

KILM 9. Youth unemployment

Introduction

Youth unemployment is generally 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. The indicator consists of four distinct measurements, each representing a different aspect 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. Information on the youth unemployment rate is available for 126 economies. For the other three indicators, information is available, for at least one year, for 135 economies. In most cases, information is available separately for young men and women.

Use of the indicator

There is a growing recognition of the need to address youth employment issues with some urgency. At the 2005 International Labour Conference (ILC) discussion on youth employment, ILO constituents concluded that “[t]here are also too many young workers who do not have access to decent work. A significant number of youth are underemployed, unemployed, seeking employment or between jobs, or working unacceptably long hours under informal, intermittent and insecure work arrangements, without the possibility of personal and professional development; working below their potential in low-paid, low-skilled jobs without prospects for career advancement; trapped in

involuntary part-time, temporary, casual or seasonal employment; and frequently under poor and precarious conditions in the informal economy, both in rural and urban areas.”¹ The challenge of youth employment is showcased again as Goal 8, Target 16 of the UN Millennium Development Goals:² “In cooperation with developing countries, develop and implement strategies for decent and productive work for youth.”

Recognizing that a failure to successfully integrate young people into the labour market has broader consequences for the country at large³ ILO constituents designed and adopted an “ILO plan of action to promote pathways to decent work”. One of the tasks assigned to the ILO is to expand its knowledge on the nature and dimensions of youth employment, unemployment and underemployment. The ILO report, *Global employment trends for youth*,⁴ was a first attempt to quantify and

1. ILO: “Conclusions on promoting pathways for decent work for youth”, paragraph 5, ILC, 93rd Session (Geneva, 2005); website: <http://www.ilo.org/public/english/standards/reim/ilc/ilc93/pdf/resolutions.pdf>.

2. A framework of eight goals, 18 targets and 48 indicators to measure progress towards the Millennium Development goals was adopted by a consensus of experts from the United Nations Secretariat and ILO, IMF, OECD and the World Bank. For more details on the UN Millennium Development Goals, see website <http://www.un.org/millenniumgoals>. Data for the indicators themselves are available on website: http://millenniumindicators.un.org/unsd/mi/mi_goal_s.asp.

3. In terms of loss of purchasing power, potential attraction of idle youth to illegal activities, undermining social cohesion, perpetuating the poverty cycle, and numerous other issues as identified in the ILC Conclusions as well as the ILO Report VI prepared for the ILC discussion: ILO: *Pathways to Decent Work*, Report VI, ILC, 93rd Session (Geneva, 2005); website: <http://www.ilo.org/trends>.

4. For more details see: ILO: *Global Employment Trends for Youth* (Geneva, 2004);

analyse the current labour market trends of young people. The report was updated in 2006.⁵ Both reports identify indicators that help to quantify the situation of young workers. The need is not one of developing new indicators, but rather finding a way to make use of the indicators that already exist. In fact, the majority of indicators of interest already exist within the KILM database (labour force participation rates, employment ratios, unemployment rates, employment by status and by sector, long-term unemployment, underemployment, hours of work, poverty). The challenge, however, is that, as of now, the indicators cannot be applied to youth because most countries do not provide the data disaggregated by age. Given the recent “call to action”, the ILO will intensify its efforts to gather the data by age groups and to add the youth dimension to as many KILM indicators as possible.

In the KILM 5th Edition, the only indicator relating specifically to youth remains KILM 9 on youth unemployment.⁶ 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 table 9, the worse the employment situation of the young. These measurements are likely to move in the same direction, and should be looked at in tandem in order to assess fully the situation of young people within the labour market.

The indicator selected to measure progress towards target 16⁷ of the Millennium

website:

<http://www.ilo.org/public/english/employment/strat/download/gety04en.pdf>.

5. For more details see: ILO: *Global Employment Trends for Youth* (Geneva, 2006); website: <http://www.ilo.org/trends>.

6. Labour force participation rates for youth are also available from KILM table 1, although youth are not the main focus of analysis.

