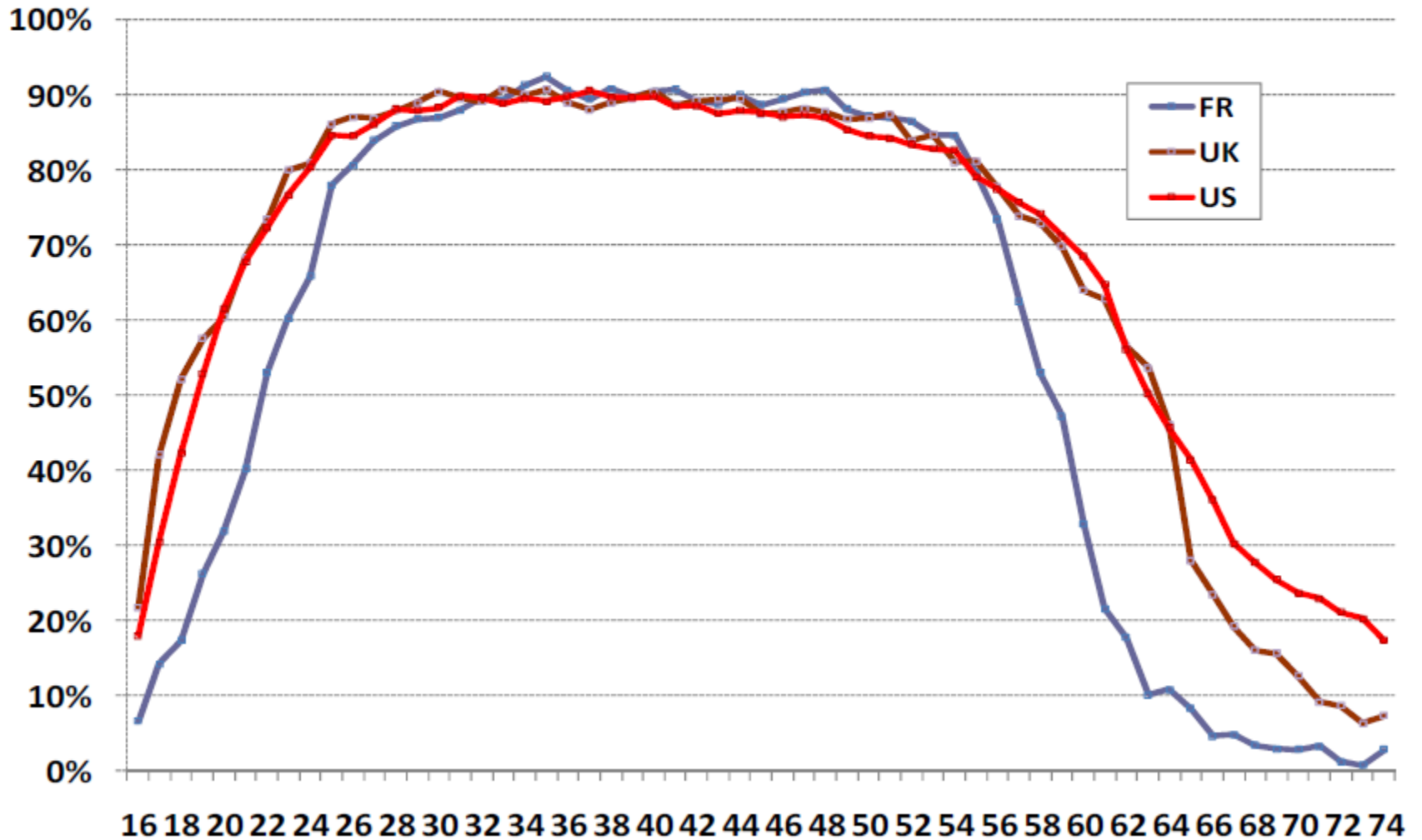
3. What happened after 2004?

4. NEETs and all that

WHY CARE ABOUT YOUTH IN PARTICULAR?

- “Scarring” effects of unemployment
- Externalities – e.g. crime and anti-social behaviour
- Bear brunt of adjustment to economic downturns
 - Last in First Out
 - Less job specific human capital
 - Worse in other EU countries with strong “insider” protection (see over)
- But
 - More chance of re-entering (c.f. middle aged)
 - Parental support

Employment for men by age – FR, UK and US 2007



Source: Blundell et al (2010)

