



# World Economic Situation and Prospects

## Weekly Highlights

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### Measurement problems with youth unemployment in the European Union

Unemployment is a major problem in Europe. In the European Union (EU-28), the rate of unemployment averaged 10.5 per cent in 2012, up from a low of 7.1 per cent in 2008. Some individual countries experienced far worse conditions, with unemployment at 25 per cent in Spain, 24.3 per cent in Greece and 15.9 per cent in Portugal.<sup>1</sup> The rate of youth unemployment (defined as the group from 15-24 years of age) is much higher, registering 23 per cent in the EU-28 in 2012 overall, with 53.2 per cent in Spain and 55.3 per cent in Greece). These figures need to be interpreted carefully, however, as there are special considerations for this age group.<sup>2</sup> The picture is complicated by the fact that a very large share of the working age population for this age group is “in education”. Possible ways of looking at the working age population is to group those “in education” or “not in education”, and those who are “employed”, “unemployed”, or “economically inactive”, noting that there is considerable overlap between the two categorizations.

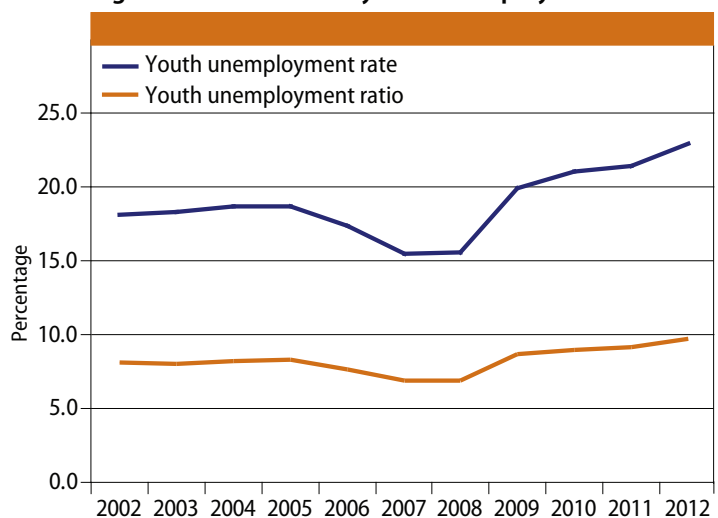
The category of “economically inactive” is defined as those not in the labour market. It contains those who are “in education”, “retired”, “engaged in family duties”, and “other”, which includes discouraged workers. For the youth age group, a large share of the economically inactive category is also in education. For young people in the EU-28, out of a working age population of 57.4 million, 33 million were economically inactive, with the vast majority of 29 million in education.

The European statistical agency (Eurostat) calculates two measures of rates of unemployment for this age group: the

first is the usual unemployment rate, equal to the number of unemployed divided by the labour force; the second is the unemployment ratio, defined as the number of unemployed divided by the working age population. For 2012, the youth unemployment rate was 23.0 per cent for the EU-28 while the unemployment ratio was 9.7 per cent, much closer to the unemployment rate for all working age groups.

The issue is quite subtle, however, as a significant portion of those in education may also be discouraged workers, either having failed to find a job and returned to education, or stayed in education because of the poor job prospects. So the true measure of labour market slack for this age group is most likely higher than that measured by the unemployment ratio, but lower than that measured by the unemployment rate.

**Figure: Trends in EU-28 youth unemployment**



Source: Eurostat.

1 All data are from Eurostat.

2 “Young people in the EU: The measurement of youth unemployment—an overview of the key concepts”. Eurostat news release, 107/2013, 2 July 2013. Available from [http://epp.eurostat.ec.europa.eu/cache/ITY\\_PUBLIC/3-12072013-BP/EN/3-12072013-BP-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-12072013-BP/EN/3-12072013-BP-EN.PDF).