7. Target 16 will be replaced with a new target under MDG 1, which highlights the importance of full and productive employment and decent work for all, including for women and young people. The initial set of indicators chosen to measure progress towards the new target, however, does not include

Development Goal (MDG) is the youth unemployment rate, reproduced in table 9. The youth unemployment rate can serve as a useful proxy for the health of the labour market situation facing this group and a joint analysis of the four indicators presented here can throw light on the main characteristics of the youth unemployment problem in each country and constitutes a helpful guide for policy initiatives. For example, 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. When both indicators are high, young people suffer more difficulties in finding a job than do adults. The problem of unemployment is unequally distributed when, in addition to a high youth unemployment rate, the proportion of youth unemployment in total unemployment is high. In this case, employment policies might usefully be directed towards easing the entry of young people into the world of work.

Definitions and sources

Young people are defined as persons aged between 15 and 24; adults are those aged 25 and above. 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 the economically active population, employment, unemployment and underemployment, adopted by the 13th International Conference of Labour Statisticians (ICLS), outlines the international standards for unemployment and 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

the unemployment rate (see Chapter 1 for more details).

for work; and (c) actively seeking work.⁸ As is the case for KILM 8, 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.

As in KILM table 8a, information on unemployment is commonly obtained from one of three sources: household surveys of the labour force, official estimates and population censuses.⁹ However, the information is generally derived from household surveys, the preferred type of source as it allows for the application of the ICLS resolution.¹⁰

Limitations to comparability

There are numerous limitations to the comparability of KILM 9 data across countries and over time; some are more significant than

others.¹¹ 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. 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 – see, for example, Trinidad and Tobago, the unemployment figures exclude those who have not been previously employed (i.e. excluding first time jobseekers). This definition will tend to lower the level of reported youth unemployment.

Although less important than other factors, mention should be made of differences in the age groups utilized, because 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 14 and 16 years (and for some countries is even lower than 14, for example, Haiti at 10 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 age limits applied. Six countries use 29 as the upper age limit: Colombia (1989-90), Costa Rica (1980-86),

8. Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the 13th International Conference of Labour Statisticians, October 1982; website:

<http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf>. Readers can find the excerpts pertaining to the definition of unemployment in box 8a in the manuscript for KILM 8 and may also wish to review the text in the “Definitions and sources” section in there as well.

9. Information relating to registered unemployment was not used in this table.

10. Additional documentation regarding national practices in the collection of statistics is provided in ILO: *Sources and Methods: Labour Statistics*, Vol. 3: *Economically Active Population, Employment, Unemployment and Hours of Work (Household Surveys)*; Vol. 4: *Employment, Unemployment, Wages and Hours of Work (Administrative Records and Related Sources)*; and Vol. 5: *Total and Economically Active Population, Employment and Unemployment (Population Censuses)*. The *Sources and Methods* are available online at the country level on website: <http://laborsta.ilo.org>.

11. For the sake of completeness, users should also review the corresponding discussion in KILM 8.

Honduras (1991-98), New Caledonia (1996), Panama (1983) and Suriname (1987). There are also differences in the operational definition of adults. In general, adults are defined as all individuals above the age of 25, but some countries apply an upper age limit. The upper age limit would obviously affect only the ratio of youth-to-adult unemployment rates and the effect is likely to be very small.

Finally, mention should be made of the reference period of the information reported. 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.¹² In other cases, however, the figures relate to a specific month of the year (as with census data). The implications of the particular month chosen will vary across countries, owing to differences in institutional arrangements.

Trends

A recognized trend is that youth are generally predisposed to much higher unemployment rates than adults.¹³ Youth unemployment rates surpassed adult rates for all 125 economies for which data are available, and by at least twice as much in most economies as revealed in figure 9a. Each KILM region is represented in the figure, however, the situation of young jobseekers in comparison to adults seems to be particularly hard in countries in Asia and the Middle East. For example, youth unemployment rates were more than five times those of adults and exceeded 25 per cent in Indonesia, Sri Lanka and the Syrian Arab Republic.

