

# On the Nature of the Impact of the COVID-19 Pandemic on Youth Labour Markets:

## A Cross-Country Analysis

Niall O'Higgins, Sher Verick and Adam Elsheikhi

Employment Policy Department, ILO, Geneva

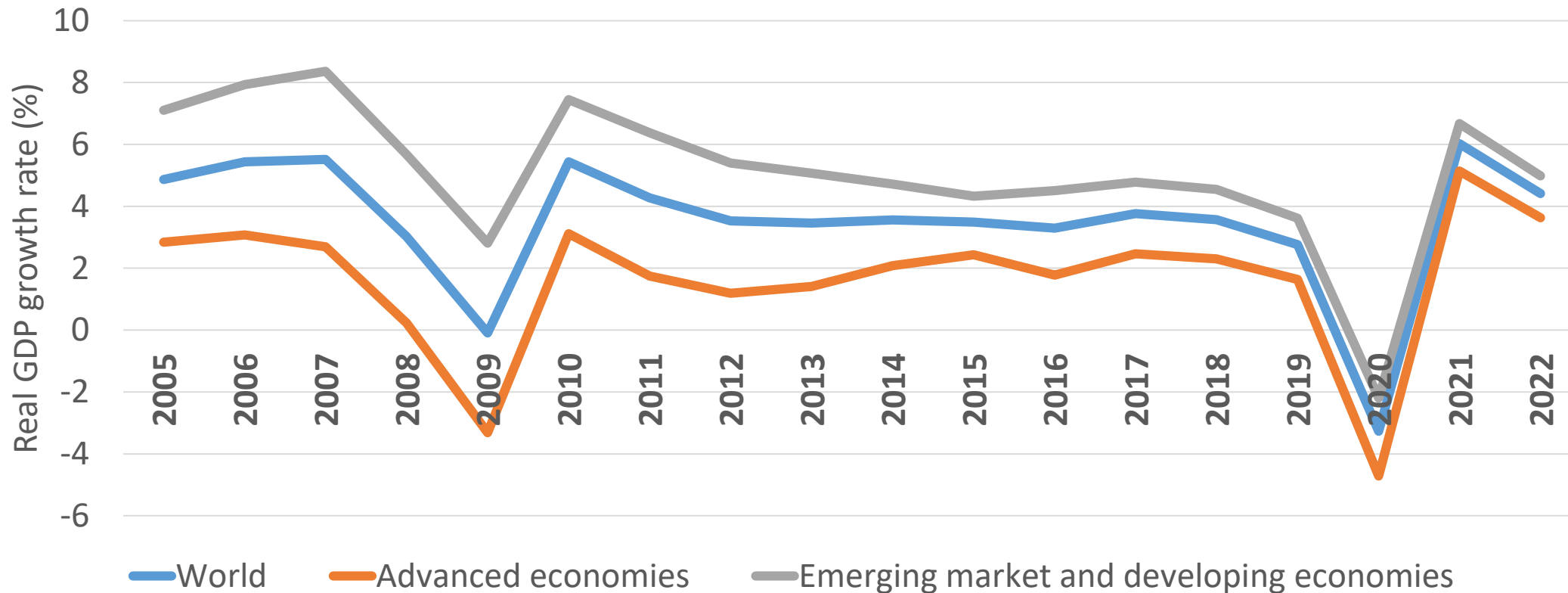
Date: Tuesday / 06 / July / 2021

## ▶ Today

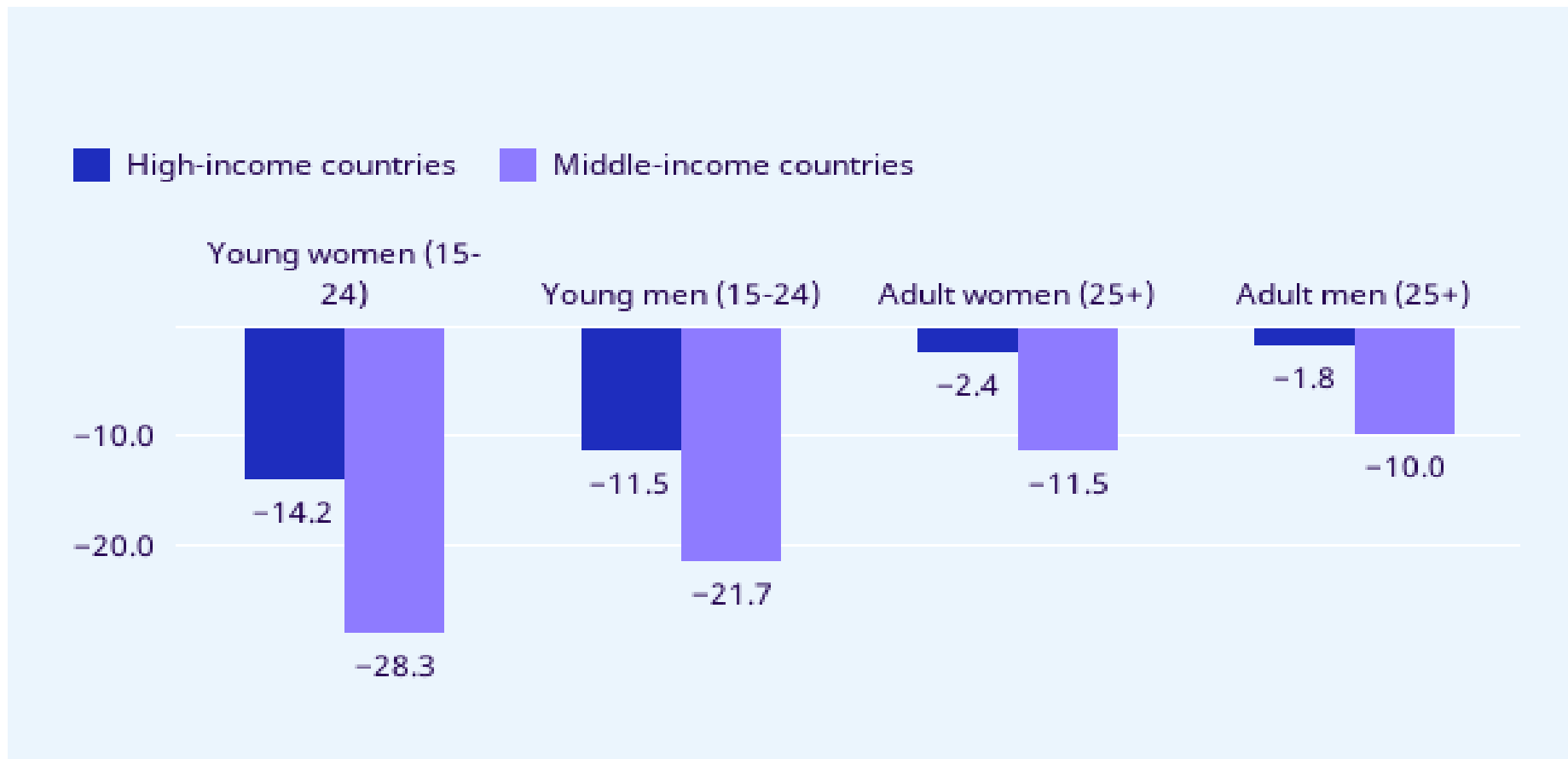
- ▶ Key features of the impact of the covid-19 pandemic on youth (vs. adult) labour markets
- ▶ Simple econometrics on the differences between youth and adult employment responses
- ▶ Concluding remarks

# ► **Some Background:** Covid-19 and youth labour markets

## COVID-19 crisis has resulted in a truly global recession: Bigger and broader than the Global Financial and Economic Crisis