OUTLINE

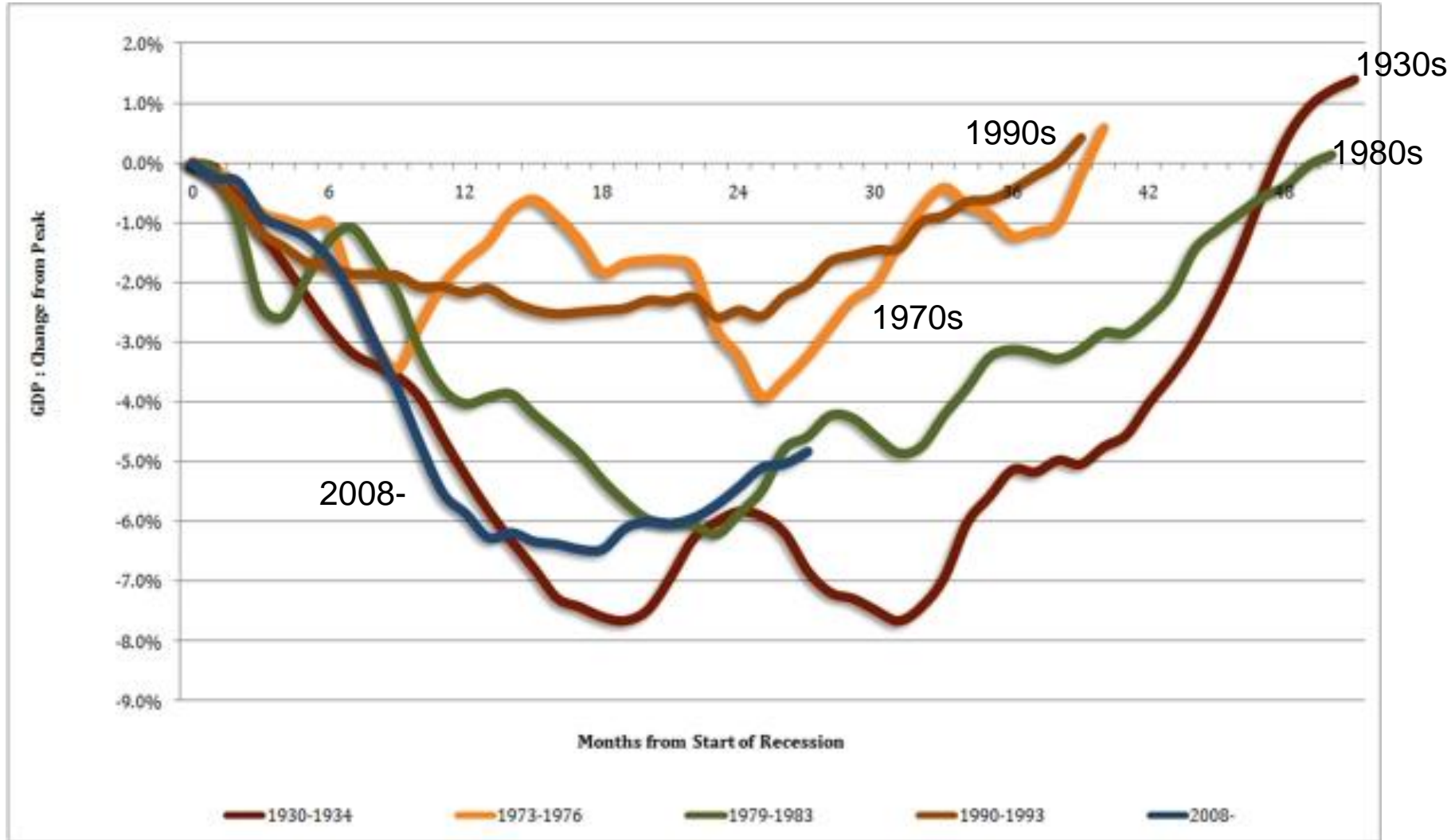
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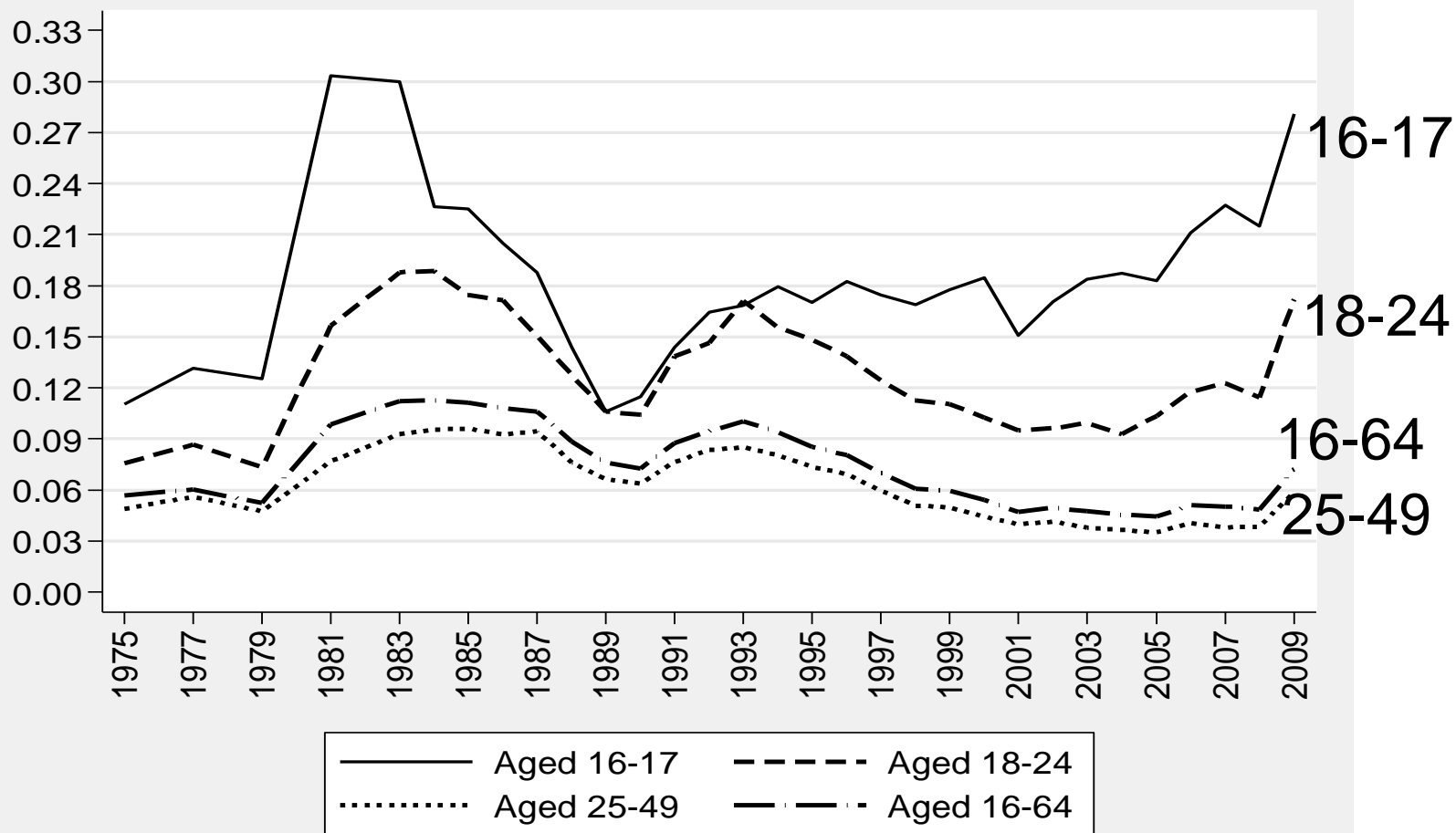
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CUMULATIVE FALL IN GDP IN LAST 5 RECESSIONS



