

KILM 10. Youth unemployment

Introduction

Youth unemployment is widely viewed as an important policy issue for many countries, regardless of their stage of development. For the purpose of this indicator, the term “youth” covers persons aged 15 to 24 years and “adult” refers to persons aged 25 years and over.

KILM 10 consists of three tables. Tables 10a and 10b contain ILO estimates and national estimates, respectively, of four distinct measurements of aspects of the youth unemployment problem. The four measurements are: (a) youth unemployment rate (youth unemployment as a percentage of the youth labour force); (b) ratio of the youth unemployment rate to the adult unemployment rate; (c) youth unemployment as a proportion of total unemployment; and (d) youth unemployment as a proportion of the youth population. Table 10c presents estimates of the proportion of young people not in employment, education or training, the “NEET” rate. The information in table 10c follows the standard definition of youth, that is, it refers to persons aged 15 to 24, unless otherwise indicated. The information in all three tables is disaggregated by sex.

ILO estimates of youth unemployment in table 10a are harmonized to account for differences in scope of coverage, collection and tabulation methodologies as well as for other country-specific factors such as military service requirements. This table includes both nationally reported and imputed data and includes only estimates that are national, meaning there are no geographic limitations in coverage. It is this series of harmonized estimates that serve as the basis of the ILO’s global and regional aggregates of the labour force participation rate as reported in the *Global Employment Trends* series and made

available in the KILM 9th edition software as table R6.

The youth unemployment rates and related measurements are available in table 10a for 178 economies, and in table 10b for 196 economies.. NEET rates in table 10c are available for 119 economies.

Use of the indicator

Young men and women today face increasing uncertainty in their hopes of undergoing a satisfactory entry to the labour market, and this uncertainty and disillusionment can, in turn, have damaging effects on individuals, communities, economies and society at large. Unemployed or underemployed youth are less able to contribute effectively to national development and have fewer opportunities to exercise their rights as citizens. They have less to spend as consumers, less to invest as savers and often have no “voice” to bring about change in their lives and communities. In certain cases, this results in social unrest and a rejecting of the existing socio-economic system by young people. Widespread youth unemployment and underemployment also prevents companies and countries from innovating and developing competitive advantages based on human capital investment, thus undermining future prospects.

Knowing the costs of non-action, many governments around the world prioritize the issue of youth unemployment and attempt to develop appropriate policies and programmes.¹

¹ See, for example, the inventory of crisis-response programmes and policies put into place by countries in ILO: *Global Employment Trends for Youth: Special issue on the impact of the global economic crisis on youth* (Geneva, 2010);

Measuring the impact of such policies requires age-disaggregated indicators, such as those provided in KILM 10. The KILM youth indicators also constitute the basis for the ILO's *Global Employment Trends for Youth*, which serves as a key product for quantifying and analysing the current labour market trends and challenges of young people.²

While KILM 10 is the only of the 17 KILM indicators relating specifically to youth, age-disaggregation has been included for numerous other indicators in the KILM. Thus, KILM users can access and analyse data for youth (in comparison to the adult and total populations) for labour force participation rates (tables 1a and 1b), employment-to-population ratios (tables 2a and 2b), part-time employment (table 6), employment by hours worked per week (table 7a), long-term unemployment (table 11), time-related underemployment (table 12), inactivity rates (table 13), labour force by level of educational attainment (table 14a), unemployment by level of educational attainment (table 14b), illiteracy (table 14d), and working poverty (table 17b).

The KILM information on youth unemployment illustrates the different dimensions of the lack of jobs for young people. In general, the higher the four rates presented in tables 10a and 10b, the worse the employment situation of young people. These measurements are likely to move in the same direction, and should be looked at in tandem, as well as together with other indicators now available in the KILM for the youth cohort, in order to assess fully the situation of young people within the labour market and guide appropriate policy initiatives.

