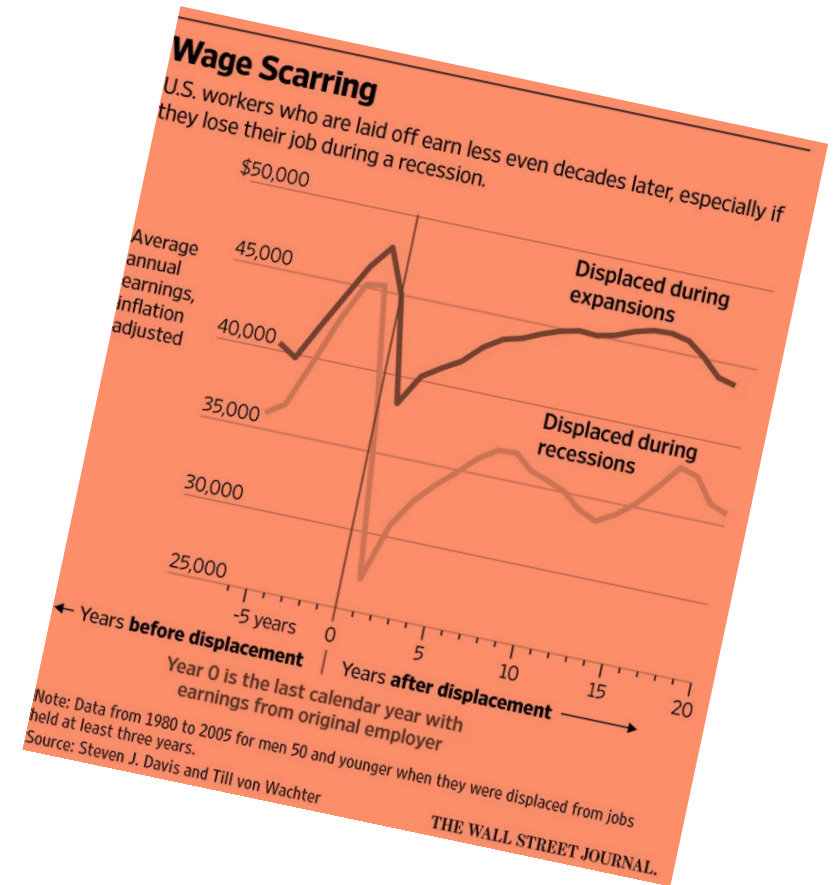


'Prescribing the future on a misdiagnosis: Unemployment Scarring, NEETs and Activation

Tom Boland & Ray Griffin
NERI: Maynooth, May 24



Governmentality by Discourse & Practice

Academic Disciplines, Think tanks, Social Policy...

.....React to crises, trends, controversies

.....Develop new terms and categories

.....Re-shape society and subjectivity

And sometimes there is critique / resistance / agency

Longer history of terminology...

Medieval: The Poor / Pauvres / Menus people.

'The poor will always be with us...'

Modern: *'private troubles public issues...'*

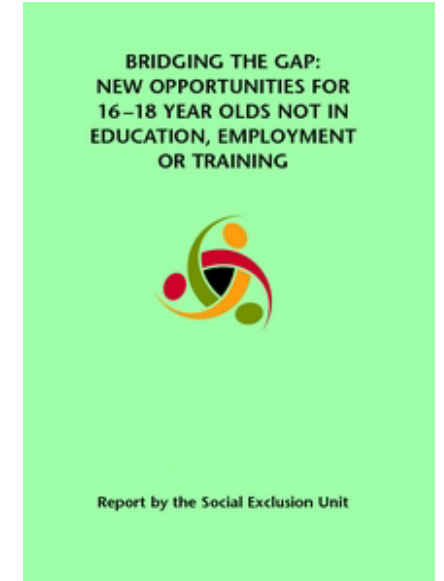
Poor Law: The unemployment, marginalised, socially excluded...
Implicitly transformable population...

