



International
Labour
Organization

METHODOLOGY FOR CONDUCTING YOUTH LABOUR MARKET ANALYSIS



METHODOLOGY FOR CONDUCTING YOUTH LABOUR MARKET ANALYSIS

ILO Decent Work Technical Support Team
and Country Office for Eastern Europe and Central Asia

Copyright © International Labour Organization 2017
First published 2017

Publications of the International Labour Office enjoy copyright under Protocol 2 of the Universal Copyright Convention. Nevertheless, short excerpts from them may be reproduced without authorization, on condition that the source is indicated. For rights of reproduction or translation, application should be made to ILO Publications (Rights and Licensing), International Labour Office, CH-1211 Geneva 22, Switzerland, or by email: rights@ilo.org. The International Labour Office welcomes such applications.

Libraries, institutions and other users registered with reproduction rights organizations may make copies in accordance with the licences issued to them for this purpose. Visit www.ifro.org to find the reproduction rights organization in your country.

Methodology for Conducting Youth Labour Market Analysis; ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia. – Moscow: ILO, 2017

124 p.

ISBN: 978-92-2-119807-9 (print); 978-92-2-119808-6 (web pdf)

ILO Cataloguing in Publication Data

The designations employed in ILO publications, which are in conformity with United Nations practice, and the presentation of material therein do not imply the expression of any opinion whatsoever on the part of the International Labour Office concerning the legal status of any country, area or territory or of its authorities, or concerning the delimitation of its frontiers.

The responsibility for opinions expressed in signed articles, studies and other contributions rests solely with their authors, and publication does not constitute an endorsement by the International Labour Office of the opinions expressed in them.

Reference to names of firms and commercial products and processes does not imply their endorsement by the International Labour Office, and any failure to mention a particular firm, commercial product or process is not a sign of disapproval.

ILO publications and electronic products can be obtained through major booksellers or ILO local offices in many countries, or direct from ILO Publications, International Labour Office, CH-1211 Geneva 22, Switzerland. Catalogues or lists of new publications are available free of charge from the above address, or by email: ilo@turpin-distribution.com.

Visit our website: www.ilo.org/publns or contact ilopubs@ilo.org.

Printed in Russia

ACKNOWLEDGEMENTS

The ILO, addressing the persistent youth employment crisis, has called upon robust actions based on broad partnerships and innovative mechanisms of policy formulating and multiplication of efforts. As a significant step in this direction, and with reference to recently adopted guiding documents¹, the ILO is issuing report aimed at supporting its constituents in tackling youth employment challenge through a coherent and sound approach to macroeconomic policies, employment, skills development and other relevant issues.

Such approach is suggested to be fostered through a mechanism of voluntary peer reviews on youth employment policies, which serves as an arena for mutual learning and elaboration of policy tools and recommendations with reference to good practices.

The publication provides guidelines on youth labour market analysis (how to analyse) and can be used as a separate report or together with the Toolkit for conducting voluntary peer reviews on youth employment policies and the report Towards Policies Tackling the Current Youth Employment Challenges in Eastern Europe and Central Asia.

The publication has been inspired and nourished by the practical experience of a comprehensive peer review process organized within the frames of the ILO Project “Partnerships for Youth Employment in the Commonwealth of Independent States (YEP CIS)”. The project has been implemented by the ILO Decent Work Team and Country Office for Eastern Europe and Central Asia, with financial support of LUKOIL company.

The peer review process involved constituents representing nine countries from Eastern Europe and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan. This publication has been ameliorated by original and eloquent inputs by all participating countries, which through the whole process validated the content, checking it against their concrete experiences of policy making and adequate policy change.

ILO Decent Work Technical Support Team and Country Office for Eastern Europe and Central Asia (ILO Moscow) gave overall impetus and coordinated the preparation of this publication. The gratitude is expressed to Gianni Rosas, ILO Rome, Olga Koulaeva and Mikhail Pouchkin, ILO Moscow, for overall supervision of the process and provision of valuable inputs.

¹ See resolution and conclusions of the 101st session of the International Labour Conference, Geneva (2012), “The youth employment crisis: A call for action”, p.3 (www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_185950.pdf), and ILC (2014), “Resolution concerning the second recurrent discussion on employment”, p.6. www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_249800.pdf

The report is developed with the technical support of the Employment Policy Department of the ILO.

Support from the ILO Regional Office for Europe on promotion of the voluntary peer review mechanism is highly appreciated.

Development of the report would not become possible without collaborative actions and support of the team of the ILO technical cooperation project “Partnerships for Youth Employment in the CIS”.

Special thanks go to the international expert – Valli Corbanese for writing substantial parts of the publication, providing the insights and sharing the experience.

TABLE OF CONTENTS

Acknowledgements	3
Introduction	9

SECTION 1: ECONOMIC AND SOCIAL CONTEXT **11**

1.1 Macroeconomic trends	14
1.2 Poverty and social exclusion	19

Annex 1 - Examples of data analysis	
A 1.1 The relationship between economic growth and employment	24
A 1.2 Analysis of public revenues by item	25

SECTION 2: THE YOUTH LABOUR MARKET **27**

2.1 Demographic trends	32
2.2 Trends in education	34
2.3 The youth labour market	35
2.3.1 Youth labour force participation	36
2.3.2 Youth employment	38
2.3.2.1 Youth employment-to-population ratio	38
2.3.2.2 Structure of youth employment	40
2.3.3 Youth unemployment	44
2.3.4 Youth inactivity and discouragement	48
2.4 School-to-work transition	49
2.5 Wages and other conditions of work	50
2.6 Conclusions and key challenges	52

Annex 2 - Examples of data analysis	
Annex 2.1 Main youth labour market indicators	56
Box A 2.1 Analysis of educational attainment figures	57
Box A 2.2 Education and occupation mismatch	58
Box A 2.3 Informal employment	60
Box A 2.4 Young people not in employment, education or training (NEET)	62
Box A 2.5 Youth transition from school to work	63
Box A 2.6 Youth wages and low paid-work	64

SECTION 3:	67
YOUTH EMPLOYMENT POLICIES AND PROGRAMMES	
3.1 Macroeconomic and sectoral policies	72
3.2 Education and training policies	75
3.3 Labour market policies and institutions	79
3.3.1 Wage policy	80
3.3.2 Employment protection legislation	81
3.3.3 Passive labour market policies	83
3.3.4 Active labour market policies for youth	86
3.3.4.1 The Public Employment Service (PES)	86
3.3.4.2 Active labour market programmes targeting youth	91
Annex 3 - Examples of data analysis	
Box A 3.1 Barriers to private sector development	107
Box A 3.2 National education and training system outlook	108
Box A 3.3 Does the tax wedge play a role in determining poor youth employment outcomes?	110
Box A 3.4 Employment protection legislation (EPL) and youth employment	111
Annex 3.1 Policy assessment grid	114
Annex 3.2 Analytical framework for the assessment of the Public Employment Service	115
Annex 3.3 Tiered service delivery	124

LIST OF BOXES

Box 1.1 Analysis of key macroeconomic indicators and trends	16
Box 1.2 Poverty profile	20
Box 2.1 Population estimates and projections	32
Box 2.2 Youth labour force participation	36
Box 2.3 Youth employment-to-population ratios	39
Box 2.4 Structure of youth employment	41
Box 2.5 Youth unemployment rates	44
Box 3.1 Fiscal policies and youth employment:	
Lessons learnt during the global economic crisis	72
Box 3.2 Quality of educational outcomes	76
Box 3.3 Passive labour market policies targeting youth and activation strategies	84
Box 3.4 Is the Public Employment Service effective in easing the transition to work?	87
Box 3.5 Training targeting youth: What is the evidence?	92
Box 3.6 Job subsidies for youth: country experiences	95
Box 3.7 Is self-employment assistance effective for young people?	98
Box 3.8 Effectiveness of multi-component programmes targeting youth	99
Box 3.9 Youth guarantees	101

INTRODUCTION

The Toolkit for Conducting Voluntary Peer Reviews on Youth Employment Policies aims to guide countries participating in a peer review through the process of collecting and analyzing information on youth employment for mutual learning and policy advancement purposes. It was designed under the aegis of the International Labour Office (ILO) 'multi-country youth employment network' that covers nine countries in Eastern Europe and Central Asia: Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, the Russian Federation, Tajikistan, Turkmenistan and Uzbekistan.

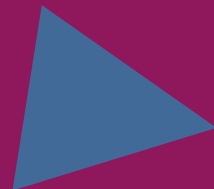
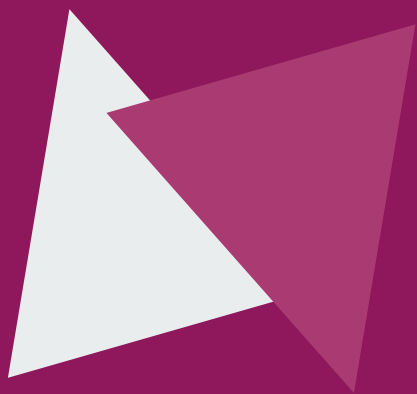
Labour market analysis is an integral part of the peer review process. In this regard, the publication aims at supporting countries to: (i) screen recent economic and social developments; (ii) analyze key statistical data on the youth labour market; and (iii) assess the policies and programmes that affect youth employment at country level.

This publication provides advice to the countries on how to analyze available information about the labour market and draw policy conclusions and recommendations. Section 1 offers guidance on the collection and analysis of information on recent economic and social trends, with a view to providing context to the youth labour market analysis. Section 2 is aimed at helping a country to review available labour market data and identify the most pressing youth employment challenges. Section 3 concludes and provides the analytical framework to assess the policies and programmes that affect youth employment at country level.

Each Section of this publication contains practical examples, checklists, tips and references to additional resources that countries may use to enrich their analysis.

SECTION 1:

ECONOMIC AND SOCIAL CONTEXT



SECTION 1: ECONOMIC AND SOCIAL CONTEXT

The first Chapter of Labour market analysis summarizes the key economic and social developments of the country in the recent past (5–10 years) with a view to providing context to the youth labour market analysis. This Chapter analyzes key macroeconomic indicators and poverty figures, identifies the main drivers of economic growth, and the key challenges the country is facing in terms of sustainable and inclusive growth (see the Annexes 1–3 of the Toolkit for Conducting Voluntary Peer Reviews on Youth Employment Policies).



SOURCES OF INFORMATION FOR CHAPTER 1 OF THE ANALYSIS

All the information needed for this Chapter can be provided by:

- National Statistical Offices: main macroeconomic figures; statistical yearbook, statistical pocketbook, living standards reports and figures;
- National Ministry of Economy and/or Finance: mid-term macroeconomic frameworks, annual reports, statistics by theme;
- National Bank: quarterly bulletins and annual reports.

As far as possible, authors should use the information provided by the national authorities. To benchmark national trends, the figures can be compared with regional aggregates. International finance organizations maintain a number of databases that can be useful to this end:

- IMF: Article IV consultations, thematic reports; World Economic Outlook; data by country (<http://www.imf.org/external/index.htm>);
- World Bank: socio-economic data by country; economic memorandum, expenditure reviews; thematic reports and publications (<http://web.worldbank.org/>). The World Bank also maintains an extensive database of poverty and equity information by country and regional grouping (<http://data.worldbank.org/topic/poverty>);
- ILO: Key Indicators of the Labour Market by country (<http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm>).

SECTION 1.1 MACROECONOMIC TRENDS

A complex mix of demographic, economic, institutional and individual factors influences the success or failure of young people to find and maintain decent work at country level. One of the most important determinants of youth employment is the strength of the economy as a whole, i.e. the overall level of aggregate demand, measured by changes of Gross Domestic Product (GDP). There is a clear and negative relationship in the short run between GDP and unemployment, and especially so for young people. This is why youth unemployment rates are considerably more sensitive to changes in GDP growth compared to adults' rates. Governments can influence the functioning of the economy – which in turn has an effect on youth employment outcomes – by taking decision on government expenditures and taxation (fiscal policies); the setting of interest rates and influencing of the exchange rate (monetary policy); and the exchange of goods and services with other countries (trade policy).

Given the importance of economic growth for youth employment and the role that government policies play in influencing its trends, Chapter 1 examines the most important trends that have shaped/are shaping labour demand. The analysis focuses on three main items: (i) economic growth (measured in terms of GDP changes) and its components; (ii) the fiscal stance of the country; and (iii) the role of the private sector in generating growth and employment. Information is presented for the last few years or from a recognized break in the development path of the country.² The analysis of macroeconomic trends can be used for the design and review of a number of national policies (such as employment, education and training, private sector development and poverty reduction), but also as a background for discussing economic reforms that will affect employment and living standards.

