

YOUTH UNEMPLOYMENT

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This paper is devoted to the question of youth unemployment that is a huge problem nowadays. First of all it is important to define what is precisely meant by youth unemployment. According to the ILO (International Labour Organization) definition, which is now the most widely used, the unemployed are described as those people who have not worked for more than one hour during the short reference period (generally, the previous week or day) but who are available for and actively seeking work. However, even in industrialized countries, cross-country differences can arise from this fairly unambiguous definition. For example, in most countries students are considered to be outside the labour force; in others, such as Norway, they are included if they are actively seeking work. Some national authorities also prefer to use a longer working period than the one-hour rule. Thus, the Netherlands have implemented a 12-hour (per week) rule, so that people are defined as unemployed if they have worked less than 12 hours in the reference week.

Another issue is the classification of people traditionally defined as being "outside the labour force", notably "discouraged" workers, that is, people who wish to work but are not actively seeking a job since they see no possibility of obtaining gainful employment. Their position outside the labour force is simply a question of prevailing economic conditions; if and when the chances of finding work improve, some of these people will probably return to employment without ever having been classified as unemployed. Therefore, it could be argued that introducing a broader concept of unemployment or nonemployment would be more useful than what is now generally understood by "unemployment". Thus one could argue the case for including in the unemployment figures all young people who are neither in education nor employed, which would provide a more accurate indicator of the extent of the problem.

Youth unemployment is a huge problem these days. The nature of youth unemployment varies from country to country, although a number of features are remarkably constant in quite different national contexts. First, youth unemployment is higher than adult unemployment in almost every country for which figures are available, and this is the case whether aggregate unemployment in a country is high or low.

A second key feature of youth unemployment is that it is closely linked to adult unemployment. A simple linear regression of the youth unemployment rate on the adult rate in the OECD countries gives a coefficient on adult unemployment of 1.8. For transition economies, the corresponding coefficient is 1.5. In other words, youth employment appears to be more affected by shocks hitting the aggregate labour market than adult employment.

Does a youth labour market actually exist, or, to phrase the question differently, to what extent are the labour markets for young people and adults distinct entities? There is real concern that by targeting young people, policies may simply be promoting the substitution of younger workers for older ones. Certainly, some types of policy might encourage employers to engage young workers rather than older adults, but there are a number of reasons for believing that the extent to which this would occur would be extremely limited. First, as new entrants to the labour market, young people cannot realistically compete for jobs with skilled and experienced workers; competition will tend to be limited to unskilled jobs and, to some

extent, to another category of new entrants, or at least re-entrants, to the labour market, that is, older women wishing to return to work after having had children. However, even in this case, the belief that one age group of worker can be substituted for another is not likely to be widespread. Employers are unlikely to regard younger and older workers in the same way. Some types of work may require "youthful" qualities, such as adaptability, while other jobs may require more "adult" qualities, such as responsibility or reliability. The extent to which different age groups are perceived to possess different characteristics and the value attached to such characteristics vary from country to country and from region to region. The fact remains that young people are rarely seen as good substitutes for older workers (or vice versa) and the formal evidence, where it exists, tends to show that replacing one kind of worker with another, according to age, is limited.' Certainly, more direct evidence is needed on the issue. Further lines of research might look at employers' perceptions of younger workers, in terms of their adaptability in relation to new technology, the ease with which they can be dismissed and their relations with other workers, as well as the actual and perceived potential for worker substitution.

What are the causes and consequences of youth unemployment?

The causes of youth unemployment can be analyzed at different levels and considered in terms of the following three questions:

1. What are the main determinants of fluctuations in youth unemployment?
2. Why do youth unemployment rates vary more - in absolute terms – than adult rates in response to changes in economic conditions?
3. For individuals, which characteristics increase or reduce the chances of finding employment?

The first two questions relate to the characteristics of youth labour markets and young people as a whole, while the third focuses on the behavioral and personal attributes of individuals that affect their chances of finding work.

Any examination of the causes of youth unemployment basically boils down to a discussion of the relative importance of three factors:

- Aggregate demand
- Youth wages
- Size of the youth labour force

However, the skills level of an individual does affect that person's relative employment prospects. Skills also contribute to determining the quality of work, above all through their impact on wages. In the long run, however, skills levels can play a role in the growth potential of output and, therefore, indirectly in the growth of employment, that is, they can influence youth employment through their effects on economic growth.

Furthermore, a highly developed education and training system can lead to a reduction in the relative level of youth unemployment simply by taking young people out of the labour force, so that they no longer compete with older workers for jobs.

The arguments related to wages also have an obvious intuitive appeal. Wages are likely to have a negative impact on youth employment inasmuch as the higher the relative wages of young workers with respect to those of adults, the more incentives there are to employ adults as opposed to young people. However, this argument relies on the assumption that young workers are close substitutes for their adult counterparts. In many cases, this may not be true, particularly as regards skilled adult workers. If young people and adults are complementary in the workplace, reflecting different skills requirements, the wages of young people with respect to adults should have no influence. In such a scenario, both youth wages and adult wages with respect to other input costs will have a negative effect.

« The Financial crisis has once again shown, young workers are much badly protected on a labor market. There are no doubts that they would like to have a stable source of the

income to provide to themselves the best future. If to deprive of their hope, these young men can appear literally pushed out with a labor market, thereby essentially having lowered economic potential of the countries», — researchers of the International Labor organization consider. To sum up, people of almost every age are susceptible to this disease but it hits the youth the hardest. If the economic situation in the world doesn't change, youth unemployment will increase. These predictions refer to all categories of workers (adults and young people) - with high and low skills in town and country.