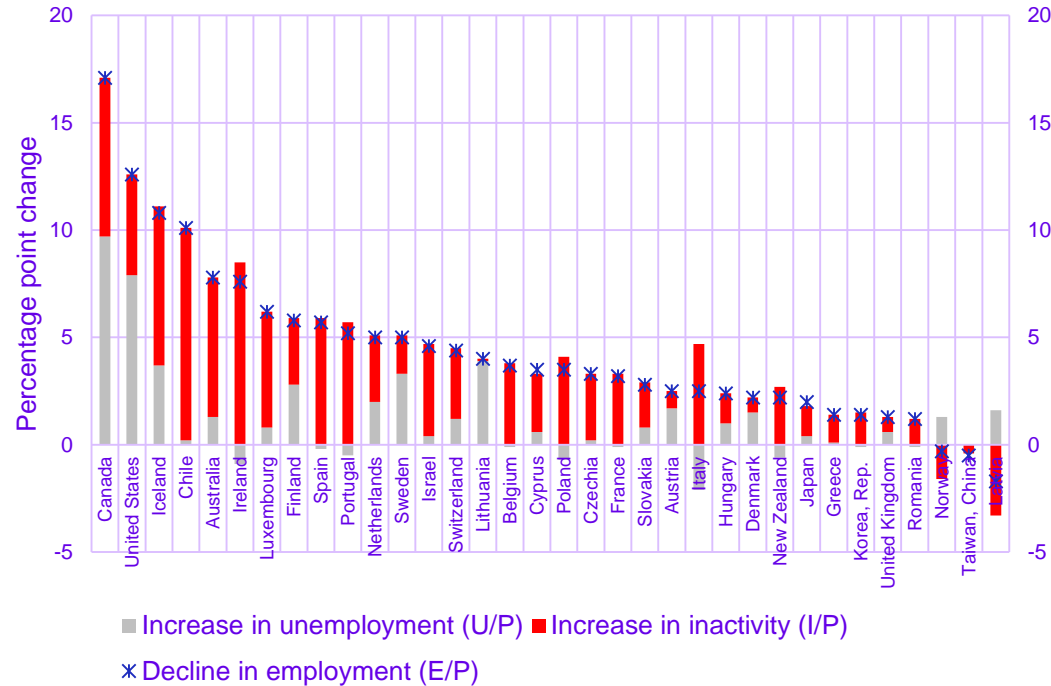


## Young people, and especially young women, have suffered the sharpest declines in employment

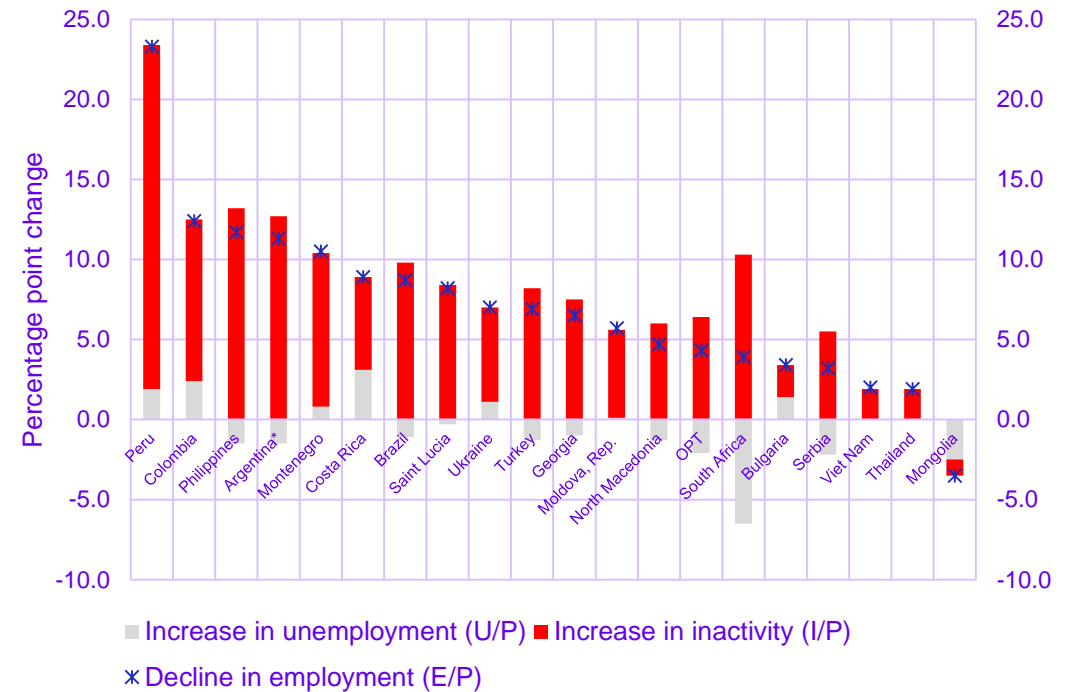


# Job losses amongst the young have translated primarily into increases in inactivity rather than unemployment, and NEET rates have gone up in most countries

