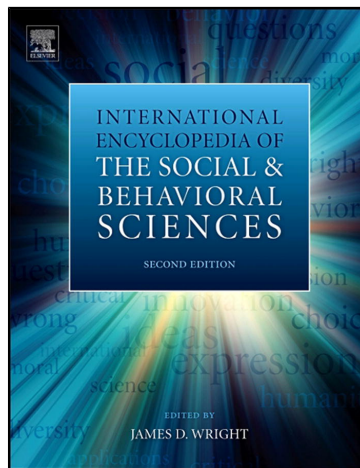


**Provided for non-commercial research and educational use only.
Not for reproduction, distribution or commercial use.**

This article was originally published in the *International Encyclopedia of the Social & Behavioral Sciences*, 2nd edition, published by Elsevier, and the attached copy is provided by Elsevier for the author's benefit and for the benefit of the author's institution, for non-commercial research and educational use including without limitation use in instruction at your institution, sending it to specific colleagues who you know, and providing a copy to your institution's administrator.



All other uses, reproduction and distribution, including without limitation commercial reprints, selling or licensing copies or access, or posting on open internet sites, your personal or institution's website or repository, are prohibited. For exceptions, permission may be sought for such use through Elsevier's permissions site at:

<http://www.elsevier.com/locate/permissionusematerial>

From Bell, D.N.F., Blanchflower, D.G., 2015. Youth Joblessness. In: James D. Wright (editor-in-chief), *International Encyclopedia of the Social & Behavioral Sciences*, 2nd edition, Vol 25. Oxford: Elsevier. pp. 830–836.

ISBN: 9780080970868

Copyright © 2015 Elsevier Ltd. unless otherwise stated. All rights reserved.
Elsevier

Youth Joblessness

David NF Bell, Stirling Management School, University of Stirling, IZA and CPC, Stirling, UK

David G Blanchflower, Dartmouth College, Hanover, NH, USA; Stirling Management School, University of Stirling, Stirling, UK; and Peterson Institute for International Economics, IZA, CESifo and NBER

© 2015 Elsevier Ltd. All rights reserved.

Abstract

We present evidence showing that in advanced countries there has been a rise in both youth unemployment, a decline in youth employment, alongside as a rise in underemployment for those youngsters lucky enough to have a job. We also document marked differences across countries in the size of the youth cohort, which in most western countries rose by around 10% between 2000 and 2010 but is then set to decline sharply. We examine youth wages and discuss evidence that suggests that long spells of unemployment create permanent scars.

Across most OECD countries, young people were especially hard hit by the onset of the Great Recession. (The OECD has a major program on youth unemployment; see <http://www.oecd.org/youth.htm>. See also its Jobs for Youth Review <http://www.oecd.org/employment/theoecdjobsforyouthreview.htm> with reports on youth labor markets in 16 countries – Australia, Belgium, Canada, Denmark, France, Greece, Japan, Korea, the Netherlands, New Zealand, Norway, Poland, the Slovak Republic, Spain, the United Kingdom, and the United States. See also ILO (2013) and work at the European Commission – ‘Youth employment,’ <http://ec.europa.eu/social/main.jsp?catId=1036>.) This was consistent with the predictions of the existing literature, which suggested that youth unemployment rates are more cyclically volatile than adult rates, and so it turned out. The definitive work on youth unemployment is contained in three National Bureau of Economic Research (NBER) volumes that documented the struggles the young experienced during downturns (Freeman and Wise, 1982a; Freeman and Holzer, 1986; Blanchflower and Freeman, 2000). In a series of earlier papers, we have updated this work to examine the youth unemployment problem in the Great Recession across countries (Bell and Blanchflower, 2011a,b,c), as well as other work on overall unemployment (Bell and Blanchflower, 2010a,b). This article builds on that work.

Of note is the fact that during the Great Recession, youth unemployment has been a major issue in the Southern European countries, especially Greece, Italy, Portugal, and Spain (Dolado et al., 2013; Eichhorst and Neder, 2014), but also in France, the UK, and Sweden. It has been much less of a problem in Germany, Austria, and the Netherlands. (For recent work on youth unemployment in France and Germany, see Cahuc et al. (2013); on Germany, see Rinne and Zimmermann (2012); and Bell and Blanchflower (2014) for Greece.) First, we set out the recent facts and then we turn to the findings from the literature. We show that, in advanced countries there has been a rise in both youth unemployment, a decline in youth employment, alongside as a rise in underemployment for those youngsters lucky enough to have a job. In developing countries, youths have generally fared much better. We also document marked differences across countries in the size of the youth cohort, which in most Western countries rose by around 10%

between 2000 and 2010, but is then set to decline by around 20% by 2020. In contrast, countries in Eastern Europe saw declines of around a quarter in the number of young people between 2000 and 2010; by 2020, their numbers are expected to have declined by two-fifths. In further contradiction, the cohort size among North African countries will have risen by a third.