Source: NIESR, http://www.niesr.ac.uk/pdf/080710_145403.pdf

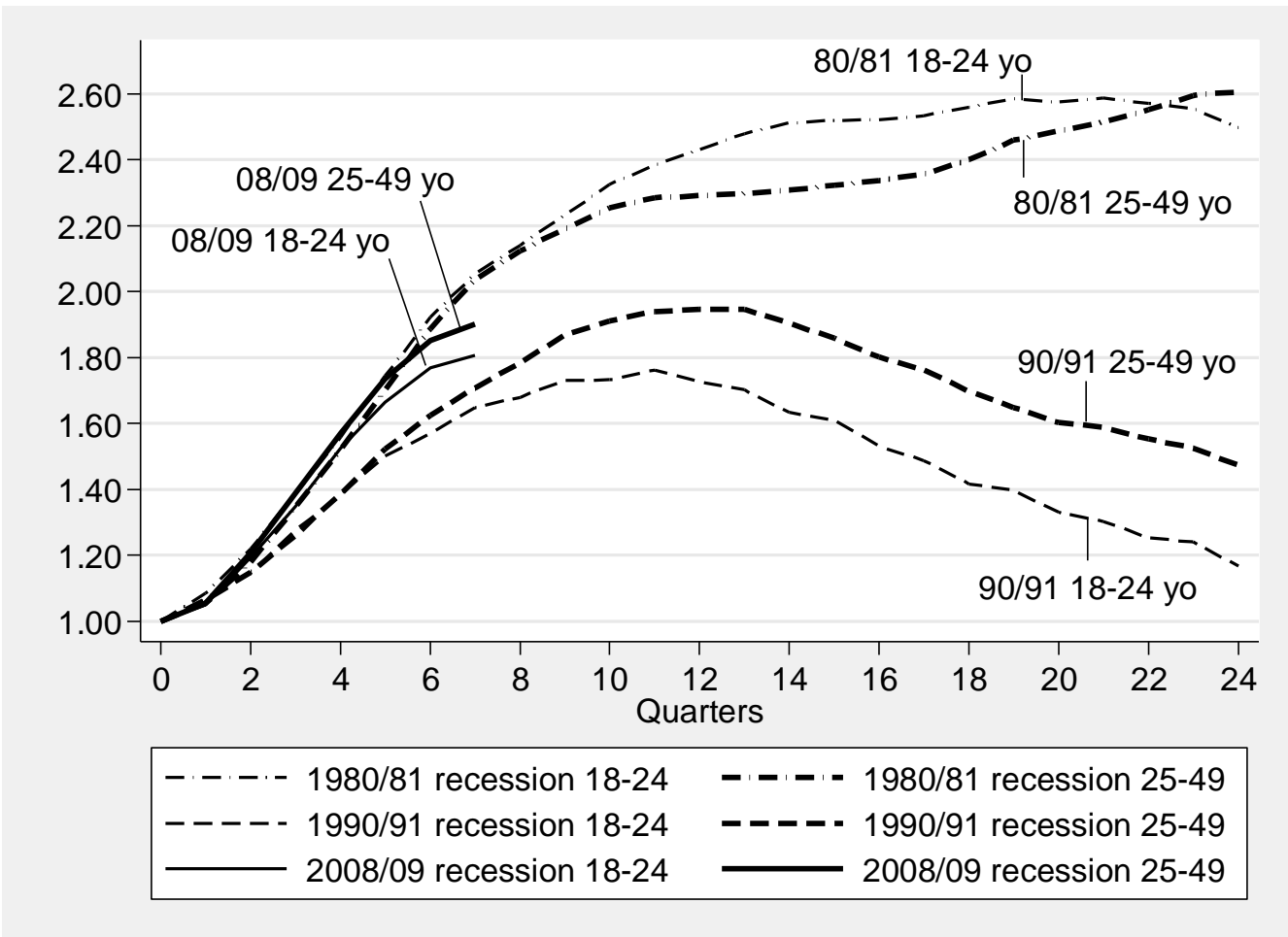
ILO Unemployment Rates by Age Group , 1975-2009



Source: Annual LFS 1975-91 and calendar quarters 1992q2 to 2009q3.