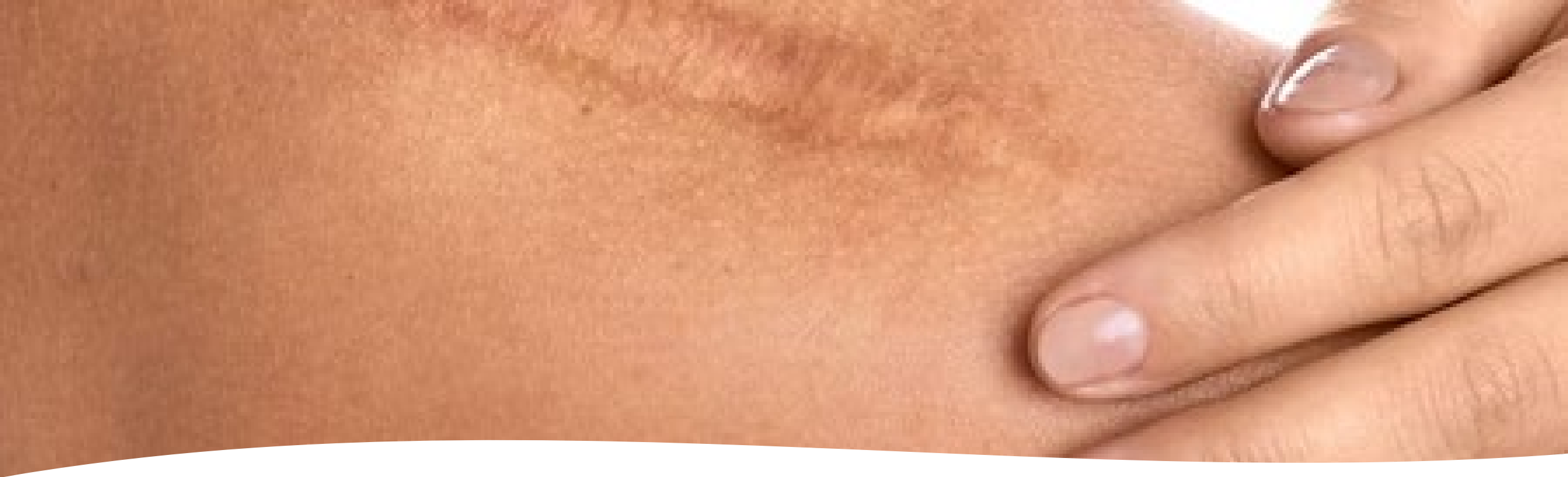
A Neat Example:

- NEETs: *Not in Employment, Education or Training*
- Glamorgan, 1993

Istance D., Rees G., Williamson H. (1994) *Young People Not in Education, Training or Employment in South Glamorgan*. Cardiff: South Glamorgan Training and Enterprise Council.

Now a world-wide statistical measure of Youth (16-29)





**Not a neat
example:**
*Unemployment
Scarring*

The probability that cohorts,
who experience a spell of unemployment,
will have reduced future earnings
and greater likelihood of further spells of
unemployment – by comparison to equivalent
cohorts.

History of Scars...

- Economic Scarring: impact on GDP of recessions, in terms of lag of return to output.
- Discouraged Workers: (1960s) Those workers who withdraw from formal labour market due to spells of unemployment or **discrimination...**
- Hysteresis: The tendency for past unemployment to create future unemployment (interruption to market-clearing) (E. Phelps, 1972)

History of Scarring

- Emergence of ‘persistent’ or ‘structural unemployment’ – 1980s crisis in UK, US, EU and Japan – different recovery rates.
- “*On the one hand*, the job prospects of the long term unemployed may be poor *because* they are unemployed. *On the other hand*, they may be long term unemployed *because* they have poor job prospects.” (Roed, 1997: 410)
- 2000s: Consolidation of ‘Unemployment Scarring’ “diagnosis” (Aralumpalam, Gregg, Gregory)

Theorising Scarring

1. Human Capital – Those who have a blotch on their CV have less to offer, or their ‘firm specific human capital’ declines in value. (Becker)
2. Insiders/Outsiders – Those within employment set wages at a rate that mean companies cannot take on available labour. (Summers)
3. Signalling – Having being unemployed is taken as a proxy marker of productivity in hiring situations. (Spence)

Preventing scarring?