The Recent Evidence

Table 1 presents the most recent data we have available on youth unemployment rates, here defined as being for those under the age of 25. It is apparent, as noted above, that they are especially high in Southern Europe, with over half of the youth workforce unemployed in Spain (54%) and Greece (53%), but also very high in Italy (43%) and Croatia (42%), and averaging 22% in the EU and 23% in the Euro Area. We also present unemployment rates for older adults and in the final column the ratio of the two. The United States has a relatively low youth unemployment rate of 13% well below that of Europe (22%), although the ratio compared to the older age group is about the same – 2.7 and 2.4 – respectively. Interestingly, the four countries with the highest ratios around four – Romania; Sweden, Italy, and the UK – are not those with the highest rates of youth unemployment. The concern is that high relative rates might be a problem when youth compare themselves to adults, given we know from happiness research that relative things matter (Luttmer, 2005). It is instructive that there have been riots in both the UK and Sweden. (In May 2013, there were riots in the suburbs of Stockholm, apparently stoked by long-term unemployment, <http://www.theguardian.com/world/2013/may/23/swedish-riots-stockholm> and riots in London, which spread to other UK cities in the summer of 2011 <http://www.theguardian.com/uk/series/reading-the-riots>.) Figure 1 reports time series of youth–adult unemployment rates for four countries with high ratios – Italy, Sweden, and the UK with the United States plotted for comparison purposes. The extremely high ratio of around seven is especially notable in Italy, along with its subsequent decline, whereas the UK and Sweden saw a steady increase, which was not seen in the United States.

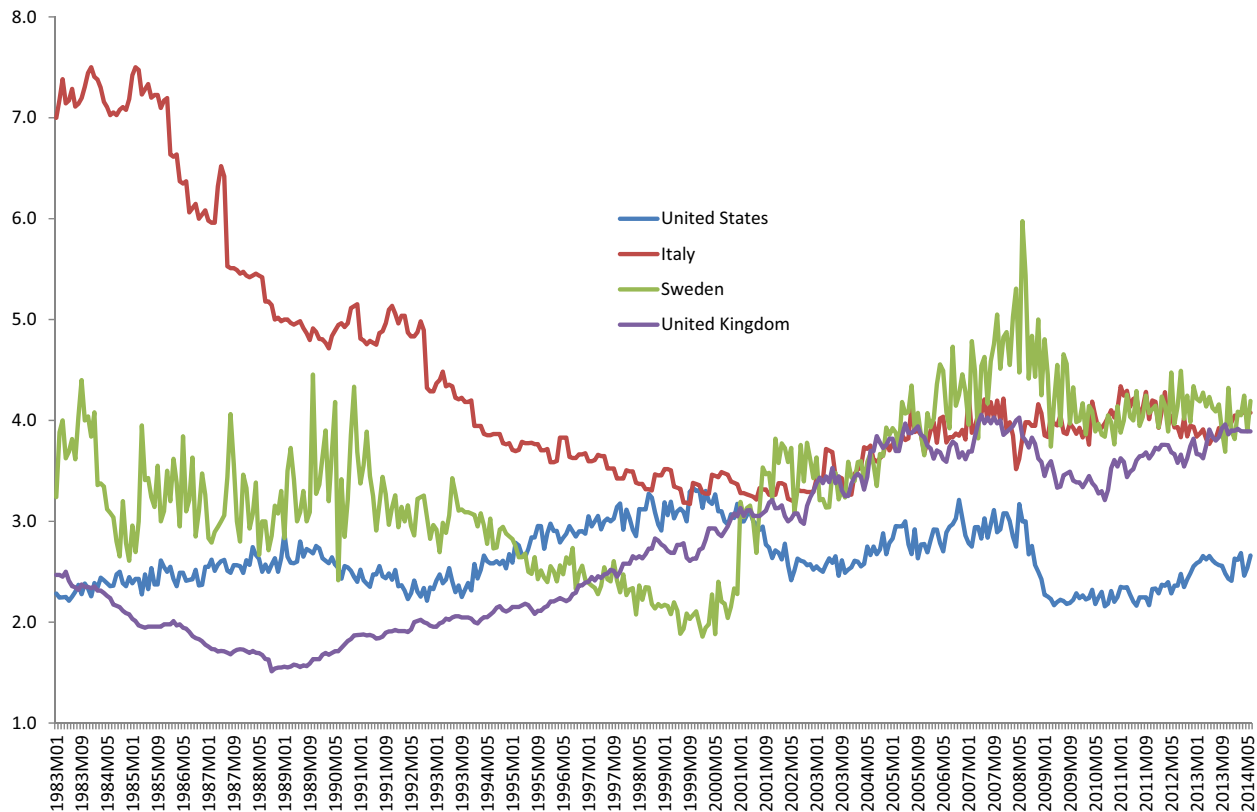


Figure 1 Ratio of youth–adult unemployment rates, 1983–2014 (Italy, Sweden, the United States, and the UK).

