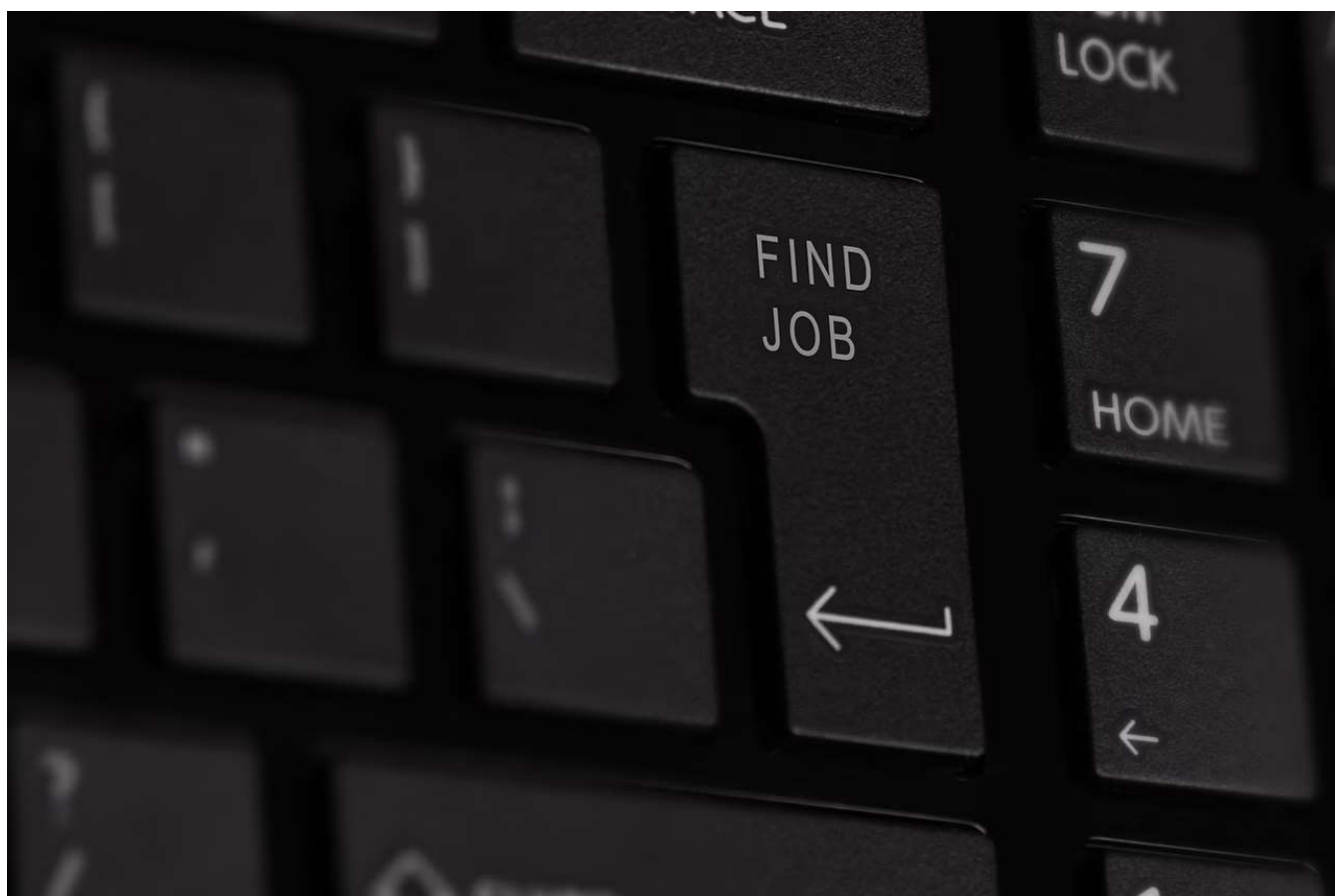


AUGUST 11, 2023

# Putting Young People To Work

Young workers are struggling to find jobs, despite labor shortages.

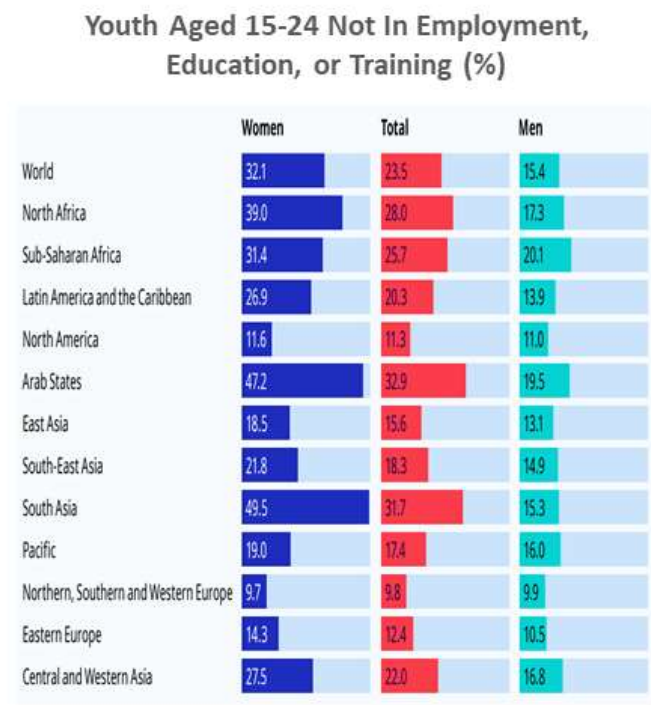
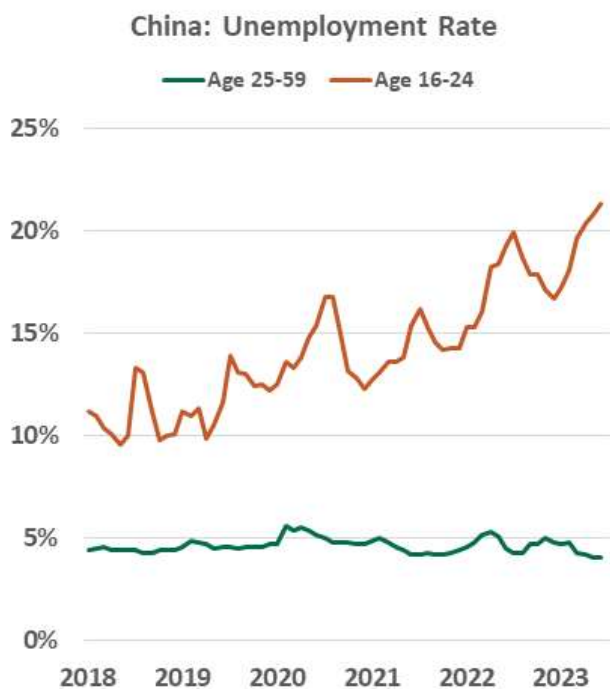