Unemployment rate (ILO) is measured yearly in March/April/May and linearly interpolated.

Relative Claimant Unemployment Rates - last 3 recessions



Source: ONS

As a % increase youth unemployment rise better than 1980s and 1990s

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18-24 Unemployment Rate, ILO, 1992-2009



WHY DID YOUTH LABOUR MARKET DETERIORATE FROM 2004?

- Adult labour market (esp. for less skilled)
- Minimum Wages
- Schooling
- Immigration from A8
- Labour market policies/Employment Service

Table 1: Male Youth unemployment and immigration

Regional level regressions

	Males			
	All 12 regions		Excluding London	
Change in adult unemployment rate	0.397*** (0.098)	0.410*** (0.089)	0.406*** (0.117)	0.409*** (0.112)
Change in % of foreign born		0.431** (0.173)		0.263 (0.219)
Observations	817	817	748	748

Notes. *** indicates significance at the 1% level, ** indicates significance at the 5% level and * indicates significance at the 10% level. The Table reports coefficients from an OLS regression of the change in the youth unemployment rate by gender, region and year, on the change in adult male unemployment and the change in the proportion of foreign born in the total population. Standard errors are clustered at the regional level and reported in brackets. Other regressors included are region and year fixed effects.

Source: Authors' analysis of Labour Force Survey, 1992-2009.

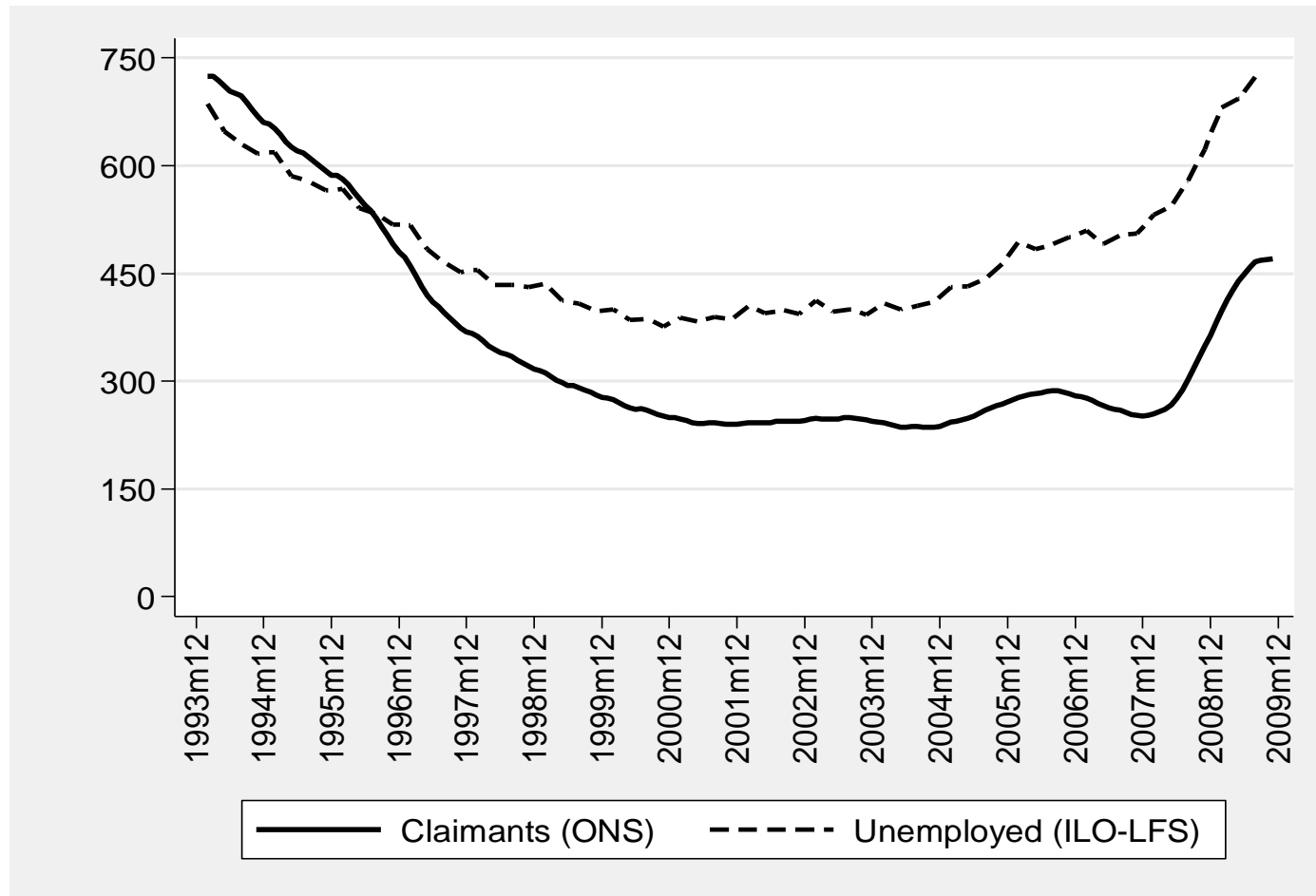
NEW DEAL FOR YOUNG PEOPLE (NDYP)

- Mandatory job search + assistance + wage subsidy
- Strong evidence that this raised employment rates.
- Blundell, Costa-Diaz, Meghir, & Van Reenen (2004)
 - Pilot vs. Non-pilot areas (inc. matching)
 - 25 year olds (eligible) vs. 24 year olds (non-eligible)
 - NDYP Raised job finding rates by 5 percentage points over 25% base, implies a 20% treatment effect
- Also: Di Giorgi (2005) 1998-2003; NIESR similar
- International evidence that job search assistance/sanctions/monitoring works

THEN WHAT WENT WRONG AFTER 2004?