There are a number of reasons why one might expect the youth unemployment rate to be higher than that of adults. On the supply side, the initial experiences of young people in the labour market are likely to involve a certain amount of shopping around for an appropriate job. Moreover, because of the opening and closing of educational institutions over the course of the year and a higher degree of job changes, youth are far more likely to enter and exit the labour force.

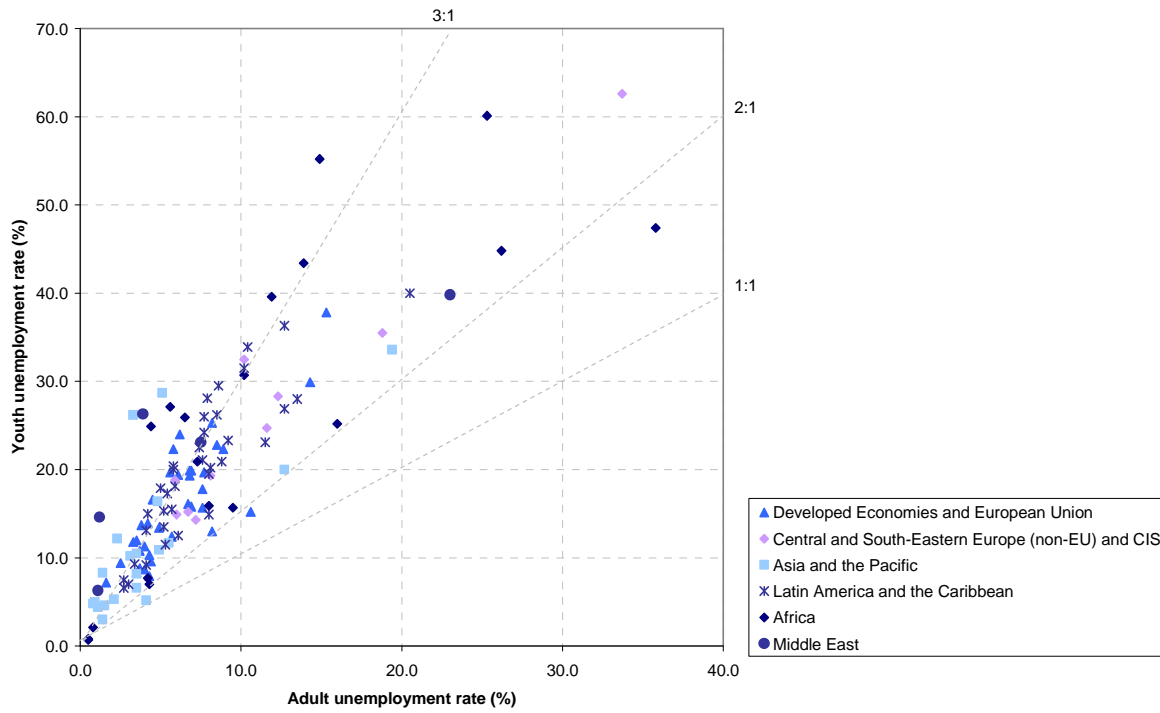
On the demand side, the cost to establishments of releasing young people is generally lower than for older workers. Young workers tend to represent a smaller investment by establishments in training because most jobs that they hold are fairly easy to perform and require limited training. Consequently, making young people redundant involves a smaller loss to employers. Also, employment protection legislation usually requires a minimum period of employment before it applies, and compensation for redundancy usually increases with tenure. For obvious reasons, 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.

A third aspect is that youth unemployment rates tend to fluctuate with adult unemployment rates so that one does not see wide fluctuations in the ratio of youth-to-adult unemployment over time. Figure 9b clearly demonstrates that youth and adult unemployment usually do shift in the same direction. This reflects the fact that changes in both youth and adult unemployment are largely caused by variations in aggregate demand in the country as a whole. Indeed, analyses that examine the question generally find that aggregate demand is far more important than other factors, such as the

12. Signified by a blank in the Reference period column.

13. For more details see: ILO: *Global Employment Trends for Youth* (Geneva, 2006); website: <http://www.ilo.org/trends>.