- The scarring effects caused by the pandemic will have long-term implications for the economy and will result in higher long-term unemployment and lower output. (Oireachtas, September 2021: 2)
- Spells of unemployment while young create permanent scars. Unemployment is higher in the years ahead if a young person doesn't make a successful toe-hold into the labour market early in their lives. Solving youth unemployment is the most pressing problem governments are facing today. (EUROFOUND, 2010: 33)
- Research shows that youth unemployment can result in permanent scars, such as an increased risk of future unemployment, reduced levels of future earnings, loss of human capital, intergenerational transmission of poverty or less motivation to found a family, contributing to negative demographic trends. (EU YG Resolution, 2013)

Irish Commentary on Scarring

- “..... to put it another way acknowledging and addressing the ‘scarring’ of long-term unemployment *should* be the single most important economic and social issue in 2011 and beyond” (Kinsella & Kinsella, 2011: 99)
- “.... initiatives need to be implemented to prevent people from falling into long-term unemployment (LTU), because of its deskilling and scarring effects for the individual and the negative implications that it has for society at large, (social welfare costs, lost revenue, crime etc.)” (Kelly, McGuinness, O’Connell, 2011: 2)

Table 1b Seasonally adjusted monthly unemployment by sex - persons aged 15-24 years							
		Number of persons			Unemployment rate (%)		
		Males	Females	All Persons	Males	Females	All Persons
2020	April	14,900	17,300	32,200	12.0	14.8	13.3
	May	14,100	18,800	32,800	12.4	17.4	14.9
	June	17,800	20,700	38,400	15.3	18.6	16.9
	July	27,700	22,900	50,600	20.7	18.1	19.4
	August	31,700	24,600	56,300	22.1	18.3	20.3
	September	33,700	26,600	60,200	22.8	19.3	21.1
	October	24,200	22,600	46,800	17.4	17.4	17.4
	November	20,800	22,400	43,200	15.3	17.6	16.4
	December	17,200	22,000	39,200	12.9	17.4	15.1
2021	January	17,000	24,900	41,900	12.7	19.3	15.9
	February	20,900	27,100	48,000	14.9	20.1	17.5
	March	25,800	29,000	54,700	17.5	20.6	19.0
	April	30,900	30,000	60,900	19.8	20.4	20.1
	May	29,800	26,200	56,000	18.4	17.6	18.0
	June	27,200	22,700	49,900	16.1	14.9	15.5
	July	23,400	19,100	42,500	13.5	12.0	12.8
	August	20,000	18,200	38,200	11.4	11.2	11.3
	September	20,500	17,900	38,500	11.7	10.8	11.3
	October	21,600	19,600	41,200	12.5	11.5	12.0
	November	22,000	20,200	42,100	12.7	11.5	12.1
	December	19,500	19,800	39,200	11.2	11.2	11.2
2022	January	16,500	19,600	36,100	9.3	10.9	10.1
	February	13,800	16,300	30,100	7.7	9.1	8.4
	March	12,000	13,400	25,400	6.7	7.6	7.2
	April	9,000	11,300	20,300	5.0	6.2	5.6

Scarring prevented?