- We don't know!
- Harder to reach ILO unemployed (see over)

The difference between the number of young unemployed and young JSA Claimants is now very large



Source: LFS calendar quarters 1992q2 to 2009q3 for ILO unemployed and ONS for the claimant count.

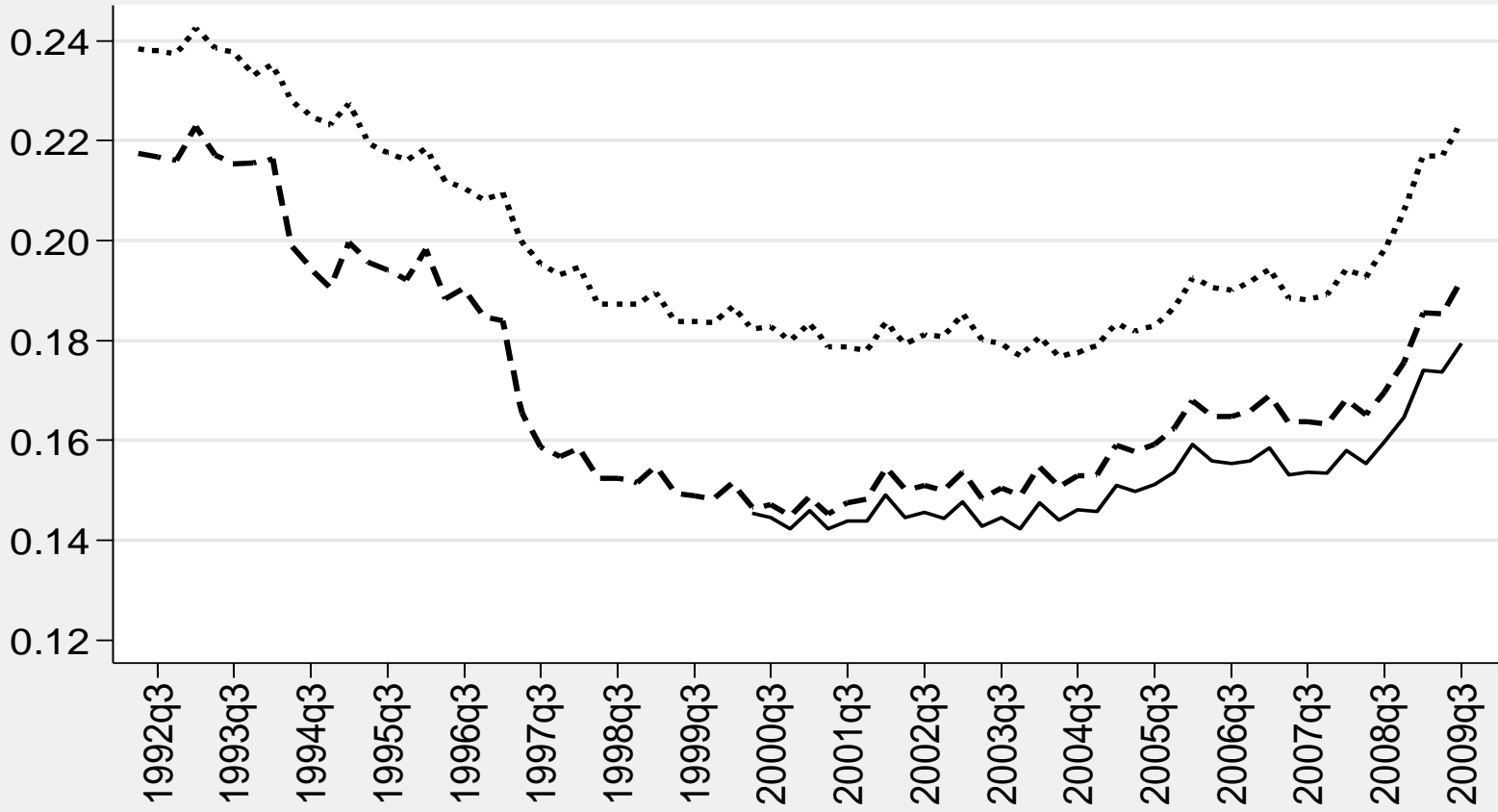
THEN WHAT WENT WRONG AFTER 2004?