Figure 9a. Youth and adult unemployment rates, latest year



relative wage level, in explaining the rate of youth unemployment.¹⁴

For the majority of the economies, youth unemployment rates have been increasing from the earliest to latest year available (see figure 9b). Rates increased by at least 10 percentage points in 13 countries – Argentina, Brazil, the Czech Republic, Finland, Greece, Indonesia, Peru, Poland, Saint Lucia, South Africa, Swaziland, Sweden and Venezuela. At the other end of the spectrum, 11 countries experienced decreases of the same magnitude – Bulgaria, Chile, Denmark, the Dominican Republic, Latvia, Lithuania, Morocco, the Netherlands, Nicaragua, Puerto Rico and Slovenia.

Female youth show higher rates of unemployment than their male counterparts in over half of the economies (78 out of 123 economies), a phenomenon even more common among adults. Where male youth unemployment rates are higher, the differences are not substantial, except in Albania, where male youth have almost twice the already high unemployment rate of female youth. Figure 9c shows countries where youth unemployment rates differ most between males and females. Many of these countries are in Latin America & the Caribbean, where significant differences among the genders are also seen in the unemployment rates for adults. Also noteworthy is that there is only one developed country where female youth unemployment rates are much higher than male youth rates – Greece.

14. See, for example, N. O'Higgins: "The challenge of youth unemployment", Employment and Training Papers, No. 7 (Geneva, ILO, 1997).

Figure 9b. Changes in youth and adult unemployment rates, earliest to latest year