Table 2 reports on levels of youth employment to population rates, which can be a more accurate indicator of youth joblessness than unemployment rates, given low levels of youth participation rates in some countries, which are also reported in the table, for 2008 and 2013. The higher the proportion of youngsters in education, the lower will be the participation rate.

It turns out that we get a very similar picture of youth joblessness from the employment rates as we do from unemployment rates. Employment rates for the young fell during the recession in most advanced countries and are lower in 2013 than they were in 2008; the three main exceptions are Sweden, Switzerland, and Germany where they are unchanged. In contrast, employment rates are higher in Chile, Columbia, Israel, and Turkey. Among advanced countries, participation rates of the young are only up in Switzerland (+7ppt); Sweden (+1ppt), suggesting that the young have not rushed to increasingly expensive education as a refuge from joblessness.

So in most European countries, both employment and participation rates are down since the onset of recession for the young and some sharply so. Examples of the differences between 2008 and 2013 rates for some selected countries with participation rates with employment rates in parentheses are as follows as percentage points: Denmark –10 (–12); Canada –4 (–5); the UK –4 (–7); the United States –4 (–5); Germany –2 (0); Finland –5 (–6); Spain –10 (–21); Ireland –13 (–18); France 0 (–2); Portugal –6 (–12); Italy –1 (–6); and Greece –2 (–12). It turns out that the three countries with the highest employment rates are also the ones with the highest participation rates – Iceland, the Netherlands, and Switzerland. The

correlation coefficient is 0.96. The three countries with the lowest employment rates – Italy, South Africa, and Greece are close to the bottom in the ranking of participation rates, ranking 33, 38, and 34, respectively. As a consequence, unemployment rates are also up in the advanced countries but less so in the developing world.

A phenomenon that we have also observed in the recession is that not only those without jobs, the jobless, have been impacted, but also the youngsters who have held jobs. **Table 3** shows the rise in the share of involuntary part-time employment in total employment of the young, which has more than doubled in many countries since including Greece, Portugal, the Netherlands, the UK, the United States, and especially Spain that has seen nearly a threefold increase. Young workers are disproportionately underemployed (Bell and Blanchflower, 2011c).

These rises in unemployment, and falls in employment and participation rates that have occurred in many countries have come at a time of large youth cohorts. So, a rise in the supply of young people may exacerbate further the evidence found by Kahn (2011) that graduating from college in a recession permanently lowers a cohort's earnings. **Table 4** reports on such changes in cohort size for a number of countries since 2000 and reports the change in the size compared with that in 2000 over the period 2004–2020. We can calculate 16–24 cohort size in 2020 by extrapolating from the number of 6- to 14-year-olds 10 years earlier, assuming no further immigration, which is a stretch of course. It is apparent that some countries had big increases in the size of their youth cohorts between 2000 and

Table 1 Youth and adult unemployment rates, 2014 ranked by youth unemployment rates

	<25 years Unemployment rate (1)	25–74 years Unemployment rate (2)	Ratio (1)/(2)
Spain	53.5	22.4	2.4
Greece	53.1	25.4	2.1
Italy	43.7	10.5	4.2
Croatia	41.7	13.7	3.0
Cyprus	35.4	13.2	2.7
Portugal	33.5	12.5	2.7
Slovakia	32.3	12.2	2.6
Romania	24.4	5.7	4.3
Sweden	23.9	5.7	4.2
Poland	23.6	8.2	2.9
Belgium	23.2	7.2	3.2
Ireland	23.2	10.7	2.2
Bulgaria	23.2	10.9	2.1
Euro area (18)	23.1	10.4	2.2
France	22.4	8.9	2.5
Slovenia	22.3	9.3	2.4
European Union (28)	22.0	9.0	2.4
Hungary	20.5	7.1	2.9
Finland	20.2	7.2	2.8
Latvia	19.7	10.6	1.9
The United Kingdom	17.9	4.6	3.9
Lithuania	17.7	9.8	1.8
Estonia	17.4	6.3	2.8
Czech Republic	16.7	5.3	3.2
Turkey	16.2	7.7	2.1
Luxembourg	14.8	5.7	2.6
Malta	13.3	4.3	3.1
The United States	13.3	5.0	2.7
Denmark	12.6	5.5	2.3
The Netherlands	10.5	6.1	1.7
Iceland	9.4	4.2	2.2
Austria	9.0	4.3	2.1
Germany	7.8	4.8	1.6
Norway	7.3	2.5	2.9

Notes: data are for May for Estonia, Greece, Hungary, and Norway; for April for the UK and Turkey; and March for Latvia and Romania.
Source: Eurostat.