Table 1b Seasonally adjusted monthly unemployment by sex - persons aged 15-24 years							
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		Males	Females	All Persons	Males	Females	All Persons
2022	April	18,200	14,500	32,700	10.1	8.4	9.3
	May	18,300	14,200	32,500	10.3	8.3	9.3
	June	19,200	16,300	35,500	10.8	9.7	10.3
	July	19,300	17,400	36,800	11.0	10.8	10.9
	August	18,600	18,400	37,100	10.7	11.7	11.2
	September	18,900	18,600	37,500	10.9	11.7	11.3
	October	18,900	18,300	37,200	10.8	11.2	11.0
	November	19,400	18,100	37,400	11.1	10.8	10.9
	December	18,500	17,000	35,500	10.5	10.1	10.3
2023	January	18,500	16,700	35,200	10.4	9.8	10.1
	February	19,400	16,200	35,500	10.6	9.4	10.0
	March	19,600	16,500	36,100	10.8	9.5	10.2
	April	19,300	17,000	36,200	10.7	9.7	10.2
	May	18,000	16,900	34,900	10.0	9.6	9.8
	June	19,200	18,200	37,400	10.6	10.3	10.5
	July	19,900	18,500	38,400	11.0	10.5	10.7
	August	20,800	19,200	40,000	11.3	11.0	11.2
	September	21,700	22,100	43,800	11.7	12.3	12.0
	October	19,700	21,500	41,200	10.5	11.9	11.2
	November	19,000	21,400	40,400	10.1	11.8	10.9
	December	19,800	21,900	41,700	10.4	11.9	11.2
2024	January	21,800	21,700	43,400	11.4	11.8	11.6
	February	19,400	17,700	37,100	10.3	9.8	10.1
	March	17,400	15,800	33,200	9.4	9.0	9.2
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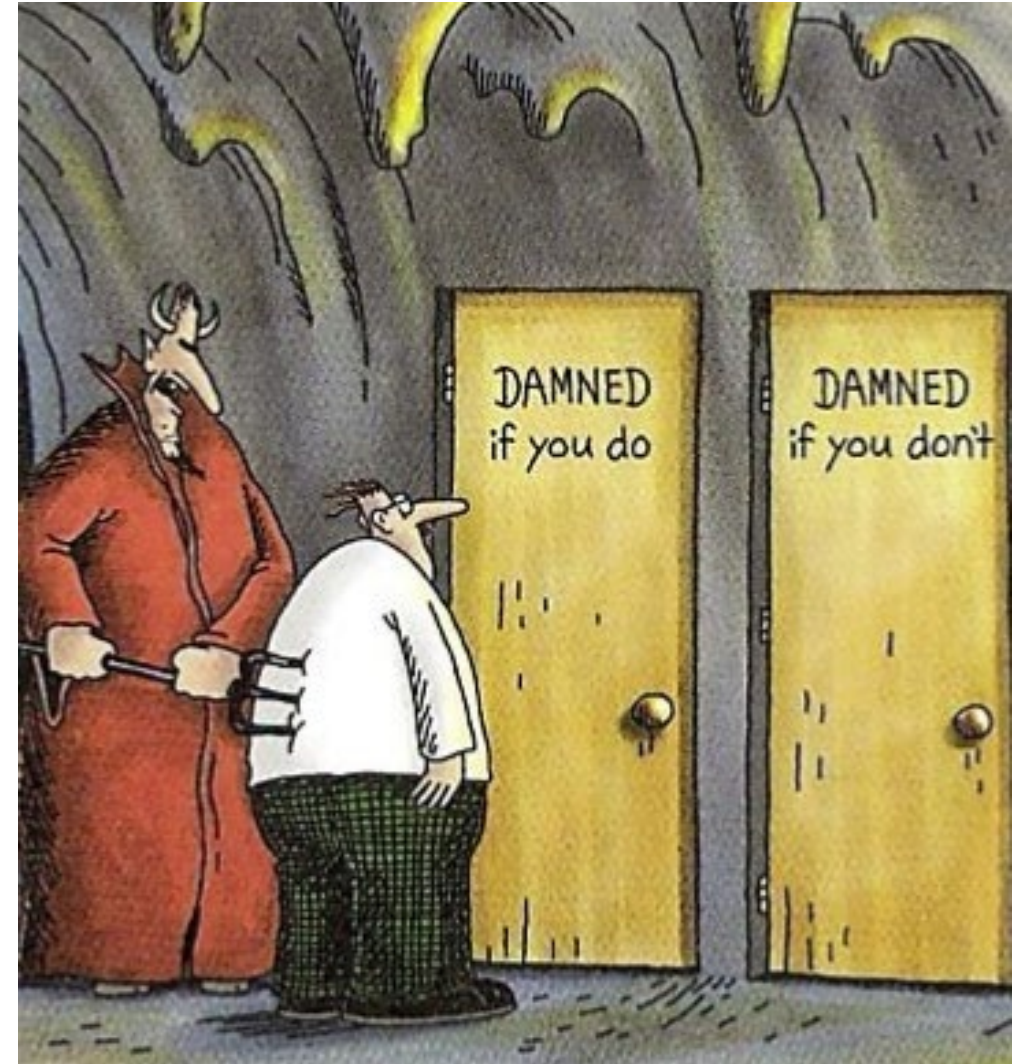