Usually the information available on these topics is quite wide-ranging. The role of the authors of the analysis is to provide an analytical (rather than descriptive) summary, focused on those topics that most determine youth employment outcomes.

The analysis of **GDP growth patterns** and development trends of the key **components of aggregate demand** over time, namely consumption (private and public), investment and net exports (the difference between import and export) serves to understand how changes (positive and negative) influence the demand for labour and youth employment outcomes.

The review focuses on the causes of GDP volatility, the factors that are driving domestic growth and the potential exposure of the country's economy to domestic and external shocks, with a view to assess whether the current development path of the country can be sustained in the long term. For example, an economy that expands due to

² For many countries, a recent recognized break is the global economic and financial crisis of 2008–2009.

increasing levels of public consumption is likely to face increasing budget deficits (i.e. public expenditures that exceed revenues). This will eventually require an adjustment (cut in expenditures or increases in taxes or both) to avoid incurring high levels of public debt and interest payment. Policies to reduce the budget deficit, in turn, will influence negatively aggregate demand and, therefore, job creation. An economy that expands thanks to raising exports is more vulnerable to external shocks (a contraction of demand in the economies of trading partners). This is for instance what happened at the beginning of the global economic crisis of 2008–09, with economies that relied on exports to European and North American markets more affected by the economic slowdown than other countries.

The **government budget balance** (deficit/surplus) is analyzed in terms of changes in public revenues and expenditures to determine which policies are prioritized and what **fiscal stance** (expansionary/contractionary) is taken (or likely to be taken). Changes in government expenditures, direct and indirect taxes and the budget balance are instruments that can be used by governments counter-cyclically to influence GDP growth, aggregate demand and employment. For example, most countries in the world introduced expansionary fiscal policies (increasing spending and/or reducing taxes) to mitigate the impact of the 2008 global economic crisis. In some countries, this caused sharp increases in the level of public debt incurred to finance raising government deficits. To reduce the deficit and get public debt under control, many countries adopted a contractionary fiscal stance (decreasing expenditures and/or raising taxes), which caused a contraction of aggregate demand and increasing levels of unemployment, especially among young people.

Monetary policy comprises the actions implemented by the national monetary authority on **money supply** and **interest rates** to maintain price stability (i.e. to control inflation), support economic growth and promote employment. The main tool used is the official interest rate, i.e. the price at which the central bank lends money to the banking system. When interest rates are reduced, enterprises invest more and private consumption expands, increasing the demand for workers and materials for production. This has a positive effect on the labour market with increasing employment and declining unemployment. Conversely, an increase of interest rates (mostly done to reduce inflation) has a negative impact on consumer demand and investment spending, which affects negatively economic growth and employment.

The review of **inflation trends** (i.e. the annual percentage change of prices) is important as high inflation erodes profits and wages, raises uncertainty and discourages investments. But deflation (negative price increases) is equally damaging to an economy as it may lead the private sector to reduce production and investment, which in turn causes lower labour demand and decreasing wages.

The **balance of payments** (the difference between exports and imports, as well as inflow/outflow of direct investments) provides insights in the country's external position and the exposure to external shocks (drop in international trade, or a contraction of demand in main exporting countries).

The analysis of all the above mentioned macroeconomic indicators and their trends over time can be framed around a statistical table that summarizes available data, as shown in Box 1.1.



BOX 1.1 ANALYSIS OF KEY MACROECONOMIC INDICATORS AND TRENDS

The table below offers a snapshot of the country's economic performance over the last seven years. The figures – published by the national statistical office – provide ground for a number of observations, which will need to be linked to the analysis of the labour market to be carried out in Chapter 2.

KEY MACROECONOMIC INDICATORS AND PROJECTIONS, (T1–T7)

	T1	T2	T3	T4	T5	T6	T7
1 Real GDP growth (% change)	1.3	0.5	-2.4	-8.7	-3.9	1.1	1.9
2 Domestic demand (% change)	1.9	-1.6	-5.5	-13.9	-5.9	1.0	2.1
<i>Private consumption</i>	1.5	0.5	-3.0	-12.3	-5.6	1.6	2.9
<i>Public consumption</i>	1.0	-0.3	-1.7	-8.9	-3.7	-1.7	-1.3
3 Fixed investment (% change)	-4.9	-13.1	-23.0	-29.5	-12.0	2.3	3.5
4 Export of goods and services (% change)	3.8	4.4	2.3	-5.0	-2.5	1.7	2.7
Import of goods and services (% change)	4.8	-0.7	-7.2	-16	-6.5	1.7	3.3
5 General government balance (% GDP)	-5.3	-6.3	-5.6	-5.9	-7.7	-5.6	-2.4
<i>Revenue</i>	40.9	39.8	40.1	40.6	39.0	39.8	41.2
<i>Expenditure</i>	46.2	46.1	45.7	46.6	46.7	45.4	43.6
6 General government debt (% GDP)	61.3	71.1	86.2	109.1	123.3	125.7	121.7
7 Current account balance (% GDP)	-9.8	-4.7	-11.7	-2.0	-0.6	-0.5	-1.0
<i>Goods balance</i>	-26.8	-24.2	-21.5	-19.8	-19.4	-19.7	-20.1
<i>Services balance</i>	20.6	19.9	19.0	22.2	23.3	23.5	23.5

Sources:
National Statistical Office, National accounts statistics.

- The country suffered a deep economic crisis in the period T3–T5, characterized by plummeting domestic demand and contracting fixed investment (items 1–3 in the table). The impact of such crisis on employment is likely to have been significant, since both private households and the public sector reduced considerably their demand for goods and services. Two issues need to be explored further: i) what caused the economic crisis (in this example, the crisis was imported through the trade channel, as national growth relied on exports); and ii) which economic sectors (agriculture, manufacturing, services) were affected the most (to be related to changes in youth employment by economic sector).
- Public finances deteriorated markedly in T1 and T2 (compared to the previous period) as a result of GDP decline, increased public expenditure and a fall in tax revenues (item 5 in the table). The budget deficit was covered by borrowing (this can be seen in the increasing public debt since T4, item 6 in the table). This rapidly worsening situation led the country to fiscal consolidation (this can be determined by the fact that despite declining GDP public expenditures did not increase substantially to support aggregate demand). The fact that revenues remained at 40 per cent of GDP in the period T2–T4 points to stagnating profits and personal incomes. The government balance in T5 and its decline in T6 indicate that the government continued in its fiscal consolidation pathways, which likely caused a contraction of labour demand, with negative effects on employment and job creation. If the youth labour market in the country is more sensitive to economic growth (as is the case in many countries), this situation is likely to have determined high youth unemployment rates and declining youth employment.
- The external position of the country (item 7 in the table) shows that the country is losing ground in the exports of goods, which is only partially compensated by the positive balance of the service sector. This means that the production of goods – besides declining domestic demand – is also negatively affected by lower export demand. The negative balance of goods may indicate that the country is losing competitiveness (i.e. enterprises have difficulties in competing in the international markets and this causes lower growth and labour demand).

An item that warrants special attention is the **capacity of the economy to create employment**. Such capacity can be assessed by comparing annual GDP growth against annual changes in the employment-to-population ratio (also called the employment rate). The plotting of the relative changes in a statistical graph shows whether this relationship is strong (with employment growing when GDP increases) or weak (employment is only partially affected by economic growth, i.e. the country is on a jobless growth path). An example of how to analyze the relationship between GDP and employment growth is appended at the end of this Section (Annex 1.1).

The **composition of taxes**, on personal and corporate income and labour, as well as their degree of progressivity (i.e. whether higher incomes determine higher tax rates), provide a number of insights on the business environment, income policies and employment creation efforts of a country. For example, if the revenues from personal income and corporate taxes decline, this may signal a contraction of aggregate demand with a negative impact on job creation (see example A 1.2 in the Annex).

An analysis of the private sector, economic situation of enterprises (both public and private) of different size (large, medium, small and micro enterprises) and their capacity to create jobs should be conducted. Here it is sufficient to analyze the main indicators – e.g. the percentage of privately and publicly-owned enterprises, contribution of the private and public sectors to GDP and to employment (percentage of workers employed). The role played by small and medium-sized enterprises (SMEs) in generating value added and employment should also be documented, if data are available.

The first chapter of the analysis concludes with a short summary of the main economic challenges the country will face in the short to medium term and their likely impact on employment and youth employment. These conclusions will be further elaborated in the following chapters, which discuss economic and social policies.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of the key macroeconomic and poverty indicators and offer guidance on how to analyze them.

Matsumoto M., Hengge M., Islam I., *Tackling the youth employment crisis: A macroeconomic perspective*. Employment Working Paper Number 124. ILO, Geneva 2012.

This working paper reviews the impact of the global economic and financial crisis – and the fiscal austerity policies that followed – on youth employment. Specifically, it examines the labour market impact of fiscal and exchange rate policies.

Islam I., Kucera D., (eds) *Beyond macroeconomic stability: Structural transformation and inclusive development*. Pelgrave Macmillan Publishing, London 2013.

This book explores the link between structural transformation and inclusive development. The first part addresses the limits of conventional macroeconomics, exploring the rationale for fiscal consolidation and single-digit inflation targeting. The second part reviews structural transformation, the development of capabilities and the role of investment in infrastructure. The last part deals with inequality, the relative wage share and their macroeconomic consequences.

SECTION 1.2 POVERTY AND SOCIAL EXCLUSION

This section of the Labour market analysis focuses on the **poverty profile** of the country (the share of the population that is poor and the most affected groups). Particular attention needs to be placed on the relationship between poverty and individual characteristics such as age, sex, level of education and labour market status (employed, unemployed and inactive), to understand, which population groups are the most affected; and on the linkages between poverty trends and economic growth to assess whether development gains are shared across populations groups. If available, figures on the working poor (i.e. the proportion of employed persons earning a wage below the nationally-established poverty line) should be examined. This information will be further elaborated in the section analyzing wages and other conditions of work.

The analysis of poverty indicators and their trends over time can be shaped around a statistical table or figure that summarizes available data, as shown in Box 1.2 below.

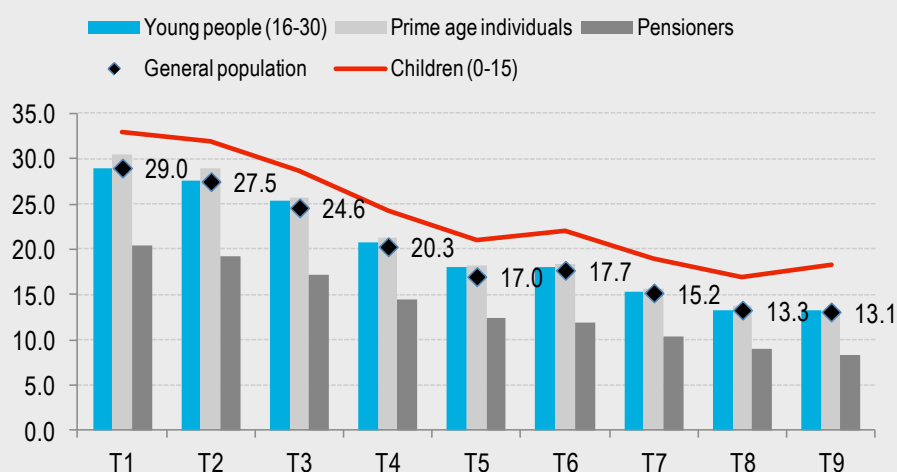


BOX 1.2 POVERTY PROFILE

Most countries collect figures on poverty either as part of established national surveys (such as the Household Budget Survey) or through ad hoc surveys (for example the Living Standards Measurement Study). European countries have a common framework for the collection of comparable figures on poverty and social exclusion (Survey on Income and Living Conditions, SILC). These surveys typically provide data on absolute and relative poverty, poverty rates over time and the groups of the population more exposed to poverty risks.

The graph below, for example, shows that the country experienced a sensible reduction of poverty (from 29 per cent of the population in T1 to 13.1 per cent in T9). This may be the result of increasing economic growth and improving employment prospects, more effective social protection policies or a combination of both. The fact that poverty among pensioners declined the most points to higher pension outlays (which indicates a social protection reform), while the decline of poverty among working age individuals (youth and adults alike) points to an improvement in labour market outcomes (increasing employment, declining unemployment, higher wages). These assumptions should be tested against the factors most likely to reduce the risk of poverty (such as labour market status, higher levels of educational attainment, rural/urban settlement) and labour market trends in the same period.

POVERTY PROFILE, T1–T9, PER CENT



Sources:

National Statistical Office, National poverty statistics or Household Budget Surveys.

