

Institution: University of Stirling
Unit of Assessment: C19 Business and Management
Title of case study: Youth Unemployment in the Great Recession
<p>1. Summary of the impact</p> <p>Bell and Blanchflower's research on youth unemployment has been highly influential in affecting policy directions in both the UK and Europe during the Great Recession. It has also generated substantial public concern for a 'lost generation' of unemployed young people through their sustained engagement in media and public debate.</p>
<p>2. Underpinning research</p> <p>Bell and Blanchflower began their research focussed on the issue of youth unemployment in 2008, shortly after the onset of the 'Great Recession'. The initial research involved micro-econometric analysis of surveys focussing on the labour market experiences of individuals. As a result of this work, the potentially adverse consequences of high rates of youth unemployment became apparent to the authors. The initial research was followed by the writing up of the results, initially in the form of working papers and then in a number of publications aimed at academic journals.. Although it had been a problem in many countries prior to the recession, youth unemployment rose rapidly during the Great Recession, increasing faster than the overall level of unemployment. Bell and Blanchflower suggested that there was a danger that youth unemployment could rise to levels unprecedented since the 1980s. They showed that spells of unemployment among 16-24 year olds has higher costs for individuals and for society than do unemployment spells for older workers. They argued for Keynesian policy intervention to combat these issues, arguing that short-run budgetary costs are more than offset by the long-term gains of avoiding unemployment both to individuals and to the public finances. They coined the phrase "a lost generation" to express the disproportionate effect of unemployment on the young;</p> <p>Their research highlighted:</p> <ol style="list-style-type: none"> 1. The "scarring" effects of youth unemployment. This is the notion that bad labour market experiences when young have a negative effect on labour market outcomes, such as wages and unemployment, later in life. This analysis relies on econometric evidence from birth cohort studies, particularly the 1958 National Child Development Survey. 2. The contrasting labour market experience of the young compared to those aged over 50 during the Great Recession. 3. The particular difficulties faced by the unqualified. When the labour market suffers from a lack of demand, the better qualified take on jobs that they would have been unlikely to consider in a more buoyant labour market. The research showed how this "trickle-down" effect adversely affected the prospects for employment of those with no skills. 4. The added problems faced by young job seekers from ethnic minorities. <p>In 2012, Bell and Blanchflower were invited to revisit their initial research by the National Institute of Economic and Social Research. This resulted in the exploration of characteristics of the youth labour market other than unemployment. They turned their attention to underemployment – the failure by those in work to realise their desired hours of work. Investigation of the individual data revealed the willingness of the young to work more hours, but the failure of the market to supply extra working time, demonstrating that underemployment was very common among young</p>

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workers, but relatively rare among older workers. To capture the effects of underemployment on the UK labour market, Bell and Blanchflower devised an “underemployment index” which provided an alternative to the unemployment rate as a measure of excess capacity in the labour market. This attracted the attention of many financial journalists and, though only published in May 2013, it has already been used by the Bank of England as an alternative indicator of excess capacity.

The research was conducted by Professors Bell and Blanchflower using econometric analysis of large-scale individual surveys such as the Labour Force Survey. While they were undertaking this high-profile work, Blanchflower was named “business person of the year” by the Daily Telegraph (2008) and received the CBE for services to economics (2009).

3. References to the research

Bell, D.N.F. and Blanchflower, D.G. (2013). ‘Underemployment in the UK Revisited’, *National Institute Economic Review*, 224, No. 1, F8-F22.

Bell, D.N.F. and Blanchflower, D.G. (2011) “Young People and the “Great Recession”, *Oxford Review of Economic Policy* 2011 27: pp. 241-267

Bell, D.N.F. and Blanchflower, D.G. (2011). ‘Youth Unemployment in Europe and the United States’, *Nordic Economic Policy Review* No 2

Bell, D.N.F. and Blanchflower, D.G. (2010). ‘The UK Labour Market in the Great Recession’, *National Institute Economic Review*, 214, October, R3-R25

Bell, D.N.F. and Blanchflower, D.G. (2010). “Young People and Recession: A Lost Generation?” *Economic Policy, Fifty-Second Panel Meeting*, http://dev3.cepr.org/meets/wkcn/9/979/papers/Bell_%20Blanchflower.pdf

Bell, D.N.F. and Blanchflower, D.G. (2009). "What Should Be Done about Rising Unemployment in the UK?" *IZA Discussion Papers 4040*, Institute for the Study of Labor.

4. Details of the impact

Bell and Blanchflower’s research on youth unemployment had a significant effect in raising awareness and in eliciting policy response. During the period from early 2008, Bell and Blanchflower were also heavily involved in dissemination activities both inside and outside government and inside and outside the UK.