## High-income countries

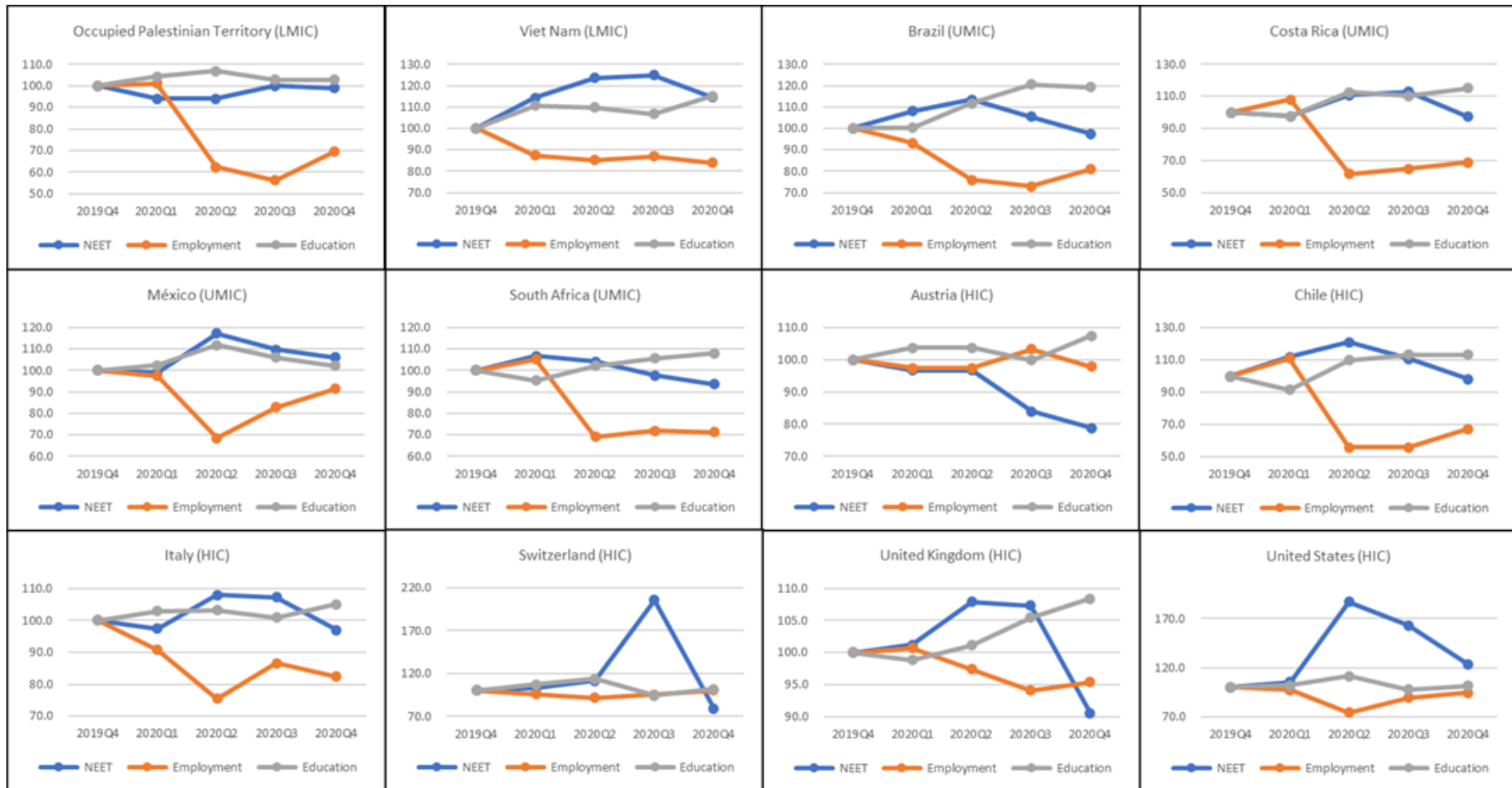


## Middle-income countries



*Decomposition of the decline in youth employment-to-population ratio (2019Q2 to 2020Q2)*

## ...Although there is much variety in shock and recovery



## ▶ To summarize...

- Young people, especially young women, have suffered much bigger falls in employment than adults (25+)
- Reduced youth employment has translated into increased inactivity (rather than increased unemployment) and NEET
- Recovery began in second-half of 2020 but often weaker amongst young people and is very different across countries



# ► Towards some explanations

## Why were young people so hard hit?

## ▶ More specifically....

- ▶ What roles did recession (negative GDP growth) and protective labour market institutions play in determining these outcomes?