ADDITIONAL RESOURCES

ILO, Youth labour market analysis: *A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

This training material (available also in Russian language) provides guidance on the data required and how they may be analysed for the assessment of youth employment at national level. Module 6, specifically, offers the definition, calculation methods and examples of working poverty.



Before finalizing this section of the Labour market analyses the country should check that:

(i) all relevant information on economic and social trends has been analyzed (see the checklist provided below);

(ii) the main economic and social developments observed are referenced to the analysis conducted on the youth labour market; and

(iii) the review of policies includes an assessment of the policy actions deployed to address the key challenges identified in the Chapter 1 of the Labour market analysis. For instance, in a country where poverty is more pronounced in rural areas, among youth and unemployed individuals, one would expect the country to have policies focused on increasing the productivity of agriculture and on the promotion of off-farm activities as well as a portfolio of interventions to increase employment generally and youth employment specifically.

The information provided by the country should be benchmarked against national policies to understand whether:

(i) national policies are likely to have an effect on the challenges to be addressed;

(ii) economic and social policies are coherent (i.e. they are pursuing the same goals) and coordinated (i.e. all actors involved are proactively pursuing results that are aligned to national goals); and

(iii) the resources put at disposition actually reflect the extent of the challenges to be addressed. For example, if the employment policy of the country has the objective to generate more and better jobs for young people, this should be reflected in a fiscal policy that prioritizes public investment, supports aggregate demand and provides additional resources to education, labour market and social protection policies. If in the country working poverty is widespread, one would expect this to be reflected in wage policies (especially in the statutory minimum wage) as well as in education and training policies (to increase productivity of the workforce).



TIPS FOR REVIEWING:

- Chapter 1 of the Labour market analysis serves as background information and sets the stage for the analysis of the labour market and of policies that follows;
- It is important to understand: (i) the economic growth patterns of the country, and what has been driving increases/decreases of GDP; (ii) how the economic and sectoral policies of the government succeeded/failed in steering economic development; (iii) the role the private and the public sectors played/are playing in generating growth and jobs; and (iv) how poverty changed over time; what are the factors that contributed to poverty changes; and which are the population groups more exposed to poverty risk.

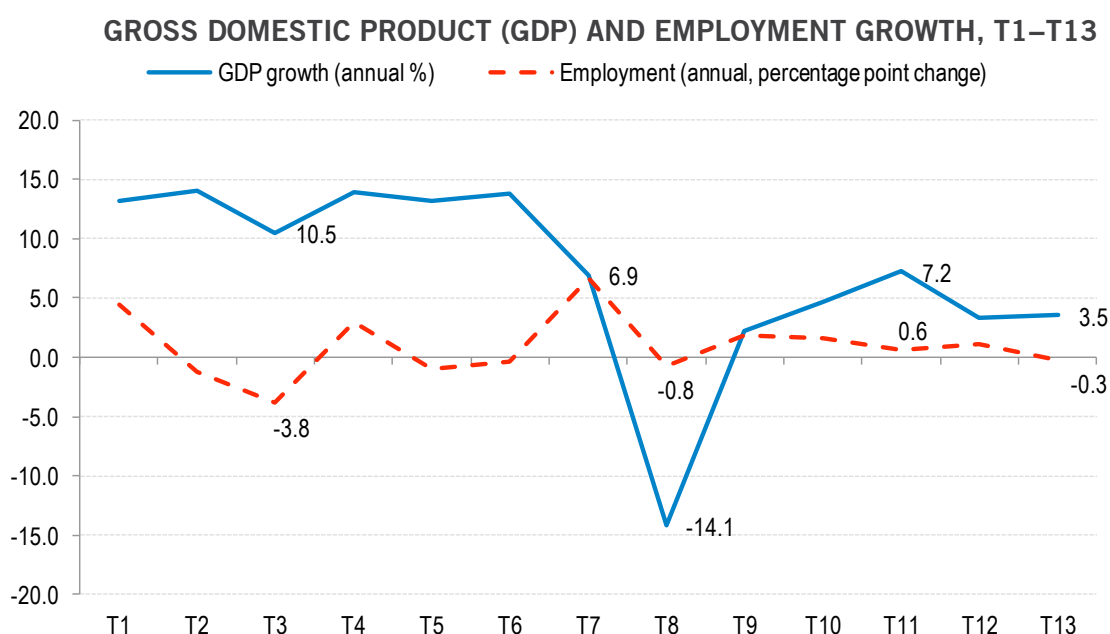
CHECKLIST: CHAPTER 1 OF THE LABOUR MARKET ANALYSIS

1. Does Chapter 1 provide information on gross domestic product changes over time? ☐
2. Is there an analysis of the factors that have affected economic growth patterns in recent years (consumption, net export, investment)? ☐
3. Is there a review of the relationship between economic and employment growth over time? ☐
4. Is the Chapter offering insights on the economic and fiscal policy trends of the last few years (budget balance, public debt, fiscal stance) and their effect on growth and employment? ☐
5. Does Chapter 1 review inflation developments and the actions introduced to affect price changes? ☐
6. Is the composition of tax revenue (personal and corporate taxes, excise duties, social security contributions) examined? ☐
7. Is there information on the external position of the country (import, export, foreign direct investment)? ☐
8. Were the trends on the contribution of the main economic sectors to GDP growth and employment reviewed? ☐
9. Is Chapter 1 providing figures on small and medium sized enterprises and their role in overall job creation? ☐
10. Is there an analysis of poverty/social exclusion trends over time and how these relate to economic growth and labour market status? ☐
11. Are the population groups most at risk of poverty or social exclusion identified? ☐
12. Does the Chapter provide a summary of the main economic and social challenges the country will have to face in the near future and their impact on employment prospects? ☐
13. Are the sources of information presented in the first Chapter clearly identified and referred to? ☐

ANNEX 1 - EXAMPLES OF DATA ANALYSIS

A 1.1 THE RELATIONSHIP BETWEEN ECONOMIC GROWTH AND EMPLOYMENT

The figure below plots the changes in GDP growth (figures available in the national accounts statistics) against the changes in the employment-to-population ratio (the data derived from national Labour Force Surveys). This type of graph is used to understand whether there is a direct and positive relationship between GDP and employment growth or not (i.e. whether the national economy is characterized by jobless growth).



Sources:

National Statistical Office, National accounts statistics, various years; Labour Force Survey, various years.

The figure above, for instance, shows the limited impact of relatively high annual GDP growth rates on employment till T7. The employment growth recorded in T4 (2.5 per cent year on) for instance, occurred in the presence of an annual GDP growth of about 14 per cent. This may indicate a labour market characterized by large labour supply that the economy has difficulty to absorb; or that growth is occurring in sectors with low labour demand (for example high technology industries).

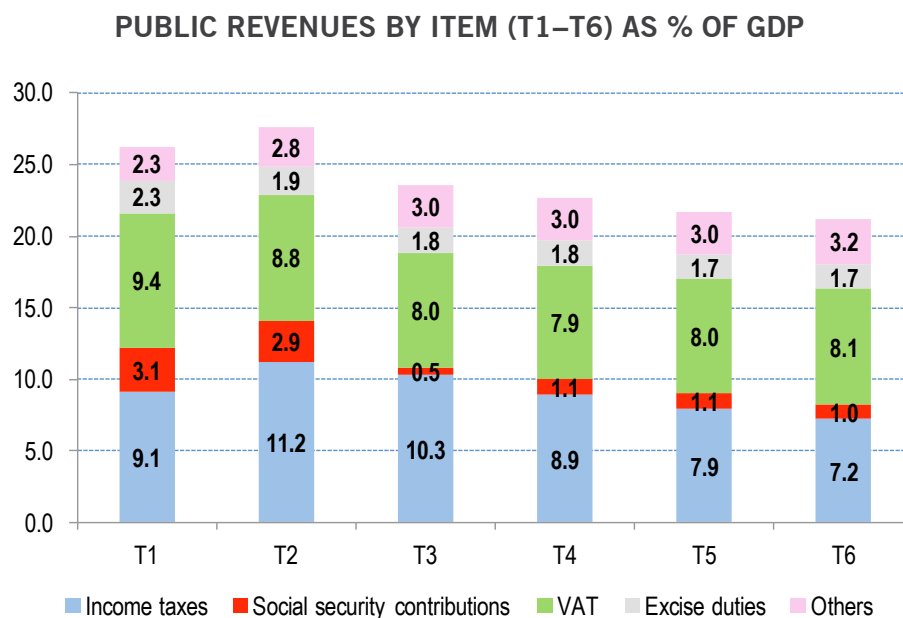
The situation changed to an extent in T8, when the country experienced a sharp contraction of economic growth that affected employment as well, but not as strongly. Economic growth rebounded quickly, but the recovery of employment was much more modest.

Two main conclusions can be drawn from this graph, namely: i) the country needs to achieve a high level of economic growth to improve employment outcomes, and ii) economic growth needs to be made more employment-friendly.

A 1.2 ANALYSIS OF PUBLIC REVENUES BY ITEM

The disaggregation of public revenues by item (corporate and income taxes, value added tax (VAT) and social security contributions) can offer a number of insights on the economy as a whole and on the labour market. These figures are typically published by the Ministry of Finance on an annual basis.

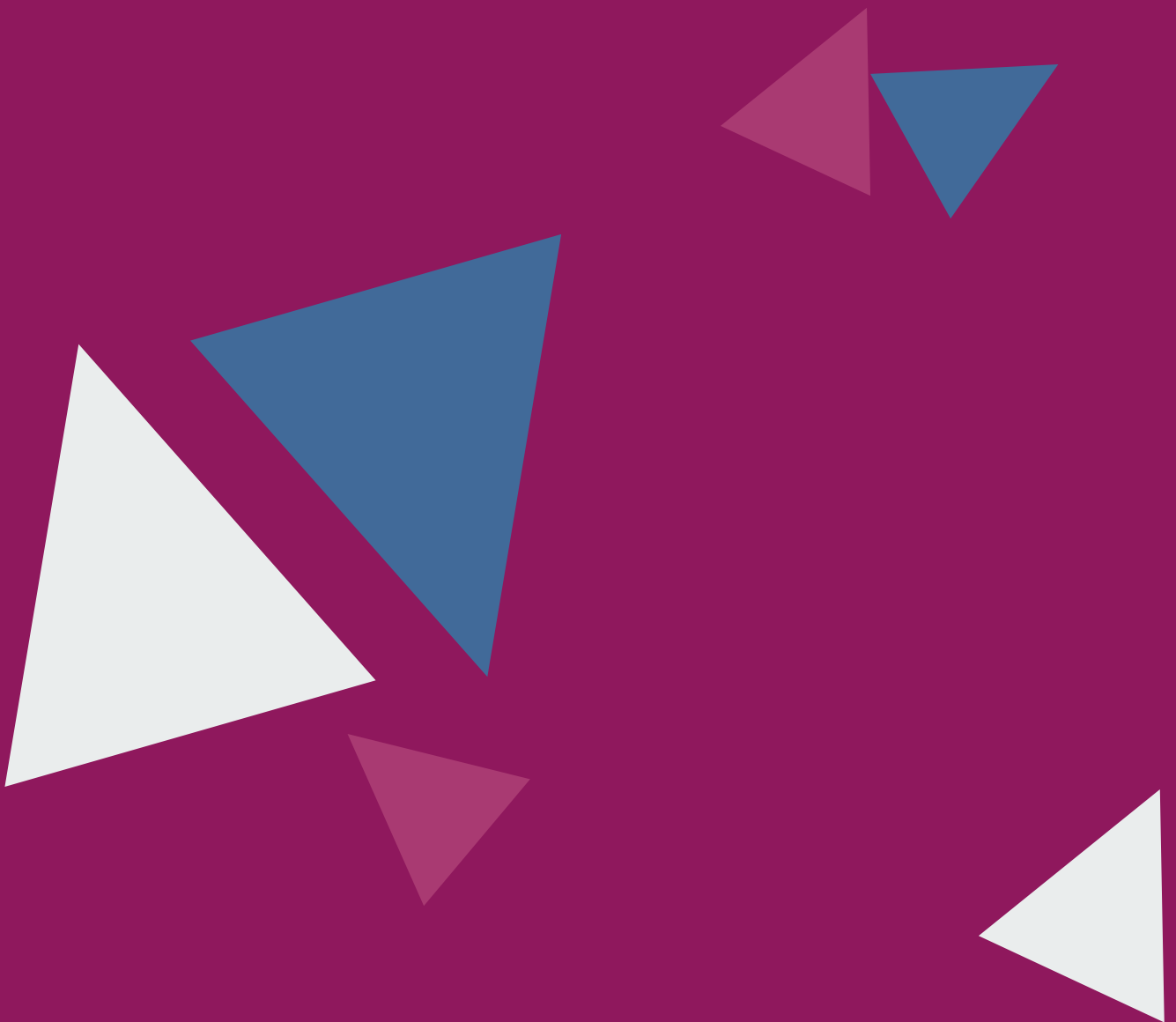
The figure below, for example, shows that revenues from income taxes and VAT have been declining in the country since T3. The fact that both the revenues stemming from income taxes and the sale of goods (VAT and excise taxes) decreased, signals lower production and consumption, which both have negative effects on employment.



