

Rising youth unemployment is a national crisis
David Blanchflower

Youth unemployment in has been rising fast. There will soon be a million unemployed aged under 25. Youth unemployment is especially high among minorities and those with the least education. This is going to get worse when the Class of 2009 leaves school and tries to enter the labour market. There are two big reasons why this has happened.

First, our newly flexible labour market has meant that wages are more flexible downwards than they were in the in the past. Hence firms have not been firing as much as in the past, they have simply stopped hiring. Applications for every graduate level job have skyrocketed.

Second, the size of the youth cohort peaked this year (see figure). In 2009 there are 847,000 twenty three year olds. This is over 110,000 more than both the number of 31 year olds and the number of 11 year olds. So these numbers will fall rapidly. For example, in ten years time there will be 15% fewer 23 year olds than there are today. There are simply many more young people than in the recent past.

So it isn't surprising that the number of unemployed youngsters has risen. This matters a lot because a spell of unemployment while young causes a permanent scar. A spell of unemployment when young raises the probability of unemployment lowers wages and makes people less happy and healthy later in life. Rising youth unemployment hurts all of us. Crime will rise.

Rising youth unemployment is a national crisis. What can we do about it? First, the government needs to expand the number of university and college places by a lot and increase their funding. Second, wage subsidies need to be given to firms employing alongside removing National Insurance contributions entirely for anyone under the age of twenty-five. Third, the government should provide more teacher training places. Fourth, the education leaving age should be raised to eighteen immediately. These are sensible targeted measures we can afford. Doing nothing is worse.

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609 words

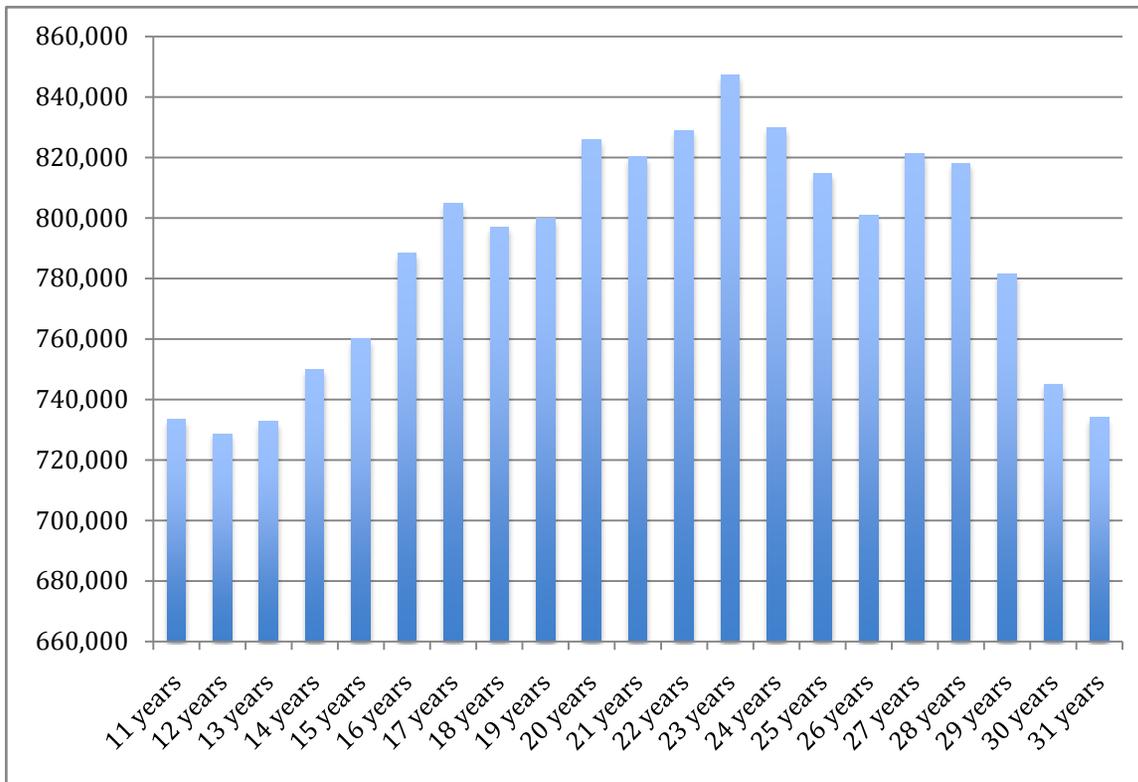


Figure 1. Total number of people in the UK by single year of age, 2009