- NDYP Policy impact effect much larger than steady state effect
- Did other “New Deal options” do much good (e.g. education/training)?
- Original plan of “no fifth option” not enforced (2010 “Job guarantee” policy)
- Shift of ES priorities onto other groups – lone parents, disabled, older workers, etc. around 2004
 - Currently what we are looking at

OUTLINE

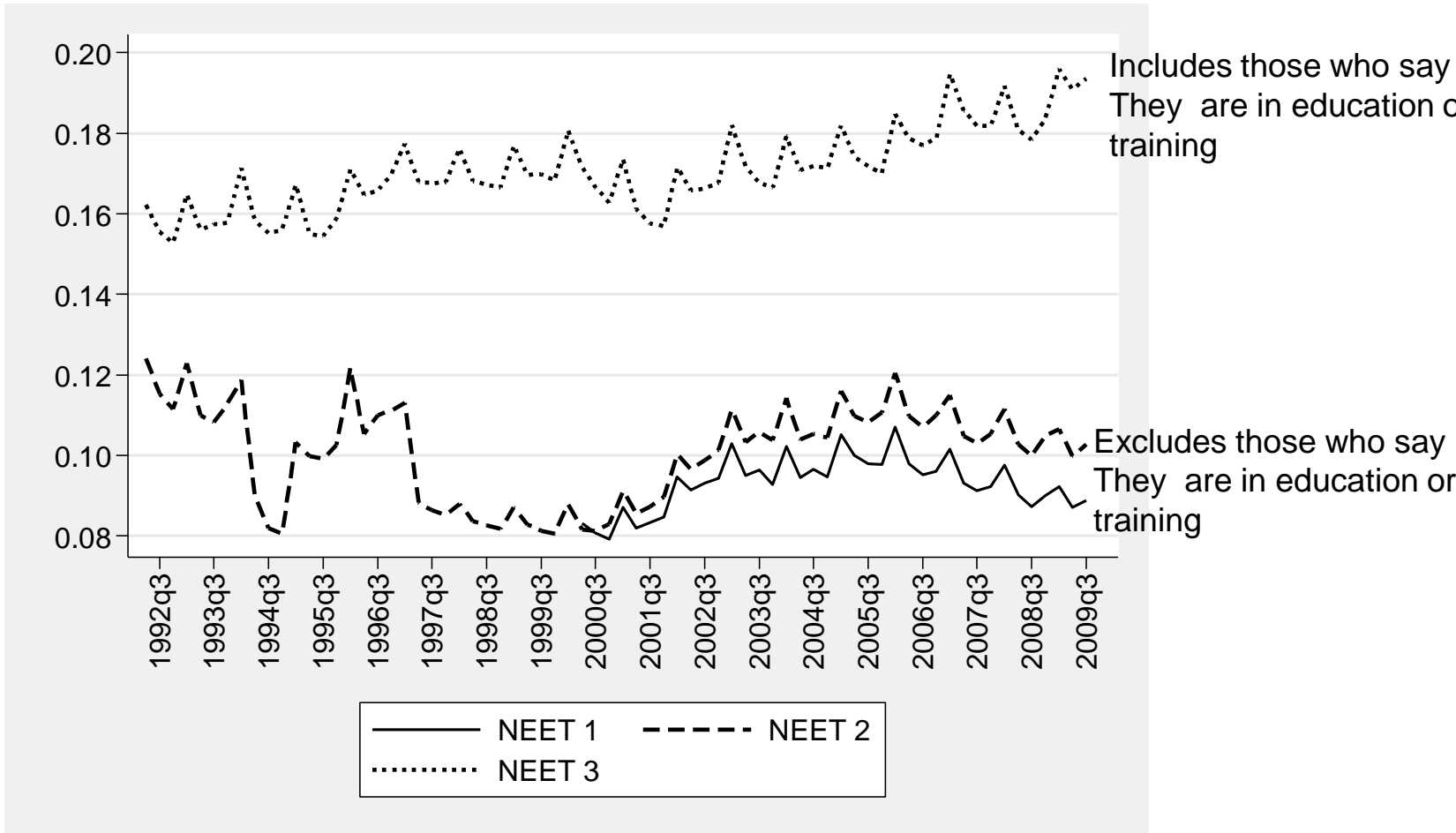
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18-24 NEET TRENDS LOOK LIKE YOUTH UNEMPLOYMENT