Sources:
National Ministry of Finance.

A worrisome aspect of the figures is a lowering share of social security contributions. This may be due to several reasons: a decline in formal employment (which may be reflected in higher unemployment rates and/or higher informal employment, or a lowering of social security contribution rates (to promote job creation). Together with lower consumption (lower VAT revenue), these figures may indicate a worsening labour market.

SECTION 2: THE YOUTH LABOUR MARKET



SECTION 2: THE YOUTH LABOUR MARKET

The second Chapter of the country's Labour market analyses reviews the youth labour market to appraise the employment performance of youth (from 15 to 24 or 29 years old, according to the national definition) over time. The Section is introduced by a summary of demographic trends (section 2.1) and educational attainment of the population (section 2.2). It then examines key youth labour market indicators – i.e. labour force participation, employment, unemployment and inactivity (section 2.3), school to work transition paths (section 2.4), and wages and other conditions of work (section 2.5). The analysis concludes with a summary of the most pressing youth employment challenges in the country (section 2.6).

Given the extent of information to be provided countries are advised to follow a number of steps in preparing the Chapter 2 of the analysis.

- 1. Collect and analyze all available indicators** of the youth labour market, looking not only at rates, but also at changes in the numbers of young people in particular situations. For instance, the youth unemployment rate may be relatively high, but the overall number of unemployed youth is declining over time due to lower youth labour force participation levels.
- 2. Analyze the trends of different indicators against each other**, to get a better understanding of the reasons behind changes (for guidance see *Guidelines on reviews of policies for youth employment* and *Youth labour market analysis: A training package on youth labour market information*). For example, the youth employment-to-population ratio is increasing over time, but when looking at employment by sector and by type of contract, young people are mostly engaged as self-employed in agriculture, or as seasonal workers or in the informal economy. This means that the quantity of employment is rising, but the quality of jobs is still problematic. Another example relates to increasing inactivity rates among youth. This may actually be a positive development, if inactivity is due to higher youth participation in education and training.

3. Draft a preliminary version of Chapter 2, which looks closely at indicators' trends and explain why they are changing over time.

Benchmark what is observed in the labour market against main economic and social trends (Section 1), as well as the policies the Government introduced in the period under consideration (Section 3). This will provide additional insights into the factors that are shaping youth labour market developments. This type of analysis can be used by the country for a number of purposes. If regularly updated, it can provide a useful source of labour market information for policy and programme design.

4. Review the content and analysis of Chapter 2 to draw conclusions.

Once there is a full understanding of what is happening in the youth labour market, it becomes easier to focus on those issues that are most important and present them in a synthetic manner (see Section 2.6). If necessary, additional statistical tables and figures can be appended in an annex.

Labour market analysis serves to examine the extent to which policies have influenced/are influencing youth employment prospects.



SOURCES OF INFORMATION FOR CHAPTER 2 OF THE ANALYSIS

The main source of information for Chapter 2 is the National Statistical Office, which regularly publishes survey-based and administrative data on population trends, education, employment and wages.

Section 1: Demographic trends

- National Statistical Office: population figures, census, statistical yearbook, statistical pocketbook.
- United Nations: Population estimates and projections (http://esa.un.org/wpp/unpp/panel_indicators.htm). This database builds on national census figures and projects population developments by broad age group.

Section 2: Trends in education

- National Statistical Office: education figures; census, statistical yearbook, statistical pocketbook, annual or quarterly labour force surveys.
- UNESCO, Institute for Statistics: education figures by country (http://stats.uis.unesco.org/unesco/TableView/document.aspx?ReportId=198&IF_Language=eng). This database, besides providing national figures on literacy and educational attainment, also present data on the flows of tertiary students abroad (<http://www.uis.unesco.org/Education/Pages/international-student-flow-viz.aspx>).
- World Bank: education data (<http://data.worldbank.org/topic/education>).

Section 3: The youth labour market

The main sources of labour market figures are national Labour Force Surveys, other household based surveys and administrative records on labour collected and published by National Statistical Offices.

- National Statistical Office: labour force surveys or other household-based surveys where the labour market status of respondents is detected (for instance, living standards measurement surveys). National Statistical Offices also publish administrative data on registered employment and unemployment.
- International Labour Organization (ILO): it maintains a number of databases on employment and conditions of work. The main databases to check are the Key Indicators of the Labour Market (KILM) (<http://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm>); and ILOSTAT, which provides information on informal employment, underemployment, earnings, occupational injuries and on other labour-related subjects (<http://www.ilo.org/ilostat/>).
- ILO: the *Employment Policy Department and the Youth Employment Programme* carry out labour market diagnostics at national and regional levels. Even when dated, these publications can offer insights on the functioning of national and regional labour markets.
- World Bank: Labour market assessments were conducted in a number of countries (see World Bank information by country and by region). Even if these assessments are dated, they can offer useful insights into employment and youth employment.

Section 4: School-to-work transition

Data on the school-to-work transition is typically collected by National Statistical Offices either through ad hoc surveys or through Labour Force Surveys, when these latter have a special panel design. The ILO provided support to a number of countries in conducting this type of surveys (see <http://www.ilo.org/employment/areas/youth-employment/work-for-youth/publications/lang--en/index.htm>), while the World Bank reviewed available data in a number of regions (see <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTEDUCATION/0,,contentMDK:21725080~menuPK:4995933~pagePK:148956~piPK:216618~theSitePK:282386~isCURL:Y,00.html>).

Section 5: Wages and other conditions of work

- National Statistical Office: data on wages and earnings, Labour Force Surveys for hours of work and sometimes wages; household budget surveys.
- ILO: The information on wages and earnings used for the Global wage report is available online at <https://www.ilo.org/ilostat/>

SECTION 2.1 DEMOGRAPHIC TRENDS

This section of Chapter 2 of the analysis examines population developments by age group over the last 20 years, as well as population projections for the next decades. This serves to:

- i) estimate the size of future labour supply and the approximate number of jobs the economy needs to create to absorb new labour market entrants;
- ii) assess the implications of increases/decreases of the shares of children and youth for future social and economic policies (for example, a country with increasing shares of children and youth will have to invest more resources in education policies); and
- iii) appraise the impact of dependency ratios, i.e. the share of children (0–14) and elderly persons (over 65) in relation to the population 15–64 (working age population) for future policy design. High dependency ratios imply higher government expenditures on education, health, social security and pensions.

The analysis of population trends and projections can be shaped around a statistical table that reviews key figures, as shown in Box 2.1 below.



BOX 2.1 POPULATION ESTIMATES AND PROJECTIONS

The two tables below show the population estimates and projections of two different countries over four decades.

In country A, the elderly population in the next decades will continue to decline and cause an increase of the old age dependency ratio (from 20 per cent in T35 to 37 per cent in T50). Such increase is mostly driven by a decline in the working age population (by over 10 percentage points in this period). The figures point to a number of challenges the country will have to address. First, the education system will have to be re-shaped given the lower number of children that will be attending school. Second, the expenditures for health and pensions will increase substantially as the population will progressively get older. Third, policies will need to be introduced to counteract the decline of the labour force (employment policies to attract into the labour market groups that are usually inactive, as well as immigration policies).

**COUNTRY A: POPULATION ESTIMATES AND PROJECTIONS T10–T50,
PER CENT OF TOTAL POPULATION**

	1990 T10	2000 T20	2005 T25	2010 T30	2013 T35	2030 T40	2050 T50
0–14	23.0	18.1	15.2	15.2	16.1	15.7	17.3
15–24	13.3	15.9	16.8	14.6	12.2	12.3	10.5
15–29	21.3	22.9	24.4	22.9	20.9	17.7	16.4
15–64 (working age population)	67.0	69.6	70.9	72.0	70.9	65.1	61.8
65+	10.0	12.4	13.9	12.8	13.0	19.2	20.9
Old age dependency ratio (*)	17.0	20.0	22.0	19.0	20.0	33.0	37.0

(*) Share of the population aged 65 years and over in the total population aged 15 to 64.

Sources:

National Statistical Office, *Demographic and population projections statistics*.

Country B, conversely, is enjoying high shares of children and youth (39.2 per cent in T40), which will drive increases in the working age population. The share of the working age population will decline in the next decades, but at a much slower pace compared to Country A. For country B the challenge is to provide additional resources to the education system (to provide quality education for all children and youth) and health (to have a healthy workforce), and ensure that the economy creates sufficient jobs of good quality for increasing number of young people entering the labour market.

**COUNTRY B: POPULATION ESTIMATES AND PROJECTIONS (T10–T50),
PER CENT OF TOTAL POPULATION**

	1990 T10	2000 T20	2005 T30	2015 T40	2013 T50
0–14	34.1	31.0	26.1	22.2	18.7
15–24	19.3	18.2	20.6	17.0	14.1
15–64 (working age population)	61.6	63.3	67.4	72.2	69.3
65+	4.1	5.6	6.5	5.6	11.9
Old age dependency ratio (*)	6.7	8.8	9.5	7.7	17.2

(*) Share of the population aged 65 years and over in the total population aged 15 to 64.

Sources:

National Statistical Office, *Demographic and population projections statistics*.

SECTION 2.2 TRENDS IN EDUCATION

This section provides a factual snapshot of the most important education indicators at country level (literacy and educational attainment of the labour force and of young women and men). Educational attainment is related to the skills of the country's population and is used as a proxy of both the quantity and quality of the stock of human capital. The analysis of education trends is usually built on two ranges of data: 1) the highest educational attainment of the young population by sex and over time; and 2) youth labour market indicators (activity, employment and unemployment) by the highest educational attainment. This allows to understand if educational attainment is increasing over time and whether there is a positive relation between education and labour market performance (i.e. the higher the educational attainment, the higher youth labour force participation and employment).

The analysis of education trends can be framed around a table or graph that show the educational attainment of youth (15–24 or 29 according to national definitions) at two points in time (for example before and after a major education reform), compared to the key labour market indicators for youth (labour force participation, employment and unemployment) in the same timeframe. This allows readers to understand the progress made in increasing both the quantity and quality of education. An example of how to draft this type of analysis is available in the Annex (Box A 2.1).



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of the demographic and education indicators and offer guidance on how to analyze them.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 2 of this training material (available also in the Russian language) guides users in collecting and analyzing statistical data on the youth population (age pyramid, dependency ratios, educational attainment, school leavers and dropouts).

SECTION 2.3 THE YOUTH LABOUR MARKET

This section examines the key features of the labour market – with figures reported for the working age population (15–64), for youth (15–24 or 29) and adults (25 or 30–64 years old), whenever possible. The analysis of labour market indicators should determine the constraints faced by the country in terms of labour supply, labour demand and conditions of work. Labour market figures, disaggregated at least by sex and age, are usually benchmarked against those of neighbouring countries, or regional averages.

The ideal data set necessary for a comprehensive analysis of the youth labour market is appended at the end of this Section (Annex 2.1). In many countries, however, the availability of labour market information disaggregated by age group and over time is limited. When this is the case, countries are suggested to:

- i) contact their National Statistical Offices to check, which additional data can be extracted from the annual/quarterly Labour Force Surveys or other household-based surveys (normally, not all available figures are published);
- ii) check whether international databases have additional figures that can be used (for example the ILO Key Indicators of the Labour Market or the database of the World Bank);
- iii) screen social and economic research carried out by national or international organizations to check, which type of data is presented; and
- iv) use administrative data (from the Public Employment Services and Social Security Institutes) to supplement survey-based data.

To analyze available figures, the countries may consider using the following analytical framework:

- Compare youth (15 to 24 years old) indicators against those of adults (25–64) or against those of the working age population (15–64);
- Examine data for different groups of young people (young men vs. young women; low vs. highly educated), wherever possible;
- Assess performance over time and benchmark national figures against those of neighbouring countries, and/or regional averages;
- “Read” all the indicators together to understand trends in both the quantity and the quality of jobs available to young people.