2008 when the Great Recession started, including the UK, Sweden, and the United States, whose cohort size was 10% bigger. In contrast, cohort size was sharply smaller in Spain (–30%), Italy (–21%), and Greece (–25%). By 2020, youth cohort size will be at least 10% smaller in most countries except the United States, where it will continue to grow. By 2020, the youth populations of North Africa and Latin America will have grown by over a quarter, whereas that of Western Europe will have shrunk by 10%. The youth population in most East European countries, including Poland and Russia, will likely fall by around two-fifths over a 20-year period from 2000 to 2020. The Arab Spring occurred in countries that had growing youth cohorts and high youth unemployment rates.

We now turn to examine five questions about youth unemployment from the literature. The concern is that spells of unemployment experienced during the Great Recession will create permanent scars for a *Lost Generation*.

Table 2 Youth ages 15–24 employment and participation rates (%)

	Employment rates		Participation rates	
	2008	2013	2008	2013
Australia	65	59	71	67
Austria	56	54	61	59
Belgium	27	24	33	31
Canada	60	55	68	64
Chile	27	30	34	36
Columbia	37	44	48	55
Czech Republic	28	26	31	32
Denmark	66	54	72	62
Estonia	37	33	41	41
Finland	46	40	55	50
France	31	29	38	38
Germany	47	47	53	51
Greece	24	12	30	28
Hungary	20	20	25	27
Iceland	72	70	79	79
Ireland	47	29	54	41
Italy	24	18	31	30
Japan	41	40	45	43
Korea	24	24	26	27
Latvia	37	30	43	39
Luxembourg	24	22	29	26
Mexico	44	42	48	47
The Netherlands	67	62	71	70
New Zealand	56	50	63	60
Norway	58	52	63	58
Poland	27	24	33	33
Portugal	34	22	41	35
Russia	36	34	42	40
Slovak Republic	26	20	32	31
Slovenia	38	27	43	34
South Africa	17	13	31	26
Spain	40	19	52	42
Sweden	42	42	53	54
Switzerland	62	62	67	68
Turkey	30	32	38	40
The United Kingdom	56	49	66	62
The United States	51	46	59	55
OECD countries	43	40	49	47

Notes: employment rate is employment/population; participation rate is (unemployed + employed)/population or can be defined as workforce/population.
Source: OECD.

The Literature on Youth Joblessness

There is a large literature on youth unemployment, drawing on the experience of recent decades. In this section, we examine this literature and attempt to answer eight vital questions regarding the workings of the youth labor market and the consequences of failing to successfully make the transition from school to work.

Is Youth Unemployment Cyclical or Structural?

Clark and Summers (1982), in their classic study of the dynamics of youth joblessness, argue that the problem of teenage unemployment arises from a shortage of jobs. “Aggregate demand has a potent impact on the job prospects and market experience of teenagers” (1982: p. 230). Freeman and Wise (1982b), for example, found in their study of youth

Table 3 Share of involuntary part-time employment in total employment, 15- to 24-year-olds

	2008	2010	2012
Australia	13	16	16
Austria	2	2	1
Belgium	6	5	4
Canada	7	10	10
Czech Republic	0	1	1
Denmark	3	5	4
Finland	7	9	8
France	7	8	8
Germany	4	3	2
Greece	5	8	11
Hungary	1	2	3
Ireland	2	10	13
Italy	9	13	17
Japan	7	10	7
Luxembourg	1	1	3
The Netherlands	2	2	4
New Zealand	9	11	11
Norway	1	2	2
Poland	1	2	3
Portugal	4	6	8
Slovak Republic	1	4	4
Spain	8	14	23
Sweden	9	11	11
The United Kingdom	4	7	9
The United States	3	5	6
G7 countries	4	7	6
OECD countries	3	5	5

Note: The figure for UK is for 2007 and not 2008
Source: OECD.

joblessness in the 1970s that it was concentrated, by and large, among a small group who lacked work for extended periods of time. Over half of the male-teenage unemployment they examined was among those who were out of work for over 6 months, a group constituting less than 10% of the youth labor force and only 7% of the youth population. Freeman and Wise reported that the youths who make up the relatively small group that was

chronically without work had distinctive characteristics. They were disproportionately black, disproportionately high-school dropouts, and disproportionately residents of deprived areas.