In a country where the youth unemployment rate is high and the ratio of the youth unemployment rate to the adult unemployment rate is close to one, it may be concluded that the problem of unemployment is not specific to youth, but is country-wide. However, unemployment rates of youth are

typically higher than those of adults, reflected by a ratio of youth-to-adult unemployment rates that exceeds one. There are various reasons why youth unemployment rates are often higher than adult unemployment rates and not all of them are negative. On the supply side, young persons might voluntarily engage in multiple short spells of unemployment as they gain experience and “shop around” for an appropriate job. Moreover, because of the opening and closing of educational institutions over the course of the year, young students are far more likely to enter and exit the labour force as they move between employment, school enrolment and unemployment.

However, high youth unemployment rates are also the consequences of a labour market biased against young people. For example, employers tend to lay off young workers first because the cost to establishments of releasing young people is generally perceived as lower than for older workers. Also, employment protection legislation usually requires a minimum period of employment before it applies, and compensation for redundancy usually increases with tenure. Young people are likely to have shorter job tenures than older workers and will, therefore, tend to be easier and less expensive to dismiss. Finally, since they comprise a disproportionate share of new jobseekers, young people will suffer most from economically induced reductions or freezes in hiring by establishments.

Information on the other two aspects of the youth unemployment problem captured by KILM 10, namely the share of unemployed youth in total unemployment and the proportion of unemployed youth in the youth population, helps to complete a portrait of the depth of the youth employment challenge. The former complements the ratio of youth-to-adult unemployment rate in reflecting to what degree the unemployment problem is a youth-specific problem as opposed to a general problem. If, in addition to a high youth unemployment rate, the proportion of youth unemployment in total unemployment is high, this would indicate an unequal distribution of the problem of unemployment. In this case, employment policies might usefully be

http://www.ilo.org/empelm/pubs/WCMS_143349/lang-en/index.htm.

² All ILO *Global Employment Trends for Youth* publications are available at <http://www.ilo.org/trends>.

directed towards easing the entry of young people into the world of work. The proportion of youth unemployed in the youth population places the youth unemployment challenge into perspective by showing what share of the youth population unemployment actually touches. Youth who are looking for work might have great difficulty finding it but when this group only represents less than 5 per cent of the total youth population then policy-makers may choose to address it with less urgency.

The proportion of youth unemployed in the youth population is also an element in the total proportion of youth not in employment, education or training. The NEET rate is a broad measure of untapped potential of youth who could contribute to national development through work. Because the NEET group is neither improving their future employability through investment in skills nor gaining experience through employment, this group is particularly at risk of both labour market and social exclusion.³ In addition, the NEET group is already in a disadvantaged position due to lower levels of education and lower household incomes.⁴ In view of the fact that the NEET group includes unemployed youth as well as economically inactive youth, the NEET rate provides important complementary information to labour force participation rates and unemployment rates. For example, if youth participation rates decrease during an economic downturn due to discouragement, this may be reflected in an upward movement in the NEET rate.⁵ More generally, a high NEET rate and a low youth unemployment rate may indicate significant discouragement of young people. A high NEET rate for young women suggests their engagement in household chores, and/or the presence of

strong institutional barriers limiting female participation in labour markets.

Definitions and sources

Young people are defined as persons aged 15 to 24; however, countries vary somewhat in their operational definitions. In particular, the lower age limit for young people is usually determined by the minimum age for leaving school, where this exists. Differences in operational definitions have implications for comparability, which is discussed below. The resolution concerning statistics of work, employment and labour underutilization, adopted by the 19th International Conference of Labour Statisticians (ICLS), outlines the international standards for (youth) unemployment. The resolution states that the unemployed comprise all persons above a specified age who, during the reference period, were: (a) without work; (b) currently available for work; and (c) actively seeking work.⁶ As is the case for KILM 9, the unemployment rate is defined as the number of unemployed in an age group divided by the labour force for that group. In the case of youth unemployment as a proportion of the young population, the population for that age group replaces the labour force as the denominator.⁷

The NEET rate in table 10c is defined as the number of youth who are not in

³ Note that youth in education and youth in employment are not mutually exclusive groups.