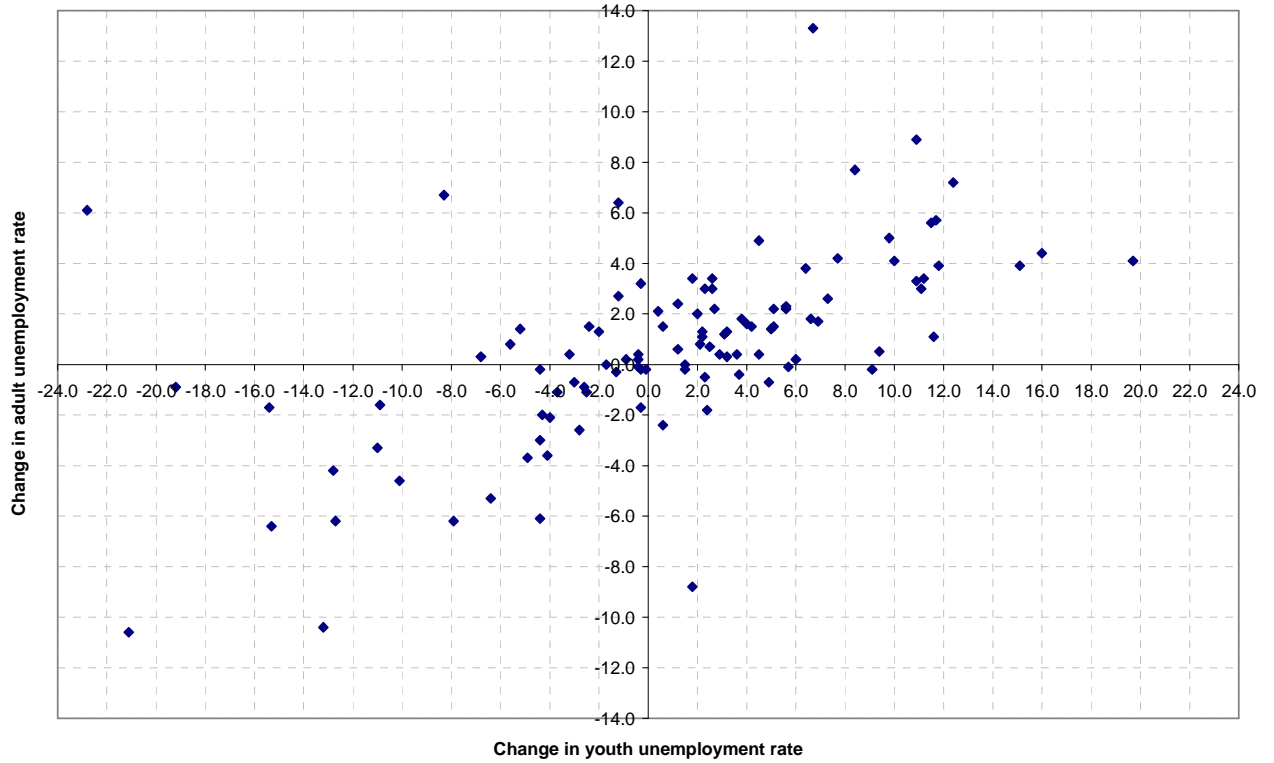
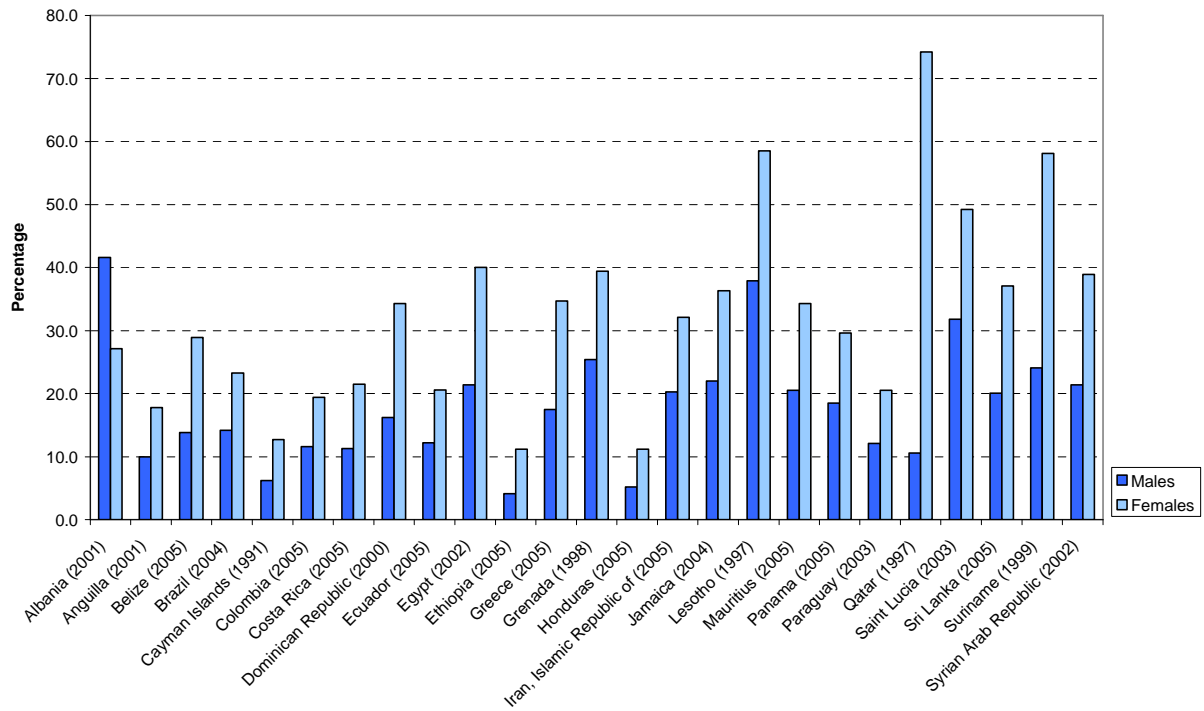


Figure 9c. Youth unemployment rates by gender for selected countries, latest years