Blanchflower and Freeman (2000) identified one basic pattern in the job market for young workers: the disproportionately large response of youth employment or unemployment to changes in overall unemployment. They argued that the sensitivity of youth employment and unemployment to the overall rate of unemployment dominate sizeable demographic and structural changes favorable to youth in determining how youths fare in the job market. OECD (2008) confirmed this conclusion "Youth unemployment rates are more sensitive to business-cycle conditions than the adult unemployment rate and this high-sensitivity tends to decline progressively with age." Consistent with this argument, there is evidence that young people do well in booms. Freeman and Rodgers (2000) analyzed the 1990s boom in the United States and found that it substantially improved the position of noncollege-educated young men, especially young African-Americans who are the most disadvantaged and troubled group in the United States. Young men in tight labor markets experienced a substantial boost in both employment and earnings. Adult men had no gains and their earnings barely changed even in areas where unemployment rates were below 4%.

There is also evidence of state dependence in youth unemployment. In this context, state dependence means that the experience of one spell of unemployment of itself increases the probability of further spells. This may be because on the demand side, employers are less willing to hire those with a record of unemployment or that, on the supply side, the experience of unemployment discourages individuals from job search activity.

How Has Changed School Enrollment Impacted on Youth Unemployment?

Most OECD countries have tried to extend the duration of formal schooling in recent decades. This delays entrance into full-time employment, but not necessarily part-time work. Table 5

Table 4 Cohort size of those aged 16–24 based on current population, compared with size of cohort in 2000 (%)

	2004	2006	2008	2010	2012	2014	2016	2018	2020
Australia	1	2	2	0	-1	-4	-8	-11	-13
France	0	0	-1	-2	-2	-3	-3	-2	0
Germany	3	4	3	0	-4	-9	-13	-16	-19
Greece	-10	-19	-25	-29	-32	-33	-34	-35	-35
Italy	-12	-18	-21	-23	-25	-27	-29	-30	-31
Poland	2	-4	-9	-16	-21	-26	-31	-36	-39
Russia	9	12	7	-3	-14	-27	-35	-38	-38
Spain	-14	-24	-30	-34	-38	-41	-43	-43	-43
Sweden	3	7	10	11	9	2	-5	-11	-14
The United Kingdom	6	9	10	9	6	2	-3	-8	-11
The United States	5	8	10	11	11	9	7	4	2
Western Europe	1	1	1	-1	-3	-6	-8	-9	-10
North Africa	13	18	20	22	23	25	27	29	32
Latin America	8	13	16	18	20	22	24	24	25
Southeast Asia	5	7	9	10	12	13	14	14	15

Source: Eurostat.

Table 5 Trends in enrollment rates – students as a percentage of the population of the age group

	Ages 15–19		Ages 20–29	
	2008	2010	2008	2010
Austria	79	78	22	25
Belgium	92	93	29	30
Chile	74	75	21	25
Czech Republic	90	90	21	24
Denmark	84	85	37	38
Estonia	84	87	26	28
Finland	87	87	43	42
France	84	84	19	20
Germany	89	89	28	31
Greece	83	83	29	40
Hungary	89	92	25	25
Iceland	84	88	35	38
Ireland	90	96	18	21
Israel	64	65	21	22
Italy	82	83	21	21
Korea	89	86	28	30
Luxembourg	75	77	10	13
Mexico	52	54	11	12
The Netherlands	90	91	29	30
New Zealand	74	79	29	30
Norway	87	86	29	29
Poland	93	93	30	30
Portugal	81	86	23	24
Slovak Republic	85	85	19	21
Slovenia	91	92	33	34
Spain	81	84	21	24
Sweden	86	86	33	36
Switzerland	85	85	23	24
Turkey	46	56	13	20
The United Kingdom	73	77	17	18
The United States	81	82	23	26

Source: OECD Education at a Glance 2012 Highlights.

shows there are marked variations in the proportion of young people who are students. This ranges from a high of 96% in Ireland for 15- to 19-year-olds to a low of 54% in Mexico, and a high of 42% for 20- to 29-year-olds in Finland compared to a low of 13% in Luxembourg. These levels reflect a belief in most industrial countries that greater investment in human capital is required to maintain competitiveness, but they may also reflect lowering costs of education as average family sizes fall. Yet again, it may be a defensive strategy, with enrollment increasing when the labor market deteriorates. It is especially notable in the [Table 5](#) that the rise in the proportions of young people who are students as a response to youth joblessness especially in Greece among 20- to 29-year-olds, that [Bell and Blanchflower \(2014\)](#) found were especially impacted by a lack of jobs. The rise in attendance rates across countries is much more marked among 20- to 29-year-olds, partly because of the already high rates existing for the younger group. Rates are up by at least 3% points, between 2008 and 2010, for 20- to 29-year-olds in Austria, Germany, Greece, Iceland, Ireland, Luxembourg, Spain, Sweden, and the United States.