— NEET 1 - - - - - NEET 2
..... NEET 3

16-17 NEET RATES

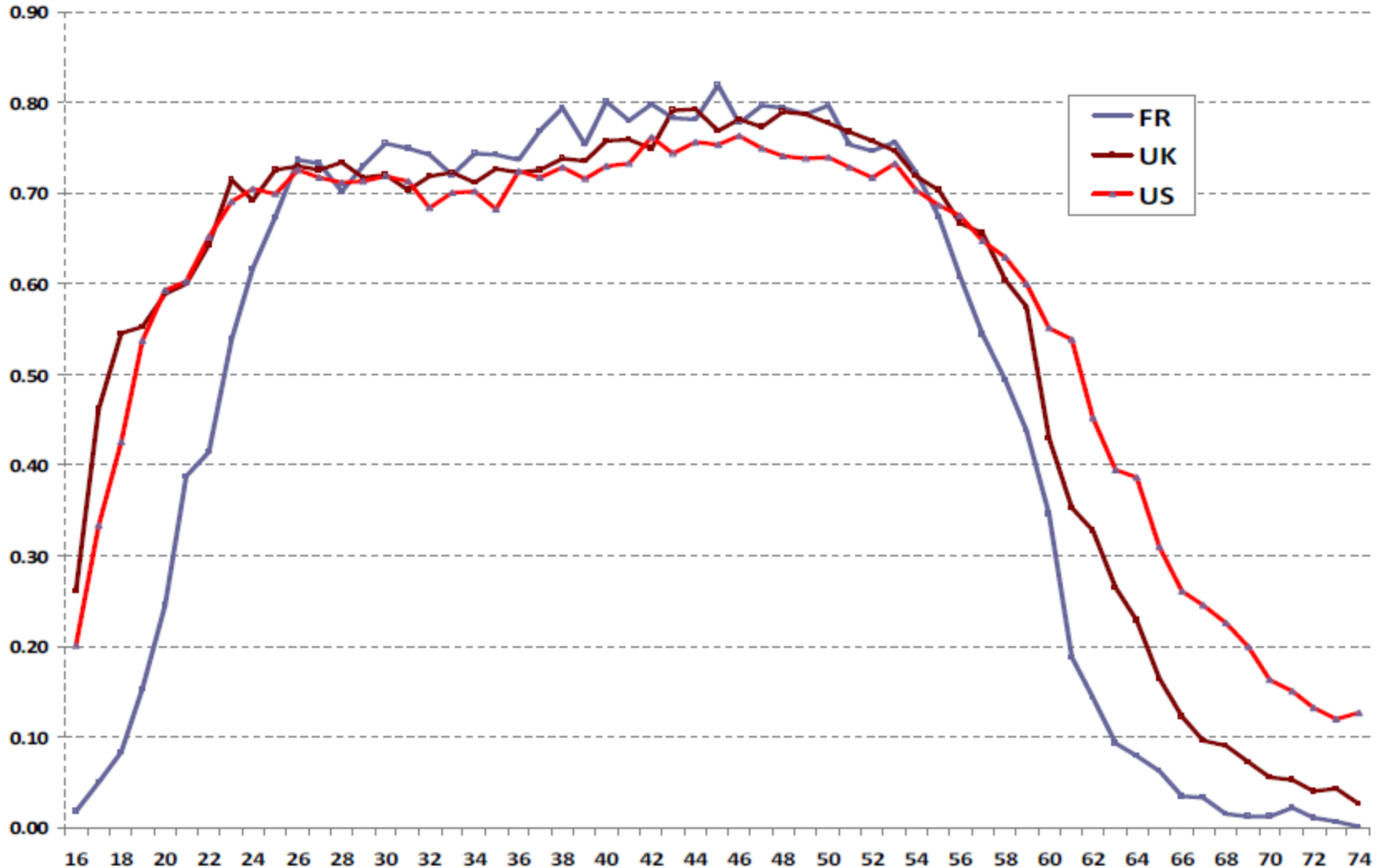


CONCLUSIONS & POLICY

- High youth unemployment reflects state of business cycle
- Bigger issue is structural increase in youth unemployment prior to recession despite policy activism
- Cutbacks to Employment Service a false economy
- Cutbacks to JSA probably “work” but risk of crime, inactivity, poverty, etc.