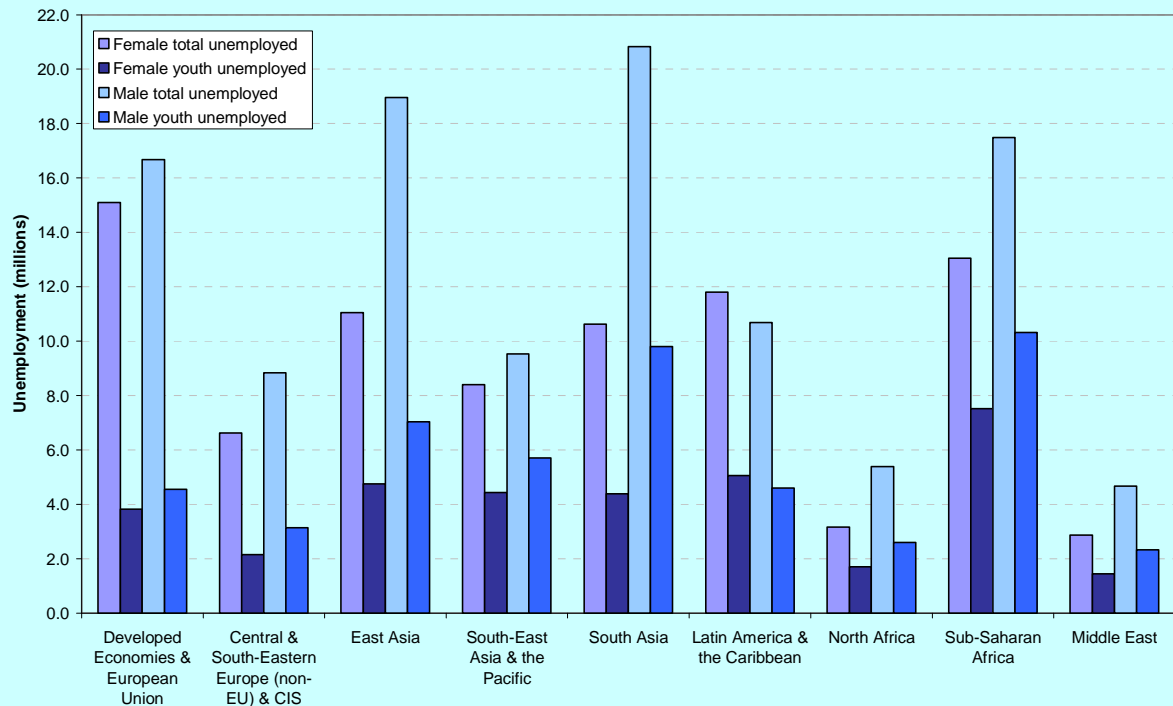
Box 9a. World and regional estimates of youth unemployment rates