⁴ Eurofound (European Foundation for the Improvement of Living and Working Conditions): *Young people and NEETs in Europe: First findings* (résumé) (Dublin, 2011).

⁵ ILO: *Global Employment Trends for Youth 2013: A generation at risk* (Geneva, 2013), chapter 2.1; <http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2013/lang--en/index.htm>.

⁶ Resolution concerning statistics of work, employment and labour underutilization, adopted by the 19th International Conference of Labour Statisticians, October 2013;

http://www.ilo.org/global/statistics-and-databases/standards-and-guidelines/resolutions-adopted-by-international-conferences-of-labour-statisticians/WCMS_230304/lang--en/index.htm.

Readers can find the excerpts pertaining to the definition of unemployment in box 9 in the manuscript for KILM 9 and may also wish to review the text in the “Definitions and sources” section in there.

⁷ Youth unemployment as a percentage of the youth population is sometimes called the youth unemployment ratio or the youth unemployment-to-population ratio. The (youth) unemployment-to-population ratio and the (youth) employment-to-population ratio (KILM 2) add up to the (youth) labour force participation rate (KILM 1).

employment, education or training as a percentage of the youth population. The NEET rate is presented for youth aged 15 to 24 unless otherwise indicated.

As in KILM table 9, information on unemployment is commonly obtained from one of three sources: household surveys of the labour force, official estimates and population censuses. In tables 10b and 10c the most commonly used source is the labour force survey.

Limitations to comparability

There are numerous limitations to the comparability of KILM 10 data across countries and over time; some are more significant than others.⁸ One major limitation to comparability relates to the source used in deriving unemployment rates. The main difficulty with using population censuses as the source is that, owing to their cost, they are not undertaken frequently and the information on unemployment is unlikely to be up to date. In addition, sources other than labour force surveys often do not include probing questions related to employment and therefore may not produce a comparable estimate of employment across different groups of workers. On occasion, unemployment information is based on official estimates. Again, these are unlikely to be comparable and are typically based on a combination of administrative records and other sources. In any event, users should be aware of the primary source and take this into account when comparing data across time or across countries.

An additional point should be made regarding the definition of unemployment. For some countries the unemployment figures exclude those who have not been previously employed (i.e. excluding first time jobseekers). In those cases, this is indicated clearly in the notes. This definition will tend to

lower the level of reported youth unemployment.

Although less important than other factors, differences in the age groups utilized should also be mentioned as the age limits applied for both youth and adults may vary across countries. In general, where a minimum school-leaving age exists, the lower age limit of youth will usually correspond to that age. This means that the lower age limit often varies between 10 and 16 years, according to the institutional arrangements in the country. This should not greatly affect most of the youth unemployment measures. However, the size of the age group may influence the measure of the young unemployed as a percentage of total unemployment. Other things being equal, the larger the age group the greater will be this percentage.

In a few cases there is a larger discrepancy in the lower and upper age limits applied. There are also differences in the operational definition of adults. In general, adults are defined as all individuals of ages 25 and over, but some countries apply an upper age limit.

Reference periods of the information reported might also vary across countries. Because there will be a substantial group of school-leavers (either permanently or for the extended holiday break) in the reported figures, the level of youth unemployment is likely to vary significantly over the year as a result of different school opening and closing dates. Most of the information reported relates to annual averages. In other cases, however, the figures relate to a specific month of the year (as is the case with census data). The implications of the particular month chosen will vary across countries, owing to differences in institutional arrangements.

As mentioned previously, NEET rates are available for youth (aged 15 to 24), but it is important to keep in mind, when studying these rates, that not all persons complete their education by the age of 24. However, differences in age groups for unemployment rates and NEET rates may hamper a coherent

⁸ For the sake of completeness, users are also advised to review the corresponding discussion in KILM 9.

analysis of youth employment issues, which is why information regarding both groups has been included whenever available.