SECTION 2.3.1 YOUTH LABOUR FORCE PARTICIPATION

The youth labour force refers to all persons (15 to 24 or 29 years old, according to the national definition of “youth”) of either sex who supply labour for the production of goods and services. The labour force participation rate plays a central role in the study of the factors that determine the size and composition of a country’s human resources and in making projections of the future supply of labour. This section focuses on the causes of high/low labour force participation rates for young people over time, taking into account individual characteristics (especially sex and educational attainment). It is also useful to compare labour force participation to inactivity rates, using individual characteristics and the reasons for inactivity as a means to understand youth behaviour. Typically, the labour market participation of young people is influenced by school attendance; by household responsibility (in particular for young women) and by the economic cycle (during economic downturn young people may choose to stay longer in education).

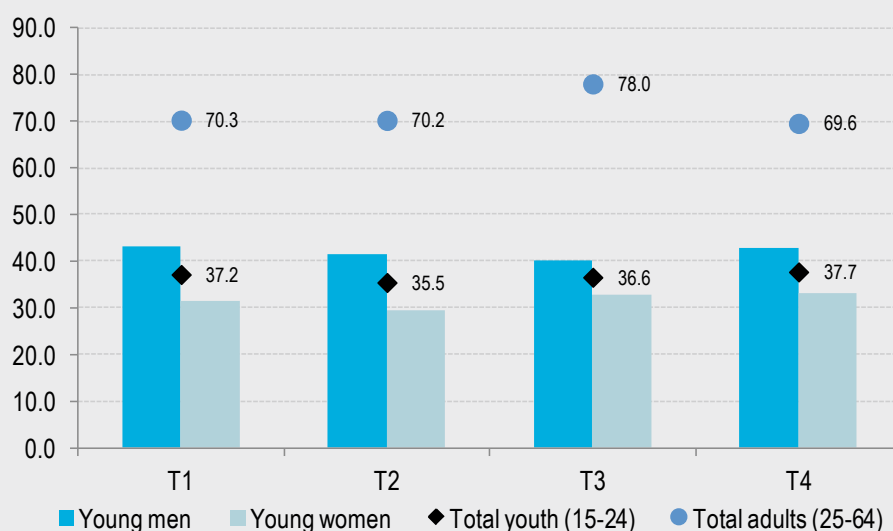
Once the key determinants of youth labour force participation at national level have been established, labour force participation rates can be analyzed by using a statistical table or graph that compares the participation rates of young men and young women to those of adults, as shown in Box 2.2 below.

**BOX 2.2 YOUTH LABOUR FORCE PARTICIPATION**

The graph below shows that the youth labour force participation rate in the last few years in the country has been stable at around 37 per cent, with young women less likely to be active in the labour market compared to young men (10 percentage points gap). The average youth labour force participation rate in the country is below the average of countries in the Organization for Economic Cooperation and Development (OECD) (47.3 per cent) and of the European Union (41.7 per cent). The reasons for this difference need to be examined.

Comparing labour force participation with inactivity rates by reason reveals that over 57 per cent of all inactive youth are still at school, with young women more likely to be at school (40.4 per cent of all young women in the cohort 15–24) compared to young men (30.3 per cent of all young men in the age-group 15–24). But over 25 per cent of all inactive young women are engaged in household and care duties, compared to just 0.5 per cent of inactive young men. Therefore, the higher participation in education and in household duties explains the lower participation of young women in the labour market, which affects the overall youth labour force participation rates in the country.

YOUTH (15–24) AND ADULT (25–64) LABOUR FORCE PARTICIPATION RATES (T1–T4), PER CENT



Sources:

National Statistical Office, *Labour Force Survey*, various years.

ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of the labour force participation indicators and offer guidance on how to analyze them.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 2 of this training material (available also in the Russian language) guides users in collecting and analyzing statistical data on the youth labour force (minimum and maximum age for measuring labour force, labour force participation rates and factors affecting activity in the labour market).

SECTION 2.3.2 YOUTH EMPLOYMENT

The items to be reviewed in this part of the analysis are: i) **employment-to-population ratio** (also called the employment rate) by sex and educational attainment and over time; ii) **structure of employment** (status in employment, occupation and economic sector and type of contract); iii) **skills mismatch** (education and occupation mismatch, also called vertical mismatch); and iv) **informal employment**, if data are available.

These figures, when analyzed together and in conjunction with unemployment, will allow: i) understanding the quantity and quality of jobs available to young people; ii) identifying youth population groups most at risk of poor labour market outcomes (for example the low educated, rural youth); and iii) determining which policy areas may change the observed situation (for example, economic and fiscal policies, education and training, wage policy).

SECTION 2.3.2.1 YOUTH EMPLOYMENT-TO-POPULATION RATIO

The youth employment-to-population ratio allows detecting the capacity of the economy to create jobs for new labour market entrants and, together with other indicators on wages and other conditions of work, it helps to determine the extent of decent work for youth.

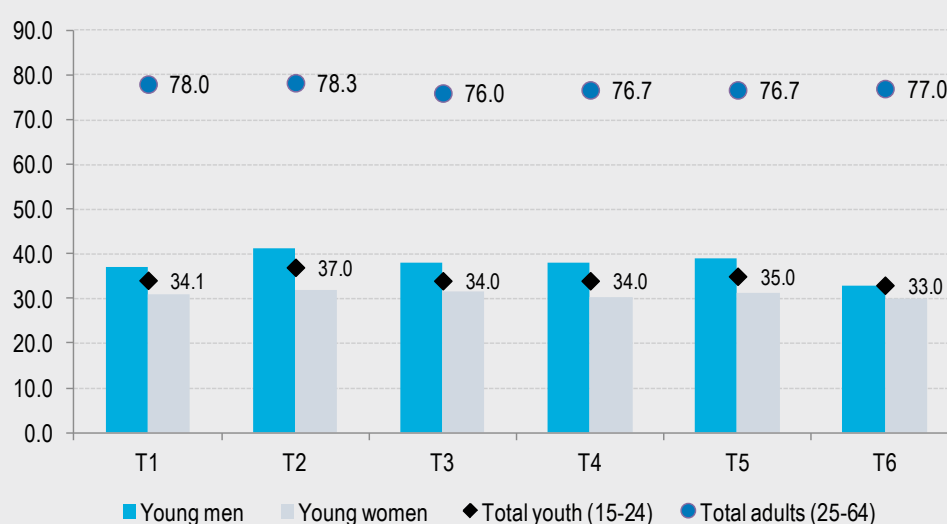
As the employment-to-population ratio generally moves slightly faster than labour force participation rates and slower than the unemployment rate, it is often regarded as a lagging indicator of economic performance. A high youth employment ratio is not always positive: for example, where education options are limited, young people take up any work available rather than stay in school. The analysis should also look at total employment by age group (i.e. number of youth and adults employed over the youth and adult population) and not only rates, as a decline in total employment indicates a downturn. The analysis of changes in total youth employment can also reveal whether these changes are due to a real increase/decrease in the number of youth employment, or whether changes are due to other factors (for example a decline of the overall youth population). The analysis can be framed around a single statistical table or graph that summarizes the employment-to-population ratios of young men and women compared to those of adults. An example of how to frame such analysis is provided in Box 2.3 below.



BOX 2.3 YOUTH EMPLOYMENT-TO-POPULATION RATIOS

The sample figure below shows that youth employment-to-population ratios in the country declined in the period T3–T4, to recover slightly in T5 and then drop again in T6. The drop of youth employment in T3 is mirrored by the fall of adult employment. This calls for a comparison of employment patterns to GDP growth rates in the same period (this will reveal that the country experienced a drop of GDP in the year T3 of 4.5 percentage points).

**YOUTH (15–24) AND ADULT (25–64)
EMPLOYMENT-TO-POPULATION RATIOS, T1–T6, PER CENT**



Sources:

National Statistical Office, National poverty statistics or Household Budget Surveys.

Youth employment followed adult employment trends and the economic cycle (changes in GDP) until T2 (i.e. when adult employment increased due to expanding economic growth, youth employment followed). In the period T3–T4, youth employment (measured in terms of number of young workers) declined by 13.5 per cent. This was caused by falling employment among young men due to the sharper contraction of the manufacturing and construction sectors (where male workers dominated). This fact emerges from the analysis of youth employment by economic sector.

The adult labour market started to recover in T4 and by T6 the adult employment-to-population ratio had nearly returned to pre-crisis levels. Youth employment, conversely, declined in T4 amid economic and labour market recovery. This latter employment drop, however, was due, at least in part, to the 6.2 per cent decrease in the 15–24 population, rather than to job losses among young people.

The figure also gives rise to a number of additional considerations: i) youth employment rates are on average twice lower than for adults and are more sensitive to the economic cycle (this means that to improve youth employment the country has to sustain relatively high rates of economic growth); ii) young men are more likely to be employed compared to young women (due to the structure of youth employment by economic sector, which points to a need to combat occupational segregation); and iii) the economic crisis affected young men more than young women (again due to the structure of youth employment by sector, which will require a combination of sectoral, employment and education policies).

SECTION 2.3.2.2 STRUCTURE OF YOUTH EMPLOYMENT

The disaggregation of employment information by **status in employment** (wage workers, self-employed workers and contributing family members) provides a statistical basis for describing workers' behaviour and conditions of work. A high proportion of wage and salaried workers in a country may indicate advanced economic development. If the proportion of own-account workers (self-employed without hired employees) is large, this may point to a large agricultural sector and a significant share of informal employment. It has to be recalled that the structure of employment in terms of the branch of economic activity, occupation, and status in employment also measures a large portion of labour demand. This means that the combination of these figures reflects the type of labour the economy is currently demanding.

Youth employment by branch of economic activity is useful for the analysis of shifts in employment over the course of economic development, from agriculture to industry to services. Detailed data over time enables the identification of economic sectors where employment is experiencing growth and where job potential for youth is greater.

The study of the occupations held by young workers, and the understanding of the relationship between occupations and skill levels can help in reviewing education and labour market policies. A simple method to measure **education and occupation mismatch** uses educational attainment (according to the International Standard Classification of Education, ISCED) and employment by occupation (International Standard Classification of Occupations ISCO-08). A mismatch is a situation where the educational attainment of the worker is higher or lower than the educational level required by the job. Box A 2.2 in the Annex provides an example of how to measure overall skills mismatch in an economy (over- and under-qualification).

The analysis of **types of contract** available to youth (and especially part-time and fixed term contracts), over time and compared to adults is instrumental to understand labour market segmentation (i.e. the coexistence of workers with stable employment and workers with temporary employment contracts, including agency work, seasonal or casual jobs).

The indicator on part-time workers focuses on individuals working fewer hours than those worked by “full-time” workers, as a proportion of total employment. The increase in part-time employment is often related to the increase in the number of women in the labour force, the tendency for youth to combine school and work, labour market flexibility mechanisms that have been introduced to accommodate changing work organization patterns in industry, as well as to the growth of the services sector.

Temporary employment comprises work on a fixed-term contract. This type of employment often entails a different set of legal obligations for employers. In recent years, labour markets have been characterised by increasing labour market segmentation. Workers with temporary employment contracts (including agency work, seasonal or casual jobs) may become “trapped” in these forms of jobs with long-lasting adverse consequences on their labour market attachment, earnings, career prospects and job satisfaction.

The analysis of the **structure of youth employment** can be framed on the basis of a single table that reports youth employment by economic sector, by status in employment and by type of contract, as shown in Box 2.4 below.



BOX 2.4 STRUCTURE OF YOUTH EMPLOYMENT

The structure of youth employment in the country shows that most youth work as wage employees in the service sector and on a full-time contract.

However, over the years there has been a notable increase in the use of atypical contracts for youth, with a peak in T7 and a gradual decrease thereafter. This type of patterns needs to be explained. For example, many countries reformed their employment protection legislation, making it easier (and cheaper) for enterprises to recruit new workers on temporary forms of contract. But these workers are also more easily dismissed compared to permanent workers. During an economic downturn, therefore, it is likely that the share of temporary workers decreases.

The disaggregation of atypical forms of work by sex and educational attainment can provide additional insight in the category of youth most exposed to poor labour market outcomes. In the country illustrated in this example, the number of young women in temporary work decreased much faster than men's and, by T12, young men were more exposed to temporary work than young women.