Youth unemployment rate (%) - both sexes	1996	2002	2003	2004	2005	2006*
WORLD	12.4	13.9	13.8	13.7	13.3	13.2
Developed Economies & European Union	15.3	14.4	14.6	14.2	13.8	12.7
Central & South-Eastern Europe (non-EU) & CIS	19.5	19.7	19.2	18.8	18.2	18.5
East Asia	7.6	8.0	7.8	7.7	7.6	7.5
South-East Asia & the Pacific	9.6	16.2	16.7	17.3	15.9	16.5
South Asia	10.1	10.7	10.4	10.6	10.2	9.9
Latin America & the Caribbean	14.6	17.0	16.9	16.8	16.7	17.2
North Africa	28.6	29.0	28.8	27.5	25.6	25.7
Sub-Saharan Africa	17.6	18.7	18.6	17.8	17.8	17.8
Middle East	25.0	25.5	24.5	23.5	24.5	24.6
Youth unemployment rate (%) - males	1996	2002	2003	2004	2005	2006*
WORLD	12.5	13.9	13.7	13.6	13.2	13.1
Developed Economies & European Union	15.1	14.9	15.3	14.6	14.5	13.0
Central & South-Eastern Europe (non-EU) & CIS	19.4	19.6	19.0	18.5	17.9	18.6
East Asia	8.9	9.3	9.0	8.9	8.8	8.7
South-East Asia & the Pacific	9.4	15.9	16.3	17.0	15.2	16.1
South Asia	9.8	10.3	10.1	10.3	10.0	9.7
Latin America & the Caribbean	12.0	13.8	13.6	13.5	13.6	14.0
North Africa	26.3	26.8	25.7	24.3	22.4	22.5
Sub-Saharan Africa	18.0	19.0	18.9	18.3	18.2	18.3
Middle East	22.4	22.6	21.7	20.9	21.7	21.7
Youth unemployment rate (%) - females	1996	2002	2003	2004	2005	2006*
WORLD	12.4	14.1	14.0	13.8	13.5	13.4
Developed Economies & European Union	15.6	13.7	13.9	13.7	13.1	12.4
Central & South-Eastern Europe (non-EU) & CIS	19.7	19.9	19.5	19.2	18.7	18.3
East Asia	6.3	6.7	6.5	6.4	6.3	6.3
South-East Asia & the Pacific	9.9	16.7	17.3	17.8	16.9	17.0
South Asia	10.7	11.6	11.0	11.4	10.7	10.3
Latin America & the Caribbean	18.9	21.8	21.9	21.7	21.1	21.7
North Africa	34.2	34.4	36.4	35.3	33.4	33.6
Sub-Saharan Africa	17.1	18.2	18.1	17.2	17.3	17.3
Middle East	31.9	32.2	31.0	29.3	30.7	30.7
Ratio of youth-to-adult unemployment rates	1996	2002	2003	2004	2005	2006*
WORLD	2.9	3.0	3.0	3.0	2.9	3.0
Developed Economies & European Union	2.4	2.3	2.3	2.3	2.4	2.3
Central & South-Eastern Europe (non-EU) & CIS	2.5	2.5	2.5	2.5	2.5	2.7
East Asia	2.8	2.7	2.7	2.7	2.8	2.8
South-East Asia & the Pacific	5.5	5.4	5.3	5.2	4.8	4.8
South Asia	3.6	3.3	3.3	2.9	2.7	2.7
Latin America & the Caribbean	2.6	2.7	2.7	2.9	2.7	2.7
North Africa	3.2	3.2	3.3	3.4	3.5	3.5
Sub-Saharan Africa	3.3	3.0	3.0	3.0	3.0	3.0
Middle East	3.1	3.0	3.0	3.1	3.1	3.1

Note: The world and regional aggregates presented here differ slightly from those published in the ILO: *Global Employment Trends for Youth* (Geneva, 2005). The differences are due to a change in the Global Employment Trends modelling procedure (described in box 3 in "Guide to understanding the KILM") as well as to revisions to IMF estimates of GDP growth used as input in the model, and in part due to the alteration of regional groupings.

Box 9a (continued)