## ▶ Simple (preliminary) cross-section (difference in difference) econometric model

- ▶ Dependent variable: % in employment (by age, gender), 2019-2020 (Q2 – Q2); LFS
- ▶ 44 High and Middle income countries
- ▶ Explanatory variables:
  - ▶ GDP growth,
  - ▶ Labour Market Regulations (EPLEX)
  - ▶ Country Income level (fixed effects)

## Youth and adult employment were first estimated separately...

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
GDP growth rate (2020)	0.012*** (0.004)	0.010** (0.004)	0.015** (0.006)	0.015** (0.006)	0.012*** (0.003)	0.009** (0.004)
Income group (compared to high income)						
Upper-middle income	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
Lower-middle income	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
Labour market regulation index		0.025* (0.015)		0.008 (0.019)		0.027** (0.011)
Observations	44	44	44	44	44	44
R <sup>2</sup>	0.39	0.43	0.28	0.28	0.40	0.44

## Youth and adult employment fell in response to recession...

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>GDP growth rate (2020)</b>	<b>0.012***</b> (0.004)	<b>0.010**</b> (0.004)	<b>0.015**</b> (0.006)	<b>0.015**</b> (0.006)	<b>0.012***</b> (0.003)	<b>0.009**</b> (0.004)
<b>Income group (default = high income)</b>						
<b>Upper-middle income</b>	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
<b>Lower-middle income</b>	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
<b>Labour market regulation index</b>		0.025* (0.015)		0.008 (0.019)		0.027** (0.011)
<b>Observations</b>	44	44	44	44	44	44
<b>R<sup>2</sup></b>	0.39	0.43	0.28	0.28	0.40	0.44

## With employment in Middle Income Countries falling more sharply...

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
GDP growth rate (2020)	0.012*** (0.004)	0.010** (0.004)	0.015** (0.006)	0.015** (0.006)	0.012*** (0.003)	0.009** (0.004)
Income group (compared to high income)						
Upper-middle income	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
Lower-middle income	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
Labour market regulation index		0.025* (0.015)		0.008 (0.019)		0.027** (0.011)
Observations	44	44	44	44	44	44
R <sup>2</sup>	0.39	0.43	0.28	0.28	0.40	0.44

## ...but only adult employment responded to protective LMIs...

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
GDP growth rate (2020)	0.012*** (0.004)	0.010** (0.004)	0.015** (0.006)	0.015** (0.006)	0.012*** (0.003)	0.009** (0.004)
Income group (compared to high income)						
Upper-middle income	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
Lower-middle income	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
Labour market regulation index		<b>0.025*</b> <b>(0.015)</b>		<b>0.008</b> <b>(0.019)</b>		<b>0.027**</b> <b>(0.011)</b>
Observations	44	44	44	44	44	44
R <sup>2</sup>	0.39	0.43	0.28	0.28	0.40	0.44

► ...which also reduced (marginally) the coefficient on GDP...

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
GDP growth rate (2020)	0.012*** (0.004)	0.010** (0.004)	0.015** (0.006)	0.015** (0.006)	0.012*** (0.003)	0.009** (0.004)
Income group (compared to high income)						
Upper-middle income	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
Lower-middle income	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
Labour market regulation index		<b>0.025*</b> <b>(0.015)</b>		<b>0.008</b> <b>(0.019)</b>		<b>0.027**</b> <b>(0.011)</b>
Observations	44	44	44	44	44	44
R <sup>2</sup>	0.39	0.43	0.28	0.28	0.40	0.44



## ...and the relation was best defined for adults

Variables	Total (15+)		Young people (15-24)		Adults (25+)	
	(1)	(2)	(3)	(4)	(5)	(6)
GDP growth rate (2020)	0.012*** (0.004)	0.010** (0.004)	0.015** (0.006)	0.015** (0.006)	0.012*** (0.003)	0.009** (0.004)
Income group (compared to high income)						
Upper-middle income	-0.098*** (0.03)	-0.097*** (0.029)	-0.122*** (0.045)	-0.122** (0.04)	-0.094*** (0.029)	-0.099*** (0.027)
Lower-middle income	-0.124*** (0.04)	-0.104** (0.042)	-0.114* (0.061)	-0.111* (0.065)	-0.119*** (0.039)	-0.094** (0.039)
Labour market regulation index		0.025* (0.015)		0.008 (0.019)		0.027** (0.011)
Observations	44	44	44	44	44	44
R <sup>2</sup>	0.39	0.43	0.28	0.28	<b>0.40</b>	<b>0.44</b>

