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## Challenging times for the young

**MOUNTING PRESSURE:** Costs of housing, healthcare and childcare are the top concerns of today's youth

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IT is a challenging world for young people today. Rising youth unemployment, higher cost of living and increasing incidence of sandwich families are but some of the increased pressures on young people's shoulders.

Nearly 75 million young people worldwide are without jobs. The global youth unemployment rate has remained sticky at 12.6 per cent for the past three years and is not projected to lower this year.

At home, the youth unemployment rate has remained high since the Asian financial crisis struck in 1998. From a low of 6.7 per cent in 1996, the youth unemployment rate shot up to 11.3 per cent in 2010.

Even graduate unemployment rate brings no good news. The rate did not exceed 2.3 per cent in the early 1990s before the Asian financial crisis, but has since not gone anywhere below 2.9 per cent.

And these figures have not yet taken into account the millions of young people in part-time or temporary employment because they cannot find a permanent job.



*More and more young families are living with their aged parents because homes are out of the price range for homes being priced beyond the affordability of many young people.*

For those who have a job, rising cost of living is a major concern, particularly in the cities. Increasing costs of housing, healthcare and childcare are among the top concerns.

A general measurement of housing affordability is the median multiple, calculated as the ratio of median house prices to median annual household income.

A median multiple of below three is considered affordable, 3.1 to four is considered moderately affordable, 4.1 to five is seriously unaffordable and five and above is considered severely unaffordable.

The recent household income data shows that in 2009, the median household income in Selangor was RM4,306, whereas the median price of a double-storey terrace was RM240,000.

This translates to a median multiple of 4.6. In other words, housing three years ago was already seriously unaffordable.

The figure for Kuala Lumpur was 6.6, which means that there is close to no hope of getting a double-storey terrace house in the capital.

Fast forward to the first quarter of this year, the same type of houses have seen prices surging to RM313,000 in Selangor. That's a rise of more than 30 per cent, which wages cannot possibly keep up with.

Meanwhile, more and more young families are living with their aged parents, putting three generations under one roof. They are not only being squeezed financially, but also physically.

Finally, there is the recent increase in retirement age. Its opponents argued that it will hamper job opportunities for the young.

Despite all these challenges, however, one should not lose hope.

The depressing state of the youth labour market is, to a large extent, frictional. Youth, statistically defined as those aged 15 to 24, are mostly transitioning between school and tertiary education.

Youth unemployment, therefore, is mostly reflective of the ability of the education system in absorbing them, rather than a faltering youth labour market.

Unemployment rate of young adults, or those aged between 25 and 34, is relatively low. At 2.5 per cent in 2010, it remains well below the general unemployment rate.

Elsewhere in the world, retirement age has a weak link, if any, to youth employment. If at all, young and older workers are complements rather than substitutes.

And there is little evidence that inducing older workers to retire early makes room for younger workers.

Such concerns on the impact of increased retirement age on the youth labour market are generally based on what economists call the "lump of labour" fallacy -- that the amount of work available in the economy is fixed.

In fact, there are arguments that raising retirement age will even reduce youth unemployment. A higher income for older workers increases demand for goods and services, and, therefore, higher general economic activity.

Nonetheless, one should not deny that much needs to be done in order to improve employability of our young workforce and to achieve the balance between pay, prices and productivity.

Malaysia is a relatively young nation, but it will not be long until we become an ageing society. By current projections, Malaysia will become an ageing nation by 2030, some 18 years from now.

That's 18 years left to make full use of our "demographic dividend".

It is high time, then, to act in ensuring that our youth do not, and will not, become a lost generation.