Youth and total unemployment by region and sex (in millions), 2006

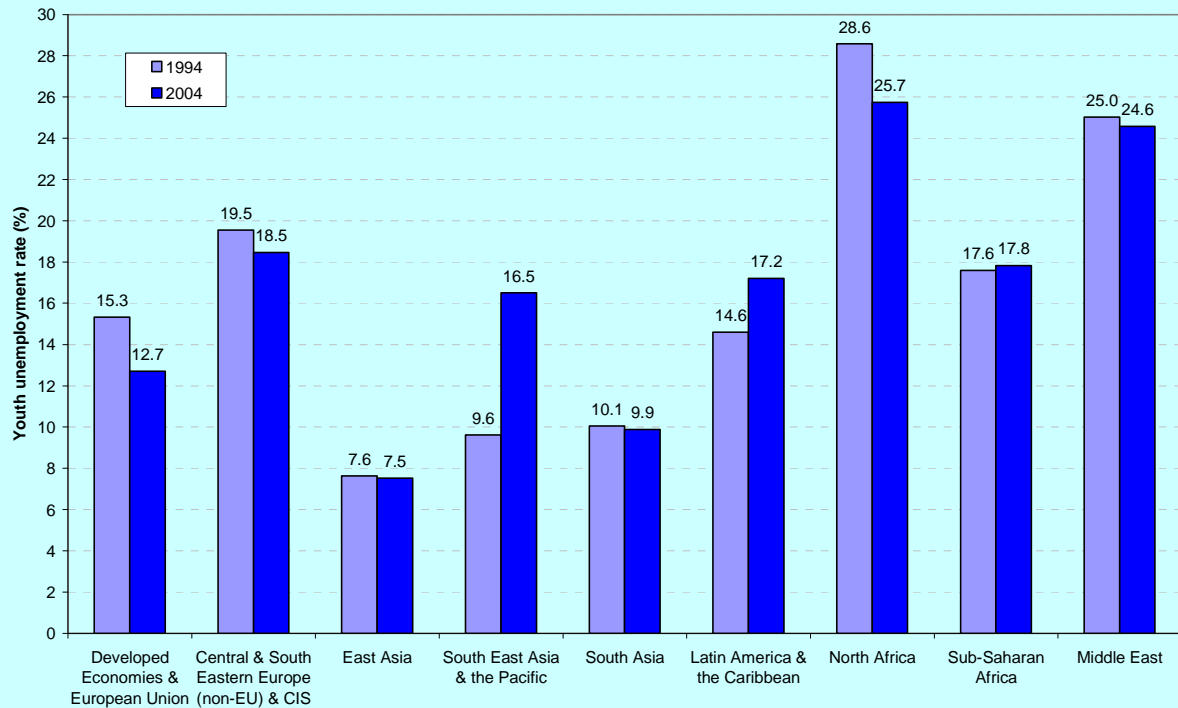


Increasing global unemployment continues to hit young people hard. The number of unemployed youth increased steadily from 1996 to a peak of 86.2 million in 2004, after which the number declined slightly to 85.3 million in 2006. This placed the youth share of the total unemployed at 44 per cent, a particularly troublesome figure given that youth make up only 25 per cent of the working-age population. The relative disadvantage of youth in the labour market is more pronounced in developing economies, where they make up a strikingly higher proportion of the labour force than in developed economies (22 per cent versus 13 per cent respectively in 2006). [Note: Developing economies are the sum of all regions except the Developed Economies & European Union. Labour force estimates are based on the ILO, Global Employment Trends Model.]

For all regions, youth unemployment rates in 2006 were much higher than adult unemployment rates. Whereas youth were twice as likely as adults to be unemployed in developed economies, they were more than three times as likely as adults to be unemployed in developing economies. The ratio between youth and adult unemployment rates stayed almost unchanged over the last ten years for the world as a whole. Considerable declines were only observed in South Asia and South-East Asia, although the latter region has persistently shown the highest ratio in the world and over the last ten years the total number of unemployed youth there almost doubled.

Box 9a (continued)

Youth unemployment rates, by region, 2006



North Africa had the highest youth unemployment rate in the world at 25.7 per cent in 2006 and also had the largest gender gap for youth unemployment rates. At the other end of the spectrum, East Asia had the lowest unemployment rate for young people at 7.5 per cent. The Developed Economies & European Union and North Africa both experienced declines in youth unemployment rates of more than 2.5 percentage points over the last ten years. In contrast, youth unemployment rates increased in Latin America and South-East Asia, where in the latter case the rate increased by a worrisome 6.9 percentage points.

Young women in North Africa have the highest risk in the world of being unemployed, with an unemployment rate of 33.6 per cent in 2006 (compared to an unemployment rate of 22.5 per cent for young men in the region). In Latin America & the Caribbean and the Middle East, the risk of being unemployed is also much higher for women than men. In North Africa and the Middle East this is particularly worrisome as the labour force participation of young women is already very low and the particularly high unemployment rates for young women could easily lead to even more frustration and discouragement amongst women in these regions.