BOX 2.4 STRUCTURE OF YOUTH EMPLOYMENT

	T1	T7	T12
<i>Economic sector</i>			
Agriculture	12.7	10.4	8.0
Industry	26.5	26.0	25.6
Services	60.8	63.6	66.4
<i>Status in employment</i>			
Employees	91.1	91.9	93.2
Own account workers	8.8	7.8	6.8
<i>Type of contract</i>			
Full-time	96.9	97.3	97.2
Part-time	3.2	2.8	1.8
<i>Involuntary part-time</i>	27.3	27.7	21.2
Permanent	82.2	76.9	82.7
Fixed term	12.1	12.5	8.0
Other atypical contracts	5.7	10.5	9.2

Sources:

National Statistical Office, *Labour Force Survey*, various years.

Data by educational attainment shows that the lower the educational level, the higher the probability to be exposed to atypical work arrangements (a pattern common to many countries) with over 46 per cent of youth with no basic education working in atypical form of work.

³ ILO, *Resolution on the measurement of employment in the informal sector*, adopted by the Fifteenth International Conference of Labour Statisticians (ICLS), Geneva 1993, and *Guidelines concerning a statistical definition of informal employment*, adopted by the Seventeenth ICLS, Geneva 2003.

In many countries the informal economy represents an important part of the labour market, and plays a major role in employment creation, production and income generation. For employers and own-account workers, informal employment is defined in terms of the characteristics of the enterprise; in the case of employees, informal employment is defined in terms of the characteristics of the employment relationship.³ Since there are wide variations in definitions and methodology, the analysis of informal employment builds on the figures reported

by the National Statistical Office. Contributing family workers, own-account workers and members of informal producers' cooperatives are considered to be informally employed.

Because young people tend to be relatively more engaged in casual work entailing a weaker employee-employer relationship, one would expect the incidence of informal employment among young people to be higher than that of adults. Also, in many countries there is a strong relationship between educational attainment and informal employment, with low-skilled individuals more likely to be working informally than highly-educated individuals. The same applies to economic sectors, with agriculture, construction and certain trade services (like hotels and restaurants and retail trade) more exposed to informality than others.

The analysis of informal employment can be structured around a table or graph that reports the figures that are available, as shown in Box A 2.3 in the Annex to this Section.

ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of youth employment indicators and offer guidance on how to analyze them.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 3 of this training package (available also in the Russian language) helps users in the collection and analysis of youth employment-to-population ratios, while Module 4 examines the structure of employment (economic sectors, occupations, type of contract) as well as skills mismatch and occupational segregation.



SECTION 2.3.3 YOUTH UNEMPLOYMENT

The analysis of youth unemployment builds on three statistical measures: i) the youth unemployment rate over time (compared to that of adults); ii) the youth unemployment ratio, and iii) the share of youth long-term unemployment (all disaggregated by sex).

The **youth unemployment rate** can serve as a proxy for the health of the labour market situation facing young people. The analysis of the unemployment rate (the share of unemployed individuals in total labour force) and the unemployment ratio (the share of people unemployed in working age population) can shed light on the main characteristics of the youth unemployment challenge. For example, in a country where the youth unemployment rate is high and the ratio of the youth unemployment rate to the adult unemployment rate is close to one, it may be concluded that the problem of unemployment is not specific to youth, but is country-wide. Conversely in countries where the youth unemployment rate is much higher than that for adults and the ratio of youth to adult unemployment rates exceeds 2, there is a serious youth employment challenge to be addressed.

The analysis of youth unemployment can be shaped around a statistical table or graph that compares the unemployment rates of youth vs. adults and young men vs. young women, as shown in Box 2.5 below. This type of graph also allows determining the ratio of youth to adult unemployment rates.

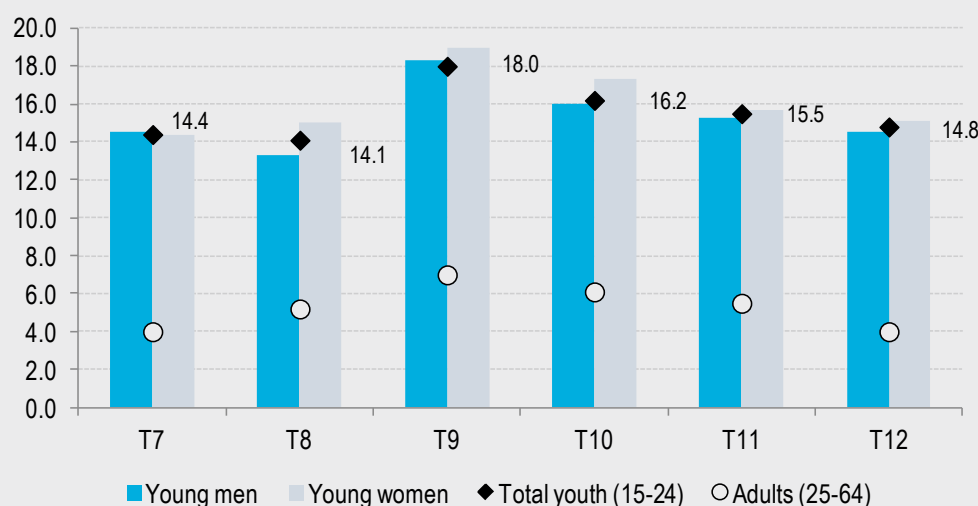


BOX 2.5 YOUTH UNEMPLOYMENT RATES

The unemployment figures are usually compared with those of economic growth (GDP changes) to explain increasing/decreasing patterns. The figure below, for instance, shows a sudden increase in youth unemployment in year T9 (the year of GDP decline). The data indicates that the economic crisis hit young people harder than adults, but also the faster improvement of youth unemployment rates in T10, when output started to recover.

When examined in isolation, this youth unemployment indicator seems to point to an improvement of the overall unemployment situation for youth. However, the picture that may emerge after all the indicators are analyzed may be quite different. For example, the graph shows that the youth unemployment rate is declining much more slowly compared to the adult rate and had not returned to pre-crisis levels even in the presence of economic recovery. By T12 there were nearly four young unemployed for every adult unemployed (i.e. a youth-to-adult unemployment rate ratio was 3.7).

YOUTH (15–24) AND ADULT (25–64) UNEMPLOYMENT RATES, T7–T12, PER CENT



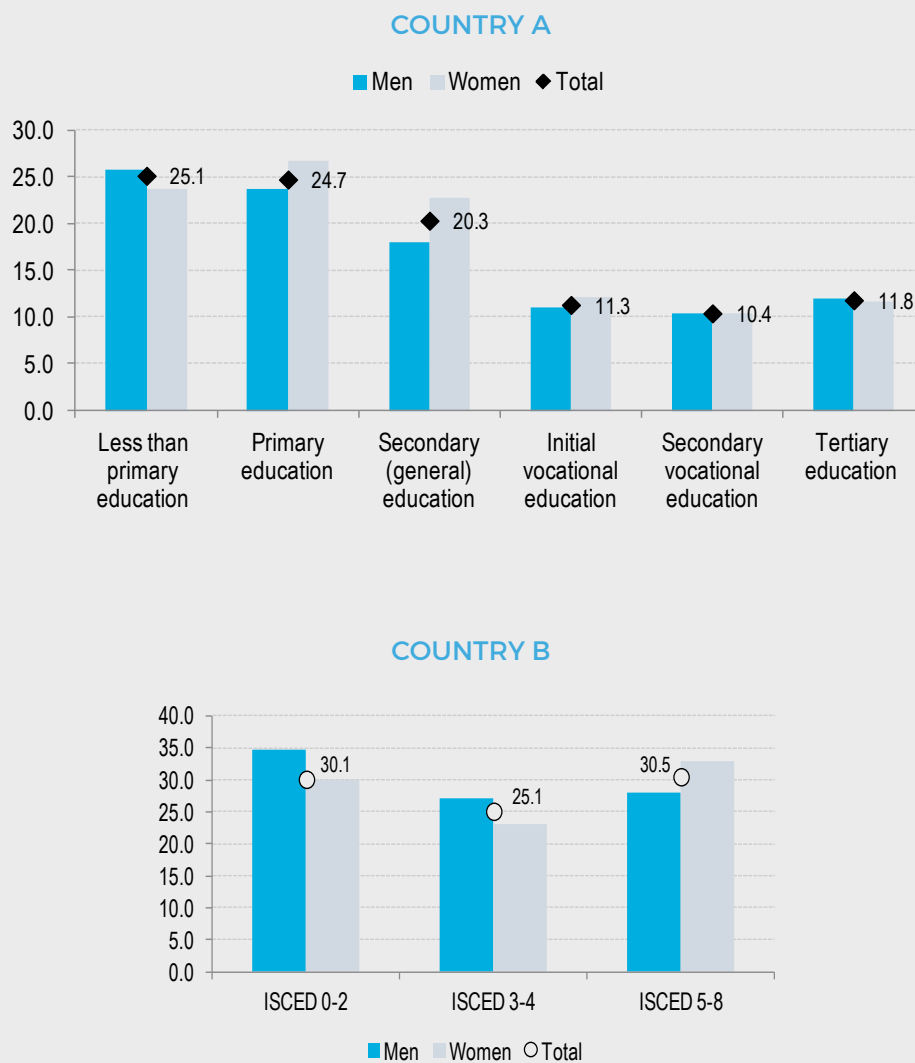
Sources:

National Statistical Office, *Labour Force Survey*, various years.

Another indicator worth analyzing is the distribution of youth unemployment by educational attainment (to be compared to distribution of youth employment by education level). In some countries youth with a low level of education are more exposed to unemployment, while other countries face the “educated unemployed” challenge. This result may be due to the fact that educated youth can afford to take some time to search for a good job, or have wage reservations (i.e. they would accept a job only at certain wage levels). In other instances, that result is due to the fact that the majority of jobs available require low qualifications, or the fact that the qualifications of young graduates do not match those required by enterprises.

The example below shows that in country A the unemployment rate decreases with higher educational attainment of the young person. Youth with secondary vocational education have the lowest unemployment rate (10.4 per cent). In country B, conversely, a higher level of education does not have a positive effect on the probability of being unemployed. The lowest unemployment rate is found amongst those with upper secondary education, whilst the unemployment rates of low- and high-skilled youth are similar.

YOUTH (15–24) UNEMPLOYMENT RATES BY EDUCATION LEVEL, T14, PER CENT



Sources:
National Statistical Office, *Labour Force Survey, T14*.

Long-term unemployment (proportion of people who have been unemployed for one year or longer) has a number of negative consequences, such as loss of income, skills erosion and diminishing employability. High ratios of long-term unemployment may point to serious unemployment problems for certain groups and a poor record of employment creation. Conversely, a high proportion of short-term unemployed may indicate a high job creation rate and high turnover and mobility in the labour market. Such generalizations must be made with caution, however, as there are many factors – including the coverage of unemployment benefit programmes – that can influence the relationship between long-term unemployment and the dynamics of a labour market.

ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of youth unemployment indicators and offer guidance on how to analyze them.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 3 of this training package (available also in the Russian language) helps users in the collection and analysis of youth unemployment and underemployment figures as well as to calculate youth unemployment duration and the extent of labour underutilization.



SECTION 2.3.4 YOUTH INACTIVITY AND DISCOURAGEMENT

Data on inactivity take on greater importance when the reason for inactivity (care duties, disability, school attendance, belief that no job is available, unwillingness to work), by age group, sex, rural/urban divide and over time, is taken into account. In many countries the inactivity rates of young women are higher than those of men, since the former are more likely to be engaged in household duties and/or participate to education. A subgroup of the inactive labour force comprises discouraged workers (inactive persons available for work, but not actively seeking work because they believe no job is available). When discouraged workers are added to the count of the unemployed, the corresponding share in the youth labour force provides the so-called “relaxed” unemployment rate. This indicator gives an idea of the degree of labour underutilization in a country (labour slack). In many countries, there is an increasing attention to youth not in employment, education or training (NEETs), which is considered an indicator of the capacity of the education system and of the labour market to smooth the transition of youth to the labour market. An example of how to analyze the figures of youth not in employment, education or training is provided in Box A 2.4 in the Annex.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a complete list of youth inactivity indicators and offer guidance on how to analyze them.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 3 of this training package (available also in the Russian language) helps users in the collection and analysis of inactivity figures as well as to calculate the share of youth not in employment, education or training (NEET rates).

SECTION 2.4 SCHOOL-TO-WORK TRANSITION

This section analyzes the data stemming from a school-to-work survey, or from an ad hoc youth module attached to the national Labour Force Survey (LFS), or from household-based surveys that have a panel design.⁴

The school-to-work transition model classifies youth into three stages according to whether the young person:

1. has “not yet started” the transition (this includes all young people who are still at school or are inactive with no intention to work in the future);
2. is “in transition” (this category encompasses all unemployed youth, youth engaged in unsatisfactory self-employment or temporary work, as well as youth who are inactive and not at school, but plan to work at a later date); and
3. has “transited” to work (this category includes all young people working in a stable and/or satisfactory job).