Increased schooling affects youth unemployment in two ways. First, so long as increased educational attainment is increasing the 'employability' of the young, it should increase

the success rate of their job search activity. On the other hand, delayed job market entry caused by additional schooling may reduce the average 'employability' of those that are economically active, since those selected into additional schooling are likely to be more able. This effect may be difficult to disentangle within aggregate statistics, since some of those taking additional schooling may also be economically active and therefore classified as either employed or unemployed.

Have Youth Wages Been Too High, so Increasing Youth Unemployment?

There appears to have been a secular decline from the early part of this century in relative youth wages, some recovery around 2007–08 followed by further decline during the recession. Employment among older workers has increased during the recession, even though these data suggest that their relative wages have been increasing compared with those of young people in the UK and the United States. There is no prima facie evidence of younger workers pricing themselves out of jobs.

To examine this further, we looked at microwage data for the United States and the UK to see how the relative wages of the young had changed over the recession. For the UK we took Labour Force Survey (LFS), while for the United States we have data from the Merged Outgoing Rotation Group (MORG) files of the Current Population Survey (CPS). For both countries, we have hourly earnings data since 2001 and can compare the earnings of youngsters – we present data for 16 to 19, 20 to 24, and 25- to 29-year-olds – to earnings of prime-age workers aged 40–44 for 2001, 2004, 2008, and 2013. Interestingly, the ratios and the changes are broadly similar across the two countries.

	2001	2004	2008	2013
The United Kingdom				
16–19/40–44	41%	41%	37%	36%
20–24/40–44	61%	60%	53%	52%
25–29/40–44	84%	84%	74%	70%
The United States				
16–19/40–44	41%	40%	38%	37%
20–24/40–44	56%	54%	53%	49%
25–29/40–44	80%	77%	76%	73%

We find a big decline in the ratio of youth in each of the three categories post-2004. In the United States, the 16- to 19-year-olds earn 37% (36%) compared to 41% (41%) in 2001, whereas the 25- to 29-year-olds had a bigger absolute decline from 80% (84%) in 2001 to 73% (70%) with the UK numbers in parentheses. For both the UK and the United States, it appears that youth wages have been flexible downward in the face of declining labor demand.

Do Active Labor Market Programs Work? (Hint: No!)

In response to the substantial increases in youth unemployment during the 1980s and early 1990s, there was a significant increase in policy initiatives targeted at unemployment in

general and youth unemployment in particular. These culminated in the OECD Jobs Study (1994), which argued that policies to improve the working of the labor market were critical for reducing high levels of youth unemployment. It suggested that:

A progressive shift of resources is needed from passive income support to active measures. Active labor market policies improve access to the labor market and jobs; develop job-related skills; and promote more efficient labor markets.

OECD Jobs Study, 1994

With OECD encouragement, many member countries introduced a range of active labor market policies (ALMPs). These were extensively evaluated to determine their labor market effects. Card et al. (2009) carry out a meta-analysis of ALMPs. They examined 199 programs drawn from 97 studies over the period 1995–2007. The programs themselves are heterogeneous covering classroom and work experience, job search assistance, subsidized public and private employment programs. In the short run, the number of programs with a significantly positive outcome only exceeds those with a significantly negative outcome by a small margin. Over longer time horizons, the balance is more in favor of positive outcomes.

There are also significant differences between countries in the types of programs, which succeed or fail. There is no upward trend over time in positive outcomes. The evaluations contain little information on costs, making it difficult to establish how affordable large-scale expansion of successful programs might be. The Card et al. study supports Grubb and Martin's (OECD, 2001) conclusion that, "one of the most disappointing conclusions from the evaluation literature is that almost all evaluations show that special measures are not effective for disadvantaged youths." There is very little evidence from around the world that ALMPs work well in recessions.

What Impact Does Youth Unemployment Have?

There is a wealth of literature showing that unemployment is a stressful life event that directly reduces individual well-being. This applies not just to the unemployed, but also may affect the employed due to increased anxiety over job security. Unemployment increases susceptibility to malnutrition, illness, mental stress, and loss of self-esteem, and increases the risk of depression. The unemployed also appear to be at higher risk of committing suicide and of poor physical health outcomes later in life. Low levels of happiness and health have predictive power for subsequent outcomes (Blanchflower, 2009).