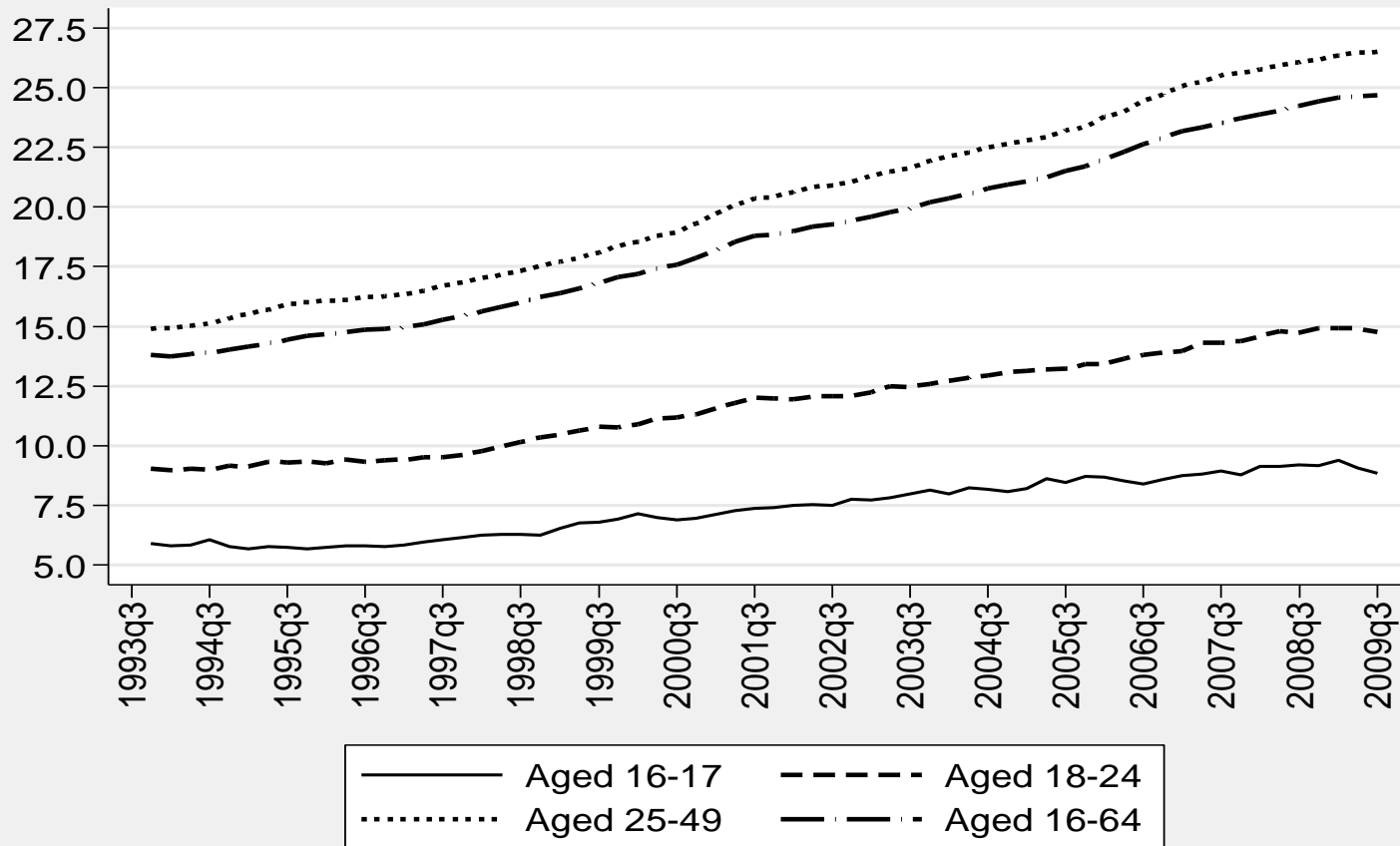
Back Up

Female Employment by age – US, FR and UK 2007

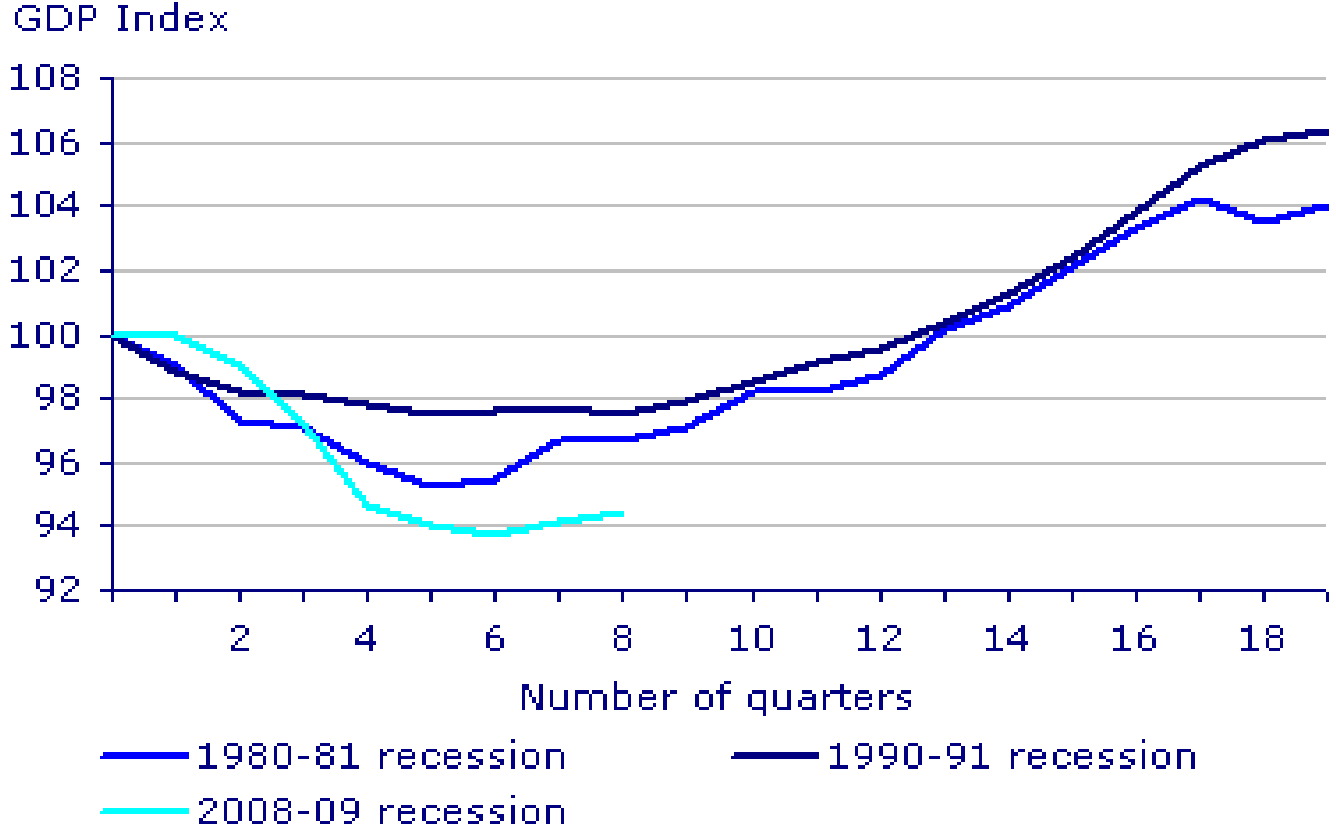


Source: Blundell et al (2010)

Average gross hourly pay by age group, 1993-2009



Cumulative growth of GDP in the last three recessions (through May 2010), 6.2% fall



18-24 Unemployment Rate, ILO

