



# GLOBAL EMPLOYMENT TRENDS FOR YOUTH 2012



# Global Employment Trends for Youth 2012

# Executive summary

## Youth unemployment crisis continues

The economic crisis abruptly ended the gradual decline in global youth unemployment rates during the period 2002–07. Since 2007 the global youth unemployment rate has started rising again, and the increase between 2008 and the height of the economic crisis in 2009 effectively wiped out much of the gains made in previous years. Globally, the youth unemployment rate has remained close to its crisis peak in 2009. At 12.6 per cent in 2011 and projected at 12.7 per cent in 2012, the global youth unemployment rate remains at least a full percentage point above its level in 2007. Nearly 75 million youth are unemployed around the world, an increase of more than 4 million since 2007. Medium-term projections (2012–16) suggest little improvement in youth labour markets. By 2016, the youth unemployment rate is projected to remain at the same high level.

Large increases were experienced in particular by the Developed Economies & European Union, Central & South-Eastern Europe (non-EU) & CIS, Latin America & the Caribbean and South Asia. In the Developed Economies & European Union, as well as in South Asia, little progress has been made in rolling back the impact of the global economic crisis. In North Africa, the youth unemployment rate has increased sharply following the Arab Spring, rising by almost 5 percentage points between 2010 and 2011 and adding to an already very high level of youth unemployment in this region as well as the Middle East.

Although (large) differences in regional youth unemployment rates remain, all regions face major youth employment challenges. Even in East Asia, the youth unemployment rate in 2011 was 2.8 times higher than the adult rate. Apart from the immediate negative economic and social effects of high youth unemployment, it is important to consider its detrimental effects on future employability and wages.

## Economic crisis and youth labour force participation

Discouraged by high youth unemployment rates, many young people have given up the job search altogether, or decided to postpone it and continue their stay in the education system. If the unemployment rate is adjusted for the drop-out induced by the economic crisis, the global youth unemployment rate for 2011 would rise from 12.6 to 13.6 per cent.

The crisis-induced withdrawal from the labour force amounts to 6.4 million young people worldwide, and is particularly pronounced in the Developed Economies & European Union. Pressure on young job seekers will mount further when those young people that have been delaying their entry into the labour market will return to activity, and start searching for work. In contrast, the youth participation rate in Central & South-Eastern Europe (non-EU) & CIS is higher than expected on the basis of pre-crisis trends, which is likely to be partly poverty-driven.

Participation rates of young men and women are not only driven by economic conditions but also by institutional factors such as broader societal values, culture and norms which are particularly important in regions with large gender gaps such as South Asia, the Middle East and North Africa. Typically, female participation rates show a U-shaped pattern, with high

participation rates at low levels of income per capita that decrease as countries develop before rising again at higher income levels. This makes it difficult to disentangle the effect of the economic crisis on female participation rates from institutional or cultural factors.

### Temporary employment and part-time work: Transition or trap?

Around the world, many youth are trapped in low-productivity, temporary or other types of work that fall short of their aspirations and that often do not open opportunities to move to more permanent, higher-productivity and better-paid positions.

In developed economies, youth are increasingly employed in non-standard jobs and the transition to decent work continues to be postponed. The growth of temporary employment and part-time work in the past decade, in particular since the global economic crisis suggests that this work is increasingly taken up because it is the only option available. For example, in the European Union youth part-time employment as well as youth temporary employment has grown faster than adult part-time and temporary employment both before and during the economic crisis.

The trend towards an increasing incidence of temporary contracts has fuelled the debate over labour market flexibility in general, and labour market duality in particular. Although the evidence on the impact of employment protection legislation (EPL) on aggregate employment/unemployment levels is inconclusive, EPL could affect the position of particularly vulnerable labour market groups such as young people. A partial (dual-track) reform strategy of EPL – involving labour market reforms only at the margin and for new hires while leaving the employment security entitlements of incumbent workers unchanged – could have been felt disproportionately by youth. In addition, the trend towards shorter tenure among young workers in many European countries could be due to the combination of easing in the legislation governing dismissal costs and procedures of regular contracts (and not of temporary contracts) with the weak individual bargaining power of young people.

Youth in developing economies face strong structural barriers in their search for decent work. The share of paid employment in total employment in much of the developing world is low, and a high share of youth is likely to engage in unpaid family work supporting (informal) family businesses or farms. The school-to-work transition may also include unemployment spells or periods of temporary or casual employment if such opportunities arise while the final station is likely to be own-account work. Demographic trends are such that the youth labour force continues to grow in precisely those regions where few opportunities for paid work exist and where working poverty is widespread, in particular in Sub-Saharan Africa and South Asia.

### Education and the labour market

Education and training are essential for young people to enter the labour market successfully as they increase their potential productivity and employability. In developed economies, education also serves as a shield against unemployment for many youth, and there is a strong link between educational attainment and employment outcomes. In particular, individuals with primary education or less often have the highest unemployment rates, and fare worse than those with higher levels of education at times of crisis.

However, more human capital development and higher levels of education do not automatically translate into improved labour market outcomes and more jobs. In developing economies, available job openings are limited by small formal sectors, and youth do not necessarily possess the right skills to qualify for the existing openings. Fast structural change in these economies creates skill and geographical mismatches that pose special challenges for education and training systems and their responsiveness to labour market needs. In this respect, proper labour market information is necessary to facilitate both the role of education in meeting current labour demand and in facilitating change.

Young people that are neither in employment nor in education have become a serious concern for policy-makers, in particular in developed economies. This group, called “NEET” (not in education, employment or training), often constitutes at least 10 per cent of the youth population, and disproportionately includes youth with a low level of education in developed economies. Many countries have introduced policies to tackle this phenomenon, targeting specific subgroups of the NEET such as school drop-outs or unemployed youth.

## Youth employment policies

As youth unemployment rates are projected to remain essentially unchanged in 2012, and most regions face major youth employment challenges, youth employment policies warrant the highest priority. Important areas for interventions include:

- *Macroeconomic and growth policies:* where fiscally feasible, it is crucial to maintain or enhance measures that can help boost employment generation and jump-start a sustainable jobs recovery. Youth employment is a rising priority in national policy agendas but often it is not sufficiently translated into scaled up programmes, funding is often limited and resources underestimated.
- *Active labour market policies and programmes:* active labour market measures such as development of public employment services, wage and training subsidies or tax cuts can motivate employers to hire young people as well as to counteract the excess supply of young workers in times of crisis. Equally important are programmes that aim to offset the mismatch of technical skills among youth, such as vocational training programmes, re-training of unemployed or discouraged youth, workplace training schemes, the creation or improvement of apprenticeship systems, entrepreneurship training programmes, soft and life skills training programmes for disadvantaged youth.
- Better strategies are needed to improve *social protection for young people*, and to tailor labour market reforms for their specific needs. Decent employment is not only about generating any jobs, but also about improving the quality of jobs.
- *Social dialogue and partnerships for youth employment:* the establishment of broad-based partnerships to turn commitment to youth employment into reality. Partnerships among governments, employers’ organizations, trade unions and other organizations can be instrumental in determining the most appropriate action to be taken at national and local levels for the promotion of decent work for young people.
- Supporting strong *labour market information and analysis systems* which provide the basis to monitor labour markets and design and implement effective policies.