Youth unemployment also has particularly adverse social impacts. Higher unemployment is associated with increases in burglaries, thefts, and drug offenses. Unemployment is often part of the cycle where involvement in crime reduces subsequent employment prospects and consequently increases the probability of participating in crime. There is new evidence that even young people who choose to go to college or university are hurt if they enter the labor market during a recession. Kahn (2010) has shown that graduating from college during a recession has large, negative, and *persistent* effects on wages.

Lifetime earnings are substantially lower than they would have been if the graduate had entered the labor market in good times. Furthermore, cohorts who graduate in worse national economies tend to end up in lower-level occupations. Giuliano and Spilimbergo (2014) suggest that the period of early adulthood (between 18 and 25) seems to be the age range during which people are more sensitive to macroeconomic conditions. They find that being exposed to a recession before age 17 or after age 25 has no impact on beliefs about life chances. However, youngsters growing up during recessions tend to believe that success in life depends more on luck than on effort; they support more government redistribution, but have less confidence in public institutions. Recessions seem to adversely affect youngsters' beliefs.

Further, unemployment while young, especially of long duration, appears to be associated with permanent scars rather than the temporary blemishes that result for older workers (Ellwood, 1982). The majority of older workers get over spells of unemployment reasonably quickly while youngsters do not as they struggle to find a toehold in the labor market. The scarring effect of youth unemployment has two components: first, for the young, a spell of unemployment does not end with that spell; it raises the probability of being unemployed in later years. Second, early spells of unemployment also carry a wage penalty. These effects are much larger than for older people experiencing unemployment. Mroz and Savage (2006) find that a 6-month spell of unemployment at age 22 results in an 8% lower wage at 23 and even at ages 30 and 31, wages are 2–3% lower than they otherwise would have been.

In Bell and Blanchflower (2011a), we found that early adulthood unemployment in the UK creates long-lasting scars, which affect both wages and happiness. Our results showed significant effects at the age of 50 from early adulthood unemployment, but none from recent unemployment experience. Bell and Blanchflower (2011b) extended that work and found evidence that spells of youth unemployment have harmful impacts on a number of outcomes, including health and job satisfaction, many years later. A spell of unemployment when young continues to have a negative impact in later life. Our evidence is consistent with the view that negative impacts on wages, life satisfaction, health and job satisfaction may persist well into the future.

Conclusions

The young have taken it on the nose in the Great Recession in most European countries and especially so in Southern Europe where youth joblessness has soared. This has not been true everywhere though; the young have done well both absolutely and relatively in Germany and Austria where youth unemployment rates have remained in single digits. Relative rates have been high in a number of other countries including the UK and Sweden where we have observed serious social disorder and riots. The consequence of these high rates of joblessness is that many youngsters have not been able to strike out on their own. This has meant that there has been a marked rise since 2008 in the proportion of youngsters who continue to live with their parents even into their late-twenties.

Youth unemployment rates are highly cyclical so the likelihood is that as economies recover on average, the young will be the ones who benefit the most having lost the most in the downturn. But there will be losers. We have also found that the young are faced with a double whammy, when they have jobs they tend to be underemployed. They are also more likely to be in a part-time job when they would like a full-time job. We have also found evidence that their earnings relative to adults has also fallen since the Great Recession started.

The biggest concern is that there is evidence that permanent scarring can occur when young people experience long spells of unemployment and are unable to make a foothold in the labor market. The concern is that these young people may end up as a lost generation and then it is too late.

See also: Career Development: Multilevel Perspective; Data Bases and Statistical Systems: Labor and Work; Disposable Youth in America in the Age of Neoliberalism; Employment and Labor, Regulation of; Informal Sector; Labor Supply; Unemployment and Mental Health; Youth, Geography of.