The average time it takes for a young person to “transit” to a stable and/or satisfactory job provides important indications when disaggregated by key individual characteristics and/or over time. The analysis of school-to-work transition can be framed around a statistical table or graph that provides the disaggregation of young people by the type of transition. An example of such analysis is appended in Box A 2.5 in the Annex.

⁴ A panel design means that the survey covers the same groups of individuals during a period of time. This allows to measure changes in labour status over time.

ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) offer guidance in the analysis of school-to-work transition indicators.

ILO, *School-to-work transition survey: A methodological guide*. ILO, Geneva 2009.

Module 4 of this methodological guide identifies a list of recommended indicators that can serve as the basis for interpretation of the country's situation vis-à-vis young people's transitions to the labour market and feeds the analysis of transition indicators.



SECTION 2.5 WAGES AND OTHER CONDITIONS OF WORK

Data on wages, hours worked and other conditions of work complete the qualitative analysis of youth employment in the country. This section needs to look at: i) trends in average wages and youth/adult wage gaps; ii) the incidence of low-paid work (if data is available); and iii) hours of work and other entitlements. This section should also explore child labour (e.g. the share of children aged 5 to 14 who work), where relevant.

Real and average wages are important indicators for monitoring changes in working conditions and living standards and should be reviewed in conjunction with trends in working poverty and low paid work, if these figures are available. **The wage gap** is calculated by dividing the median annual earnings of youth by those of adults (in per cent) to compare the earnings of the two groups. Wage differences between youth and adults fit to the conventional economic theory that age, educational attainment and firm-specific experience are positively correlated with productivity and, therefore, earnings. Empirical evidence, however, shows that average wages for young workers have been declining in recent years compared to those of adults, despite a decreasing youth population, falling youth employment rates and rising education levels. The over-representation of youth in part-time and temporary work, in certain occupations and/or economic sectors and in the informal economy contributes to the youth to adult wage gap at the national level. Another important indicator to analyze is average wage by educational attainment and sex. This allows understanding whether education pays a premium in the labour market and helps bridge the gender pay gap (difference in earnings between men and women).

The incidence of working poverty (i.e. the share of workers with earnings below the national level of poverty) and of **low-paid work** (i.e. the share of workers with wages below 60 per cent of the median) across young and adult workers should also be screened (if figures are available) to understand whether young workers are more/less exposed to these decent work deficits. When data on low-paid work are not available by age group, the authors of the report may look at wages by sector. An example of how to construct the analysis on wages and low-paid work is available in Box A 2.6 annexed to this Section.

It is important to analyze employment in conjunction with data on **hours of work**, as many young people work short hours in odd and casual jobs and many others work excessive hours (i.e. over 48 hours per week), which may point to inadequate wages earned in the main job. If the national Labour Force Survey (LFS) collects data on time-related underemployment, the figures should be presented disaggregated by youth and adults.

The analysis of **other conditions of work** for young people depends on the type of data that is available at national level. In some instances, the LFS provides data on the coverage by social security. If household-based data are not available, administrative figures can be used to construct proxies. For instance, the comparison of the number of workers detected by household-based surveys against the records of workers registered by social security authorities (pension fund, health fund and so on) provides some insight into the number of workers who are not covered by the national social security system. Another source of data on conditions of work can be the annual figures of the labour inspectorate (violations of the labour code across economic sectors). Although not disaggregated by age, these figures may help in assessing compliance with workers' protection legislation.

ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) provide a list of indicators to analyze and offer guidance in the analysis of quality of employment for youth.

ILO, *Youth labour market analysis: A training package on youth labour market information*. Youth Employment Programme, ILO, Geneva 2013.

Module 6 of this training package (available also in the Russian language) helps users in the analysis of data on wages, hours of work, low pay, returns to education, and offers guidance in examining decent work indicators.

ILO, *Global wage report*. ILO, Geneva, various years.

This is an annual publication of the ILO that presents wage trends around the world. Each year part of the report is devoted to a specific topic deserving particular attention. The first Report (2008/2009) dealt with minimum wages and collective bargaining, while the following one analyzed the impact of the global economic crisis on wages and equitable growth.

Grimshaw, D., *At work but earning less: Trends in decent pay and minimum wages for young people*. Employment Working Paper No. 162, ILO, Geneva 2014.

This paper reviews the issues, empirical evidence and policy approaches on youth wages. It compiles evidence on key characteristics of the wage structure for young people around the world; considers how pay patterns relate to trends in youth labour supply; investigates how skill formation systems, wage structure and wage-setting mechanisms shape the youth labour market; and reviews country practices in the use of sub-minimum wages for youth.



SECTION 2.6 CONCLUSIONS AND KEY CHALLENGES

The final section of Chapter 2 of the analysis provides an analytical summary of the position of youth in the labour market compared to that of adults, as well as the specific barriers that certain groups of youth (for example, low-educated youth, young persons with disabilities, rural youth, national minorities, young individuals living in poor households and so on) are confronted with. This section should also recap the main factors responsible for the situation observed, in terms of quantity (employment and unemployment rates, for example) and quality of employment (for instance skills mismatch, employment by type of contract, wage levels, incidence of informal employment).

This summary sets the stage for the analysis of youth employment policies and programmes that follows in Chapter 3 of the analysis. For example, in a country where youth employment is low and unemployment is high, one would expect to see policies aimed at job creation (expansionary fiscal policies, increasing public investment, incentives to the private sector and so on). In a country suffering from the high incidence of young workers in the informal economy or in low-paid work, conversely, one would expect policies and programmes aimed at increasing workers' productivity (education and training) and at promoting the shift of enterprises to the formal economy (reform of the investment climate, improved labour inspection, support to enterprises to improve competitiveness and so on). If the country is experiencing skills mismatches, one would expect policies focused on improving the responsiveness of the education and training system to employers' requirements; career counselling and guidance at schools as well as school-to-work transition initiatives.

Before finalizing Chapter 2 of the Labour market analysis, the country should check that:

- i) all relevant information on the youth labour market has been analyzed (see the checklist provided below);
- ii) the trends observed in the youth labour market are referenced to the main economic and social developments of the country in the same period; and
- iii) the youth employment challenges highlighted in the conclusions are substantiated by evidence. For instance, a country that emphasizes skills mismatches as one of the main barriers for the labour market integration of youth needs to provide evidence of such mismatch. This can be done by presenting data on the education/occupation mismatch, or by comparing the structure of youth employment with the data on fields of study of tertiary students, or by citing the figures stemming from enterprise or employers' surveys.

Information provided in Chapter 2 of the analysis should be benchmarked against national policies to understand whether:

i) employment policies did/will have an impact on the barriers young people face in the labour market;

ii) these policies are coherent and correctly identify the groups of youth most at risk in the labour market; and

iii) the resources invested/to be invested are sufficient to address the challenges identified. For example, if the country faces a problem with the quantity of employment (low employment and high unemployment), the employment policy should pursue – among others – a job creation objective. If, conversely, the problem relates to the poor utilization of skills acquired by youth at school in their work, the employment policy should focus on reforming the educational and training system.



TIPS FOR REVIEWING:

- Chapter 2 of the Labour market analysis serves to understand the key youth employment challenges the country is currently facing and will be facing in the near future with a view to benchmark the analysis of employment policies and programmes that follows.
- It is important to understand: (i) which are the most salient features of the youth labour market in the country under review; (ii) which are the groups of young people most at a disadvantage in the labour market; (iii) the factors that most determine youth employment outcomes over time; and (iv) which policies were/are pursued and what was/is their effect on youth employment outcomes.

CHECKLIST: CHAPTER 2 OF THE LABOUR MARKET ANALYSIS

1. Does the Chapter provide information on total and youth population trends and projections? ☐
2. Are the implications of youth population projections analyzed in terms of future labour resources and education and social policies? ☐
3. Is the Chapter providing a snapshot of the progression of educational attainment of youth and adults over time? ☐
4. Are the trends in the youth labour force participation rates analyzed over time? Are they compared with inactivity? ☐
5. Are the factors influencing youth labour force participation examined? ☐
6. Does the Chapter provide an overview of youth employment-to-population ratios over time? Are these figures compared to adult employment trends? ☐
7. Are the main factors influencing youth employment analyzed? ☐
8. Is there information on the structure of youth employment (by status in employment, economic sector, type of contract)? Is this information compared to the structure of adult employment? ☐
9. Is Chapter 2 providing information on informal employment (among youth and adult workers)? ☐
10. Does the Chapter examine the relationship between educational attainment, employment, unemployment and informality? ☐
11. Is there information on youth unemployment trends compared to those of adults over time? ☐
12. Is there a review of the factors that most affect youth unemployment? ☐
13. Is the transition from school to work analyzed? ☐
14. Are the main reasons for youth inactivity reviewed? ☐



- 15. Are data on wages and other conditions of work for youth examined and compared to those of adults? ☐
- 16. Does Chapter 2 provide sufficient data to appraise the quantity and quality of youth employment? ☐
- 17. Are the sources of information presented in the second Chapter clearly identified? ☐
- 18. Does the Chapter clearly identify the main youth employment challenges the country under review is facing? ☐
- 19. Is the analysis of the youth labour market referenced to key economic and social developments presented in Chapter 1? ☐

ANNEX 2 - EXAMPLES OF DATA ANALYSIS

ANNEX 2.1 MAIN YOUTH LABOUR MARKET INDICATORS

	Data	Indicators
SUPPLY	Population	- Share of children (0–14) and youth (15–24 or 29) in total population - Dependency ratios
	Education	- Literacy rates - Educational attainment - Gross and net enrolment rates
	Labour force	- Youth labour force participation rate*
	Employment	- Youth employment-to-population ratio* - Share of part-time/full-time young workers - Youth temporary work
	Unemployment	- Youth unemployment rate* - Youth unemployment ratio - Youth long-term unemployment rate - Youth-to-adult unemployment rate ratio - Time related underemployment*
	Inactivity	- Youth inactivity rate - Share of inactive youth by reason of inactivity - Share of discouraged young workers - Youth not in employment, education or training (NEET)
DEMAND	Branch of economic activity	- Youth employment by branch of economic activity
	Occupation	- Occupation and education mismatch - Top occupations for youth
	Status in employment	- Youth by status in employment*
	Job vacancies	- Job vacancies by branch of economic activity, enterprise size and occupation - Job vacancy rate
CONDITIONS OF WORK	Hours of work	- Hours of work worked by employed youth per week* - Annual hours of work for youth* - Share of youth working excessive hours*
	Income from employment	- Youth average earnings (daily or monthly) - Share of youth working with low pay rate* - Share of youth working in vulnerable employment - Share of young working poor* - Gender wage gap*
	Informal employment	- Share of youth working in the informal economy*
	Decent work	- Child labour - Hazardous child labour - All above indicators marked with an asterisk
	MDG employment indicators	- Growth rate of GDP per person employed - Employment-to-population ratio - Proportion of employed people living below \$1.25 (PPP) per day - Proportion of own-account workers and contributing family members



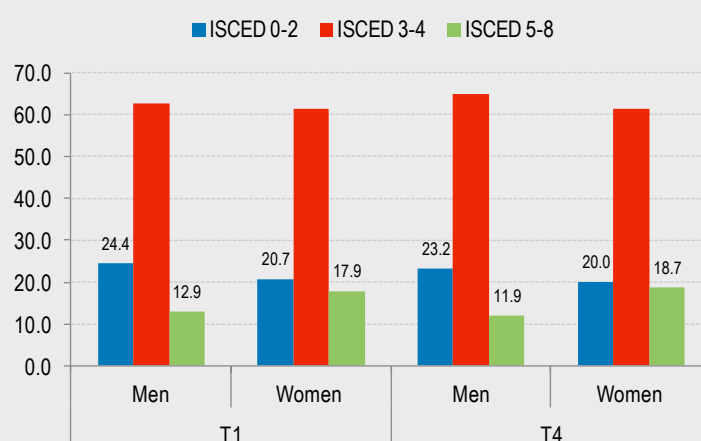
BOX A 2.1 ANALYSIS OF EDUCATIONAL ATTAINMENT FIGURES

The educational attainment of the population is used as a proxy for the quality of labour supply. There is a recognized virtuous circle between education and training on the one side, and economic growth and employment on the other. There is robust evidence of the fact that investing in education and training increases wages, productivity and accelerates economic growth. This is why Chapter 2 of the analysis devotes a full section to educational attainment of the youth population and its relationship with employment performance.