## Expressing the relations in terms of difference-in-difference (and by gender)...

Variables	Total		Female		Male	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>GDP growth rate (2020)</b>	0.003 (0.004)	0.008* (0.004)	0.003 (0.004)	0.008* (0.076)	0.004 (0.004)	0.008* (0.004)
<b>Youth*GDP growth rate (2020)</b>	0.016*** (0.003)	0.008 (0.005)	0.019*** (0.003)	0.009* (0.009)	0.014*** (0.003)	0.007 (0.005)
<b>Income group (compared to high income)</b>						
<b>Upper-middle income</b>	-0.111*** (0.027)	-0.111*** (0.026)	-0.115*** (0.02)	-0.115*** (0.026)	-0.111*** (0.027)	-0.111*** (0.027)
<b>Lower-middle income</b>	-0.100** (0.03)	-0.100*** (0.033)	-0.115*** (0.039)	-0.115*** (0.037)	-0.092** (0.038)	-0.092** (0.038)
<b>Labour market regulation index</b>	0.017 (0.013)	0.032** (0.013)	0.017 (0.011)	0.034** (0.013)	0.017 (0.011)	0.029** (0.013)
<b>Youth*labour market regulation index</b>		-0.028** (0.012)		-0.034*** (0.013)		-0.023* (0.013)
<b>Observations</b>	88	88	88	88	88	88
<b>R<sup>2</sup></b>	0.42	0.45	0.45	0.49	0.38	0.40

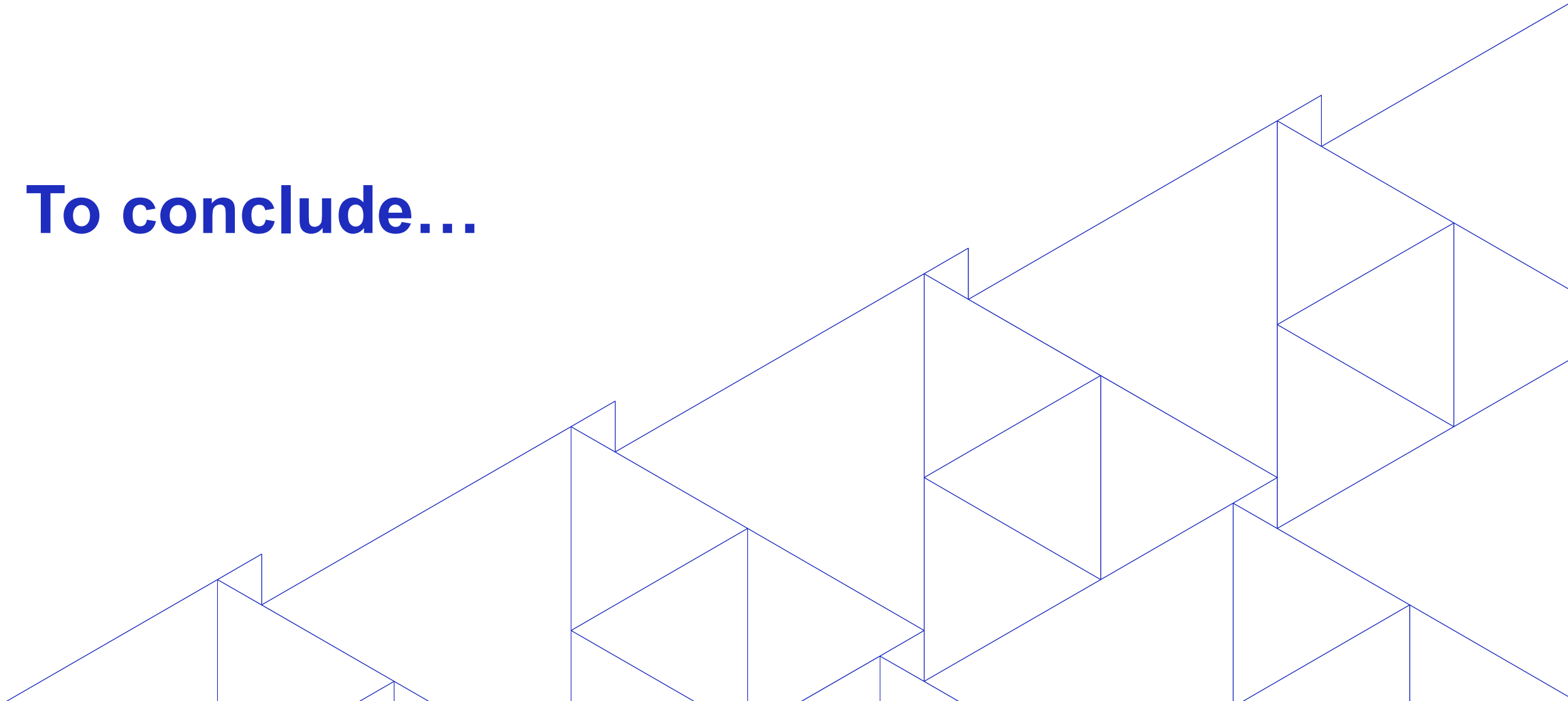
## ...GDP is more important for young people than adults,...

