

THE IRISH TIMES

Fears for 'lost generation' in recession

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TODAY'S YOUNG people will suffer the biggest long-term effect of the current recession, the Dublin Economics Workshop heard yesterday.

David Blanchflower, a professor of economics at Dartmouth College in New Hampshire, US, said one of the most important acts for the Government would be to refocus on the young to deter youth unemployment.

He said that, instead of firing employees as in the past, companies had instead introduced flexibility on wages which means they

have stopped hiring, disproportionately affecting young people.

"Those who have really been hurt in this recession have turned out to be the young... The first thing you'll see is that youth unemployment has become particularly high, rising particularly fast," he said, adding that it was unfortunate that the recession hit at a time when the size of the youth cohort was higher than it has been for the past two decades and probably larger than it was going to be for another two decades.

He noted that youth unemployment currently stands at 27.6 per cent in Ireland in a country with a

youth/population ratio of 2.1.

"One of the implications we are going to see around the world for the next 15 to 20 years is that the number of young people diminishes really rapidly," he said adding that the impact of this "lost generation" may be much wider.

"The crucial part of this great recession is going to be that there's a big number of young people that come into the labour market altogether and they're going to be a huge lost generation. I would like for them to be paying for my retirement and your retirement but the problem as well is

that the cohorts behind them will have to pay for them forever."

Prof Blanchflower speculated that unemployment was still going to rise, affecting people's happiness, increasing stress, pushing suicide rates up, lowering health and life expectancy and increasing the crime rate.

However, he said youth unemployment was particularly scarring.

He quoted a paper by David Ellwood which suggests that youth unemployment causes permanent scars both in the individual and in the macro-economy.

"Actually, what it does is that it

raises the level of unemployment in the future," he said, noting that British data indicate that people who were unemployed in their mid-20s were more likely to be unemployed, have lower health and generate a lower wage later in life.

Prof Blanchflower, who was an external member of the Bank of England's interest rate-setting monetary policy committee from June 2006 to June 2009, added that the current recession was most in keeping with that of the 1930s and that the fear was that we would yet be pushed "over the cliff" into a depression.

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