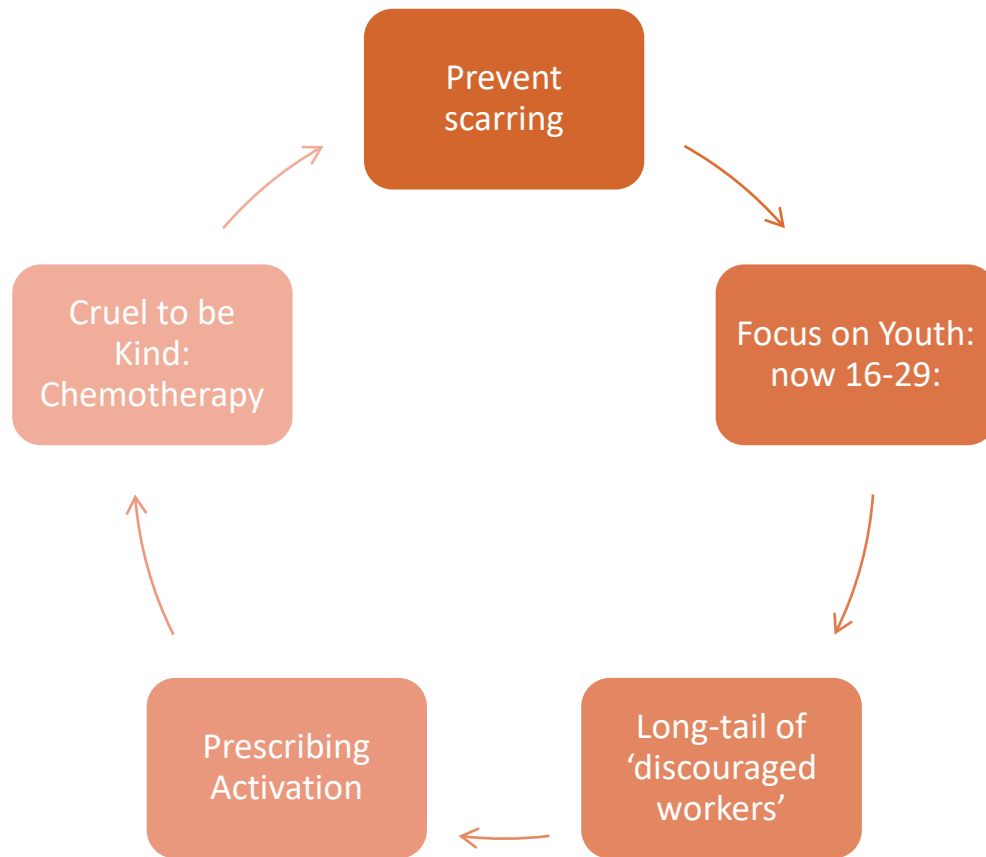
How & Why?

- “One possible explanation for the disappearance of the scarring effect is that the magnitude and indiscriminate nature, of the incidence of both unemployment and the long-term unemployment and long-term **unemployment** over the period eradicated the value of durations **as a quality signal to employers**.
- **Alternatively**, the rapid rise in the population of long-term unemployed individuals over the recession with high levels of labour market attachment **may have** led to a structural behavioural shift in the *intensity of job-searching* among long-term claimants which will also have dampened the scarring effect. (pg 13)

Kelly, E., & McGuinness, S. (2015). Impact of the Great Recession on unemployed and NEET individuals' labour market transitions in Ireland. *Economic Systems*, 39(1), 59-71.



Categories Shape Social Policy



Misdiagnosis?

- While the 'scarring effect' is largely demonstrated, the mechanism/interactions are not
- 'Scarring' as a metaphor is used by social policy and politics to justify activation policies (0.6% of GDP across Europe).
- 'Scarring' is a post-hoc justification of activation policies, focused largely on human capital, driving down reservation wages & a negative signal.
- Scarring, conceptually and empirically is not up the task of supporting/justifying activation.