Variables	Total		Female		Male	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>GDP growth rate (2020)</b>	0.003 (0.004)	0.008* (0.004)	0.003 (0.004)	0.008* (0.076)	0.004 (0.004)	0.008* (0.004)
<b>Youth*GDP growth rate (2020)</b>	0.016*** (0.003)	0.008 (0.005)	0.019*** (0.003)	0.009* (0.009)	0.014*** (0.003)	0.007 (0.005)
<b>Income group (compared to high income)</b>						
<b>Upper-middle income</b>	-0.111*** (0.027)	-0.111*** (0.026)	-0.115*** (0.02)	-0.115*** (0.026)	-0.111*** (0.027)	-0.111*** (0.027)
<b>Lower-middle income</b>	-0.100** (0.03)	-0.100*** (0.033)	-0.115*** (0.039)	-0.115*** (0.037)	-0.092** (0.038)	-0.092** (0.038)
<b>Labour market regulation index</b>	0.017 (0.013)	0.032** (0.013)	0.017 (0.011)	0.034** (0.013)	0.017 (0.011)	0.029** (0.013)
<b>Youth*labour market regulation index</b>		-0.028** (0.012)		-0.034*** (0.013)		-0.023* (0.013)
<b>Observations</b>	88	88	88	88	88	88
<b>R<sup>2</sup></b>	0.42	0.45	0.45	0.49	0.38	0.40

## But this is explained by the (lack of) role of protective institutions

Variables	Total		Female		Male	
	(1)	(2)	(3)	(4)	(5)	(6)
<b>GDP growth rate (2020)</b>	0.003 (0.004)	0.008* (0.004)	0.003 (0.004)	0.008* (0.076)	0.004 (0.004)	0.008* (0.004)
<b>Youth*GDP growth rate (2020)</b>	0.016*** (0.003)	0.008 (0.005)	0.019*** (0.003)	0.009* (0.009)	0.014*** (0.003)	0.007 (0.005)
<b>Income group (compared to high income)</b>						
<b>Upper-middle income</b>	-0.111*** (0.027)	-0.111*** (0.026)	-0.115*** (0.02)	-0.115*** (0.026)	-0.111*** (0.027)	-0.111*** (0.027)
<b>Lower-middle income</b>	-0.100** (0.03)	-0.100*** (0.033)	-0.115*** (0.039)	-0.115*** (0.037)	-0.092** (0.038)	-0.092** (0.038)
<b>Labour market regulation index</b>	0.017 (0.013)	0.032** (0.013)	0.017 (0.011)	0.034** (0.013)	0.017 (0.011)	0.029** (0.013)
<b>Youth*labour market regulation index</b>		<b>-0.028** (0.012)</b>		<b>-0.034*** (0.013)</b>		<b>-0.023* (0.013)</b>
<b>Observations</b>	88	88	88	88	88	88
<b>R<sup>2</sup></b>	0.42	0.45	0.45	0.49	0.38	0.40

 **To conclude...**



## ▶ The preliminary results suggest...

- ▶ Young people – especially young women – were particularly severely affected by the economic impact of the COVID-19 pandemic
  - ▶ This in part depends on the fact that young people are always harder hit by recessions
  - ▶ But also, on the fact that protective labour market institutions did not protect young people
- ▶ Preliminary analysis
  - ▶ will add measures of crisis response and employment structure
  - ▶ Also further examine the destination of jobless youth