Bibliography

- Bell, D.N.F., Blanchflower, D.G., 2014. Youth unemployment in Greece: meeting the challenge. Paper presented at Peterson Institute conference on Greek Unemployment, New York 3rd/4th April 2014.
- Bell, D.N.F., Blanchflower, D.G., 2011a. Young people and the Great Recession. *Oxford Review of Economic Policy* 27, 241–267.
- Bell, D.N.F., Blanchflower, D.G., 2011b. Youth unemployment in Europe and the United States. *Nordic Economic Policy Review* 1, 11–38.
- Bell, D.N.F., Blanchflower, D.G., January 2011c. Youth underemployment in the UK in the Great Recession. *National Institute Economic Review* R1–R11.
- Bell, D.N.F., Blanchflower, D.G., March 2010a. Recession and unemployment in the OECD. *CESifo Forum* 1, 14–22.
- Bell, D.N.F., Blanchflower, D.G., October 2010b. UK unemployment in the Great Recession. *National Institute Economic Review* 214, R3–R25.
- Blanchflower, D.G., 2009. International evidence on well-being. In: Krueger, Alan B. (Ed.), *Measuring the Subjective Well-being of Nations: National Accounts of Time-Use and Well-being*. NBER and University of Chicago Press.
- Blanchflower, D.G., Freeman, R.B. (Eds.), 2000. *Youth Employment and Joblessness in Advanced Countries*. University of Chicago Press and NBER, Chicago, IL.
- Cahuc, P., Carcillo, S., Rinne, U., Zimmermann, K.F., 2013. Youth unemployment in old Europe: the polar cases of France and Germany. *IZA Journal of European Labor Studies* 2 (18), 2–18.
- Card, D., Kluge, J., Weber, A., 2009. Active labor market policy evaluations: a meta-analysis. *Economic Journal* 120, F452–F477.
- Clark, A.E., Oswald, A.J., 1994. Unhappiness and unemployment. *Economic Journal* 104 (424), 648–659.
- Clark, K.B., Summers, L.H., 1982. The dynamics of youth unemployment. In: Freeman, R.B., Wise, D.A. (Eds.), *The Youth Labor Market Problem: Its Nature, Causes, and Consequences*. University of Chicago Press and NBER, Chicago, IL.
- Congressional Budget Office, November 2004. *What Is Happening to Youth Employment Rates?*
- Dolado, J.J., Felgueroso, F., Fuentes, A., Jansen, M., 2013. Youth Labour Market Performance in Spain and its Determinants: A Micro-level Perspective. *OECD Economics Department Working Paper* #1039, Paris, France.
- Eichhorst, W., Neder, F., 2014. Youth Unemployment in Mediterranean Countries. *IZA Policy Paper* #80.
- Ellwood, D., 1982. Teenage unemployment: permanent scars or temporary blemishes? In: Freeman, Richard B., Wise, David A. (Eds.), *The Youth Labor Market Problem: Its Nature, Causes and Consequences*. University of Chicago Press, Chicago, pp. 349–390.
- Freeman, R.B., Holzer, H.J. (Eds.), 1986. *The Black Youth Employment Crisis*. University of Chicago Press and NBER, Chicago, IL.
- Freeman, R.B., Rogers, J., 2000. Area economic conditions and the labour market outcomes of young men in the 1990s expansion. In: Cherry, R., Rodgers, W.M. (Eds.), *Prosperity for All: The Economic Boom and African Americans*. Russell Sage Foundation, New York.
- Freeman, R.B., Wise, D.A. (Eds.), 1982a. *The Youth Labor Market Problem: Its Nature, Causes, and Consequences*. University of Chicago Press and NBER, Chicago, IL.
- Freeman, R.B., Wise, D.A., 1982b. The youth labor market problem: its nature causes and consequences. In: Freeman, R.B., Wise, D.A. (Eds.), *The Youth Labor Market Problem: Its Nature, Causes, and Consequences*. University of Chicago Press and NBER, Chicago, IL.
- Grubb, D., Martin, J., 2001. *What Works and for Whom: A Review of OECD Countries' Experiences with Active Labour Market Policies*. OECD Office of Labour Market Policy Evaluation, Working Paper 2001:14.
- Giuliano, P., Spilimbergo, A., 2014. Growing up in a recession. *Review of Economic Studies* 81 (2), 787–817.
- ILO, 2013. *Global Employment Trends for Youth: A Generation at Risk*. Geneva. http://www.ilo.org/wcmsp5/groups/public/—dgreports/—dcomm/documents/publication/wcms_212423.pdf.
- Kahn, L.B., April 2010. The long-term labor market consequences of graduating from college in a bad economy. *Labour Economics* 17 (2), 303–316.
- Luttmer, E., 2005. Neighbors as negatives: relative earnings and well-being. *Quarterly Journal of Economics* 120, 963–1002.
- Mroz, T.A., Savage, T.H., 2006. The long-term effects of youth unemployment. *Journal of Human Resources* XLI, 259–293.
- OECD, 1994. *The OECD Jobs Study: Facts, Analysis, Strategies*. OECD, Paris.
- OECD, 2008. *Off to a Good Start? Youth Labour Market Transitions in OECD Countries*, *OECD Employment Outlook*, 2008, Paris.
- Rinne, U., Zimmermann, K.F., 2012. Another economic miracle? The German labor market and the great recession. *IZA Journal of Labor Policy* 1 (3), 1–21.