UNIVERSITI TEKNOLOGI MARA

FACTORS INFLUENCING YOUTH UNEMPLOYMENT

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ABSTRACT

The number of persons employed is often related to a country's economic growth rate. Youth unemployment rate is heavily influenced by activity in the economy. When economic activity is low, there will be less production, which means businesses lay off younger workers and the number of youth unemployment rises. As a result, the youth unemployment rate in Italy will be influenced by a few factors. The purpose of this research is to find out what factors have an impact on Italy's youth unemployment rates, as well as to investigate how independent variables influence the dependent variable. The research is performed using secondary data from an economic indicator which are gross domestic product, inflation, foreign direct investment (FDI), and interest rate. The research sample consisted of time-series data on Italy's youth unemployment rate from 1991 until 2020. The result of this research showed that all the independent variables which are gross domestic product, inflation, foreign direct investment (FDI), and interest rate have a correlation with the youth unemployment rate. Using the economic indicators presented in this research, the government's policy to analyze the youth unemployment rate would benefit from this research.

Keywords: ***gross domestic product (GDP), inflation (IN), foreign direct investment (FDI), and interest rate (IR).***

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CHAPTER 1

INTRODUCTION

1.1 Introduction

Youth unemployment is defined as individuals aged 15 to 24 years old who are unemployed as a proportion of the total youth labor force. Unemployment is defined by the International Labor Organization (ILO) as when persons have not worked for over a short time but are still looking for work. The factors of youth unemployment, according to O'Higgins (2001), are inexperience in the workplace, the size of the youth labor force, youth demands and aggregate demand. Youth unemployment tends to have a greater impact on layoff in the firm before the adult employment. This is because young people are more likely to leave their careers than older workers. In developed countries, unemployment is a huge concern. High unemployment indicates that human capital is not being used effectively because it optimizes the country's productivity. If all countries utilize their people in full employment, it indicates the country is in a good economy (Zaleha Mohd Noor et al, 2007).

In 2004, the International Labor Organization (ILO) calculated that eliminating worldwide youth unemployment would boost global GDP by $2.2 trillion, or 4% of global GDP. These figures support the idea that youth unemployment is a serious issue that needs to be addressed. Furthermore, one may argue that reducing unemployment in general will reduce poverty and increase GDP (World Bank 2006). According to Okun's Law, every 1% decrease in employment results in a 2% decline in GDP growth. It is essentially like traditional economic theory's "output gap." This is the difference between actual and future production. The negative impacts of Covid 19 will be suffered largely by youth. In the face of unstable job growth, a priority on worker retention that restricts new recruitment, and a rising number of self-employed with means to absorb the downturn, young Italy's people are more vulnerable to job loss during pandemic.