There are clear policy impacts from their research and dissemination activities:

It affected the 2009 Autumn Statement in which the Chancellor, Mr Darling, introduced measures to combat youth unemployment. He brought forward the *Young Person’s Guarantee* which would guarantee work or training to every 18 to 24-year-old after 6 months out of work. Darling then introduced a measure to guarantee a place in training or education for every 16 or 17 year-old. The language in the Chancellor’s statement drew heavily on the Bell-Blanchflower research. Specifically, he argued that “*To promote growth, we also need to invest in the skills of young people to prevent a ‘lost generation’ of youth unemployment.*” and “*Past recessions have had a very damaging impact on young people, who should have been starting their working lives, but instead were unemployed.*” The influence of the Bell-Blanchflower research on the introduction of these policies was further confirmed by Yvette Cooper, then Chief Secretary to the Treasury.

During the course of the recession many other contributions highlighting the issue of youth unemployment followed the initial contribution of Bell and Blanchflower. Together these have focussed the attention of policymakers worldwide on the personal and social costs of youth unemployment. At a meeting in Berlin in July 2013, Chancellor Merkel described youth unemployment as “perhaps the most pressing problem facing Europe at the present time”. At this meeting the European leaders agreed to implement a youth guarantee in areas where youth unemployment exceeded 25 per cent. This policy, for which a budget of €6bn has been set aside, is similar to the measure which was introduced in the UK in 2009 (as described above).

The research papers were quoted extensively in policy documents (listed in section 5). They were also referred to during House of Commons debates by politicians including John Hayes (South Holland and the Deepings), Steve McCabe (Birmingham, Selly Oak), Nick Ainger (Carmarthen, West and South Pembrokeshire), and Alastair Darling. Mr Darling’s 2009 Autumn Statement rehearses many of the arguments made in Bell and Blanchflower’s early papers on the impact of youth unemployment.

Bell and Blanchflower were invited to be members of a working group set up by the Bank of England to consider policies that might be used to combat rising unemployment. Bell was one of only two UK academics invited to meet with the Prime Minister, the Secretary of State for Work and Pensions (Iain Duncan Smith), and the Minister of State for Employment (Chris Grayling) as part of a ‘youth labour market summit’ in Downing Street in 2011. He has also met with politicians from France, Ireland and Canada in relation to this work. In 2011, Bell presented the research to the Secretary of State for Scotland and the Secretary of State for Work and Pensions. He also debated youth unemployment at meetings arranged by the OECD and the EU.

The research also led to the introduction of a new index of excess capacity in the labour market (an alternative to the unemployment rate) which is being used to inform UK monetary policy. Although the Bell-Blanchflower index was only published in May 2013, it was quoted in the August 2013 Bank of England inflation report and by a member of the Monetary Policy Committee in a speech in August 2013. In 2013, the effect of the index is to add to the arguments that suggest deferring any increase in interest rates.

5. Sources to corroborate the impact

Mentions of Bell and Blanchflower’s research in Hansard, demonstrating its influence in the passage of the legislation:

Hansard House of Commons Debates, 6th July 2009, Volume No. 495, Part No. 106, column 724:
<http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090706/debtext/90706-0008.htm>

Hansard House of Commons Debates, 13th July 2011, Volume No. 531, Part No. 187, Column 352:
<http://www.publications.parliament.uk/pa/cm201011/cmhansrd/cm110713/debtext/110713-0002.htm>

Hansard House of Commons Debates, 26th March 2009, Volume No. 490, Part No. 54, Column 440: <http://www.publications.parliament.uk/pa/cm200809/cmhansrd/cm090326/debtext/90326-0002.htm>

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Youth Unemployment and the Future Jobs Fund - Work and Pensions Committee, Written Evidence ordered by the House of Commons to be printed 13 December 2010. Written evidence submitted by the Confederation of British Industry (CBI):

<http://www.publications.parliament.uk/pa/cm201011/cmselect/cmworpen/472/472we03.htm>

Examples of government body discussion papers and policy documents citing Bell and Blanchflower's work on youth unemployment.

Centre for Analysis of Youth Transitions (2011). Growth Seminar, Institute for Fiscal Studies. Summary available at: http://www.ifs.org.uk/docs/cayt_100811.pdf

UK Commission for Employment and Skills (2012). Why Businesses Should Recruit Young People. Briefing Paper, February. Available at: <http://www.ukces.org.uk/assets/ukces/docs/publications/why-businesses-should-recruit-young-people.pdf>

Mentions of the research in the news and academic media, demonstrating its wide influence on the public debate:

McFall, John (2009). The Road to Recovery. *The Guardian*, 22nd March. Available at: <http://www.guardian.co.uk/politics/2009/mar/23/john-mcfall-uk-economy>

Mentions of the Bell-Blanchflower Underemployment Index

Bank of England Quarterly Inflation Report (2013) August, 3, p30

Miles, D. (2013) "Monetary policy and forward guidance in the UK", accessed at: <http://www.bankofengland.co.uk/publications/Documents/speeches/2013/speech681.pdf>

Giles, C. (2013) "Boom-time growth leaves questions over breadth and durability", *Financial Times*, September 4th 2013
<http://www.ft.com/cms/s/0/a778267a-1568-11e3-b519-00144feabdc0.html#axzz2hhyvimrl>