This summer, I have had the pleasure of meeting a number of interns making their first forays into the professional world. I enjoy their energy and ambition, and I applaud them for taking charge of their careers at an early stage. The opportunity to gain work experience at a young age should not be taken for granted. Unfortunately, prospects for young workers around the world are not uniformly bright.

In country after country, labor markets are struggling to put young people to work. The International Labor Organization (ILO) [reports](#) a global youth (age 15-24) employment-population ratio (EPR) of 34.5% in 2022, 0.7 percentage points below its 2019 level. While lower employment among people with less skills or still in school is not surprising, the gap can

be disconcerting. In China, for example, the unemployment rate for young workers has exceeded 21%, in contrast to only 4.1% for workers 25 and over. The gap is similar in India, with the youth unemployment rate estimated at nearly 25%. In nations of over a billion, this means millions of citizens are not living up to their potential.

Unemployment rates alone do not capture the entire problem, as some young workers are already dropping out of the labor force. Economies worldwide are struggling with rising rates of young people classified as NEET: Not in Employment, Education or Training. The ILO estimates 23.5% of global young people, or 289 million, are NEET.



Sources: China National Bureau of Statistics, Haver Analytics, ILO

NEET is among the worst-case economic outcomes. These potential workers are gaining no skills at a time when many industries report a shortage of labor. They are unlikely to pay payroll and income taxes, and they are more likely to use safety net programs, hampering fiscal balances that are **already delicate**.

The burden is highest on the NEET adults themselves. Once a worker falls out of the workforce, it can be difficult to re-enter. For most workers, wages will gain steadily through the course of a career; missing early gains can weigh on potential earnings for the balance of their working lives. In the extreme, unoccupied young people have fomented social unrest, most recently in **Niger**.

These missing workers are held back by heterogeneous individual circumstances. Some lack necessary skills or even fundamental attributes like functional literacy. Some lack transportation to job sites or connectivity to remote work. Some have had prior criminal convictions that limit their employment prospects. Women are disproportionately likely to be in NEET status, often due to caring for children or adult family members.

With disparate causes, there is no single solution to the problem of youth unemployment, but tight labor markets will make a stronger case for both public and private support to bring

these workers into the fold. Career coaching, broadband expansion, employer-provided childcare and **second-chance hiring** of the formerly incarcerated can help to bring back more workers.

But dislocations can occur on both the supply and demand sides of the labor equation. Young workers in many nations are finding a dearth of entry-level positions. Graduates in China this year were **admonished** to “not aim too high or be picky about work,” suggesting a lack of opportunities for degree holders to put their education to its highest use. Similarly in India, accounts are rife of workers with master’s degrees **settling** into low-skill jobs as delivery carriers and janitors. Coveted Indian civil service positions accept only 1% of applicants, with competition only growing. **Reform is achievable**: Greece lowered its NEET rate by subsidizing pension and health care costs for young workers, while Spain changed its labor laws to allow furloughs and promote full-time hiring.

My conversations with interns have reminded me that asking someone about their first job is a great conversation starter. Most careers have taken unpredictable turns. However, every career journey needs a starting point. A pipeline of young workers is necessary to ensure continuity and replace the cohort of aging workers. Efforts by both employers and governments to create more opportunities for young workers will pay dividends for generations to come.

---

Information is not intended to be and should not be construed as an offer, solicitation or recommendation with respect to any transaction and should not be treated as legal advice, investment advice or tax advice. Under no circumstances should you rely upon this information as a substitute for obtaining specific legal or tax advice from your own professional legal or tax advisors. Information is subject to change based on market or other conditions and is not intended to influence your investment decisions. © 2023 Northern Trust Corporation. Head Office: 50 South La Salle Street, Chicago, Illinois 60603 U.S.A. Incorporated with limited liability in the U.S. Products and services provided by subsidiaries of Northern Trust Corporation may vary in different markets and are offered in accordance with local regulation. For legal and regulatory information about individual market offices, visit [northerntrust.com/terms-and-conditions](https://northerntrust.com/terms-and-conditions).



**Ryan James Boyle**

Senior Vice President, Senior Economist

Ryan James Boyle is a Senior Vice President and Senior Economist within the Global Risk Management division of Northern Trust. In this role, Ryan is responsible for briefing clients and partners on the economy and business conditions, supporting internal stress testing and capital allocation processes, and publishing economic commentaries.

## **Subscribe to Economic Trends & Insights**

Discover our latest insights on all economic news, from breaking headlines to long-term trends.

## **Follow Carl Tannenbaum**

Discover the latest economic insights from our chief economist on social media.