The graph below, for example, shows the progression of educational attainment for the youth (aged 15–24 years), grouped according to the International Standard Classification of Education (ISCED). Level 0–2 refers to attainment up to lower secondary education; level 3–4 refers to upper secondary education; and level 5–8 is tertiary education (from bachelor to doctorate).

The graph shows that educational attainment is generally high and appears to be increasing over time (since the share of youth with only lower secondary education is declining, while the share of those with upper secondary and tertiary education is increasing). Women are better educated than men: in T4 approximately 18.7 per cent of young women completed university education compared to less than 12 per cent of young men.

YOUTH (15–24) EDUCATIONAL ATTAINMENT, T1–T4, PER CENT



Sources:

National Statistical Office, *Labour Force Survey*

But a high level of educational attainment does not necessarily ensure a smooth transition to work. In fact, the figures on youth labour market status by educational attainment show that in T4 the unemployment rate of tertiary educated youth was similar to that of youth who attained lower secondary education at most. This indicates that the country succeeded in increasing the quantity of education, but there are still problems in ensuring that education responds to labour market needs. This latter point is usually further elaborated when discussing youth employment.

YOUTH (15–24 YEARS OLD) ACTIVITY, EMPLOYMENT AND UNEMPLOYMENT RATES BY EDUCATIONAL ATTAINMENT (T4), PER CENT

	Activity rate	Employment to population ratio	Unemployment rate
Less than lower secondary (ISCED 0–2)	15.4	10.8	30.1
Upper secondary (ISCED 3–4)	47.4	35.5	25.1
University (ISCED 5–6)	66.4	56.4	30.5

Sources:

National Statistical Office, *Labour Force Survey*.



BOX A 2.2 EDUCATION AND OCCUPATION MISMATCH

A simple method to measure the extent of skills mismatch is to disaggregate the number of young workers by educational attainment and occupational structure, as shown in the table below.

Young people that are over-qualified for the job they do are those in the cell shaded in light blue (19 per cent of total youth employment), while youth that are under-qualified are shown in the cell shaded in green (16.2 per cent of total youth employment), with an overall mismatch of 32 per cent.

Over-qualification prevails among youth with secondary education working in elementary occupations (56.4 per cent of total over-qualification) and youth with higher education working as clerks and sales workers (31.2 per cent of total over-qualification). The table also shows prevalence of employment in economic sectors characterized by high job turnover, high incidence of temporary work arrangements and lower wage levels (such as elementary occupations and clerical, services and sales jobs).

Additional insights can be gained by further disaggregating the figures by sex, to verify whether the mismatch affects young men and young women equally or whether the labour market is affected by occupational segregation.

YOUTH (15–24) EDUCATION AND OCCUPATION MISMATCH, T1, THOUSAND PERSONS

ISCO-08 Major Groups		ISCED-97 Educational attainment					
		0	1	2	3	4	5
	Total	25,789		63,549		30,578	
1	Managers	...		1,196		715	
2	Professionals		16,887	
3	Technicians and associate professionals	...		6,604		3,059	
4	Clerical support workers	596		3,955		2,814	
5	Service and sales workers	3,975		17,949		4,301	
6	Skilled agricultural, forestry, fishery workers	692		1,083		0	
7	Craft and related trades workers	3,770		8,343		521	
8	Plant and machine operators and assemblers	2,607		11,560		804	
9	Elementary occupations	14,149		12,859		1,477	

Sources:

National Statistical Office, *Labour Force Survey*, T1.

When mismatch is high, it is necessary to explore its causes. For instance, young people may not be aware of the occupations that are most demanded by the labour market (pointing to a need to strengthen career guidance services); or local enterprises operate mostly in traditional sectors that do not require highly qualified workers (indicating a need for policies to increase competitiveness and introduce more technologically-advanced production methods, as well as education policies that better reflect the real needs of employers).



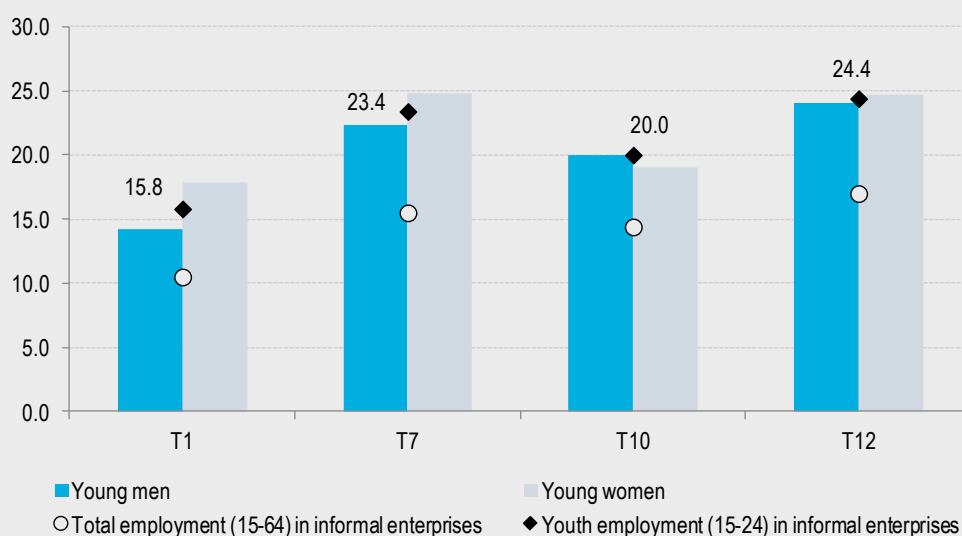
BOX A 2.3 INFORMAL EMPLOYMENT

The analysis of informal employment will depend on the type of figures that are available at national level and their disaggregation. In country A below, for example, informal employment figures are available only disaggregated by sex and age group. When this is the case a statistical table or figure can be used to present key data, as shown below.

The graph shows that youth working in informal enterprises accounted for 24.4 per cent of total youth employment in T12, almost equally distributed between young men and young women.

Employment in informal enterprises decreased in the period T7–T10 (from 23.4 to 20 per cent), i.e. the period of strong economic decline and then increased again.

**COUNTRY A: YOUTH (15–24) AND TOTAL (15–64)
INFORMAL EMPLOYMENT, T1–T12, PER CENT**



Sources:

National Statistical Office, *Labour Force Survey*, various years.

The higher informality incidence among young workers compared to adults (or compared to overall employment) is often due to the difficulty of finding the first job and acquiring work experience. As workers become older and acquire experience, informality decreases.

The table below shows the trends in informal employment detected by the Labour Force Survey of country B, with a rich disaggregation that allows a number of considerations.

First, the share of informal employment has been decreasing over time and this is especially the case for young people.

Second, the sectors most exposed to informal employment are agriculture, followed with distance by construction and trade.

Third, young people (15–24) are more exposed to informal employment than any other age group, except for older workers (65+). This indicates that informality declines as individuals become older and gain work experience.

Fourth, educational attainment is strongly negatively correlated with informal employment as individuals with no qualification are three times more likely to be informal workers compared to individuals who had attained secondary education.

Given the above, the policies that appear to be more relevant are education and training; the diversification of the economy (away from traditional sectors), and private sector development policies centred on productivity enhancement.

COUNTRY B: KEY FEATURES OF INFORMAL EMPLOYMENT, T1–T14, PER CENT

	T1	T10	T13	T14
Total	37.4	32.5	31.5	29.1
Economic sector				
Agriculture	85.6	90.1	90.8	89.6
Manufacturing	23.5	14.2	14.6	15.1
Construction	47.1	31.9	38.8	35.0
Trade	35.4	29.7	23.9	21.4
Age group				
15–24	50.9	37.6	39.9	35.9
25–34	35.0	27.5	25.1	19.8
35–44	33.1	30.1	28.4	27.1
45–54	32.8	28.1	28.2	27.0
55–64	39.2	45.2	38.9	35.1
65+	87.7	70.9	78.4	86.1
Educational attainment				
No education	82.5	78.3	80.5	86.5
Primary	61.4	65.8	63.4	62.3
Secondary	30.4	26.2	26.6	24.7
Tertiary	10.8	8.1	9.4	8.3

Sources:

National Statistical Office, *Labour Force Survey*, various years.

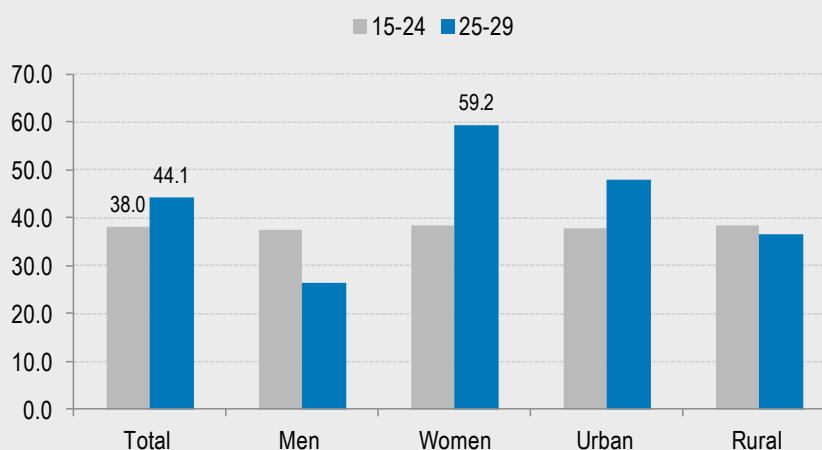


BOX A 2.4 YOUNG PEOPLE NOT IN EMPLOYMENT, EDUCATION OR TRAINING (NEET)

The NEET indicator captures two groups of young people, namely: (i) those who are economically inactive for reasons other than participation in education; and (ii) unemployed youth. Compared to the youth inactivity rate, it points to the proportion of youth that remains “idle”, and may provide a better measurement of youth that have been denied access to employment opportunities.

In the country shown in the graph below, the share of young NEET is – at 38 per cent of the cohort 15–24 – rather high (it is three times higher than the rate recorded in the European Union, for example). In part, this is due to high youth unemployment (the youth unemployment rate in the same year in the country was 37.2 per cent), but also to youth discouragement (with around 27 per cent of all inactive youth willing to work, but no longer looking for a job). The high share of women 25–29 who are NEET is mainly to be attributed to inactivity due to household and care duties.

YOUTH (15–24 AND 25–29) NOT IN EMPLOYMENT, EDUCATION OR TRAINING (NEET RATES), T14, PER CENT



Sources:

National Statistical Office, *Labour Force Survey*, T14.

In summary, the figures indicate three policy areas that will need to be tackled to reduce the share of young NEETs, namely: i) policies aimed at increasing economic growth and the capacity of the economy to create a sufficient number of jobs for all those willing to work; ii) social policies that make it easier for workers with family or care responsibilities to enter and remain in the labour market; and iii) early intervention policies aimed at providing detached youth with employment or education and training opportunities.



BOX A 2.5 YOUTH TRANSITION FROM SCHOOL TO WORK

School-to-work transition data provide a means to understand the pathway young people undertake when they leave school and enter the labour market.

The example provided below shows that over a third of total youth (31.6 per cent) had not yet started their transition to work, as they were still attending school (50.9 per cent of young women and 49.1 per cent of young men). The overwhelming majority of young people still in transition were unemployed youth and discouraged workers (10.8 per cent of total youth), while young workers in unsatisfactory self-employment, temporary work or inactive, not at school and willing to work in the future represented 4.3 per cent of all young people. Over 46 per cent of youth had a stable and/or satisfactory job, with young men representing 52.8 per cent of all “transited” youth. As expected, nearly two thirds (58.1 per cent) were young adults (in the age-cohort 25 to 29 years old) and had a higher level of educational attainment.

KEY YOUTH (15–29) TRANSITION INDICATORS, T1, PER CENT

School-to-work transition indicators			
Transition not started	31.6	At school	29.7
		Inactive youth, not willing to work	1.9
In transition	15.1	Unemployed youth (relaxed definition)	10.8
		Young workers in unsatisfactory temporary work	0.3
		Youth in unsatisfactory self-employment	0.3
		Inactive, not at school, willing to work in future	3.7
Transition completed	46.2	Young workers in stable, satisfactory wage employment	46.2
		Young workers in stable, but unsatisfactory wage employment	4.1
		Young workers in satisfactory temporary work	1.1
		Youth in satisfactory self-employment	2.0

Sources:

National Statistical Office, School-to-work transition survey, 2014.

The length of transition to gain a job that offers relative stability or is personally satisfying was nearly two years in the country (longer for young men compared to young women). This is due in part to the fact that young men tended to have lower levels of educational attainment compared to young women, making the transition to a stable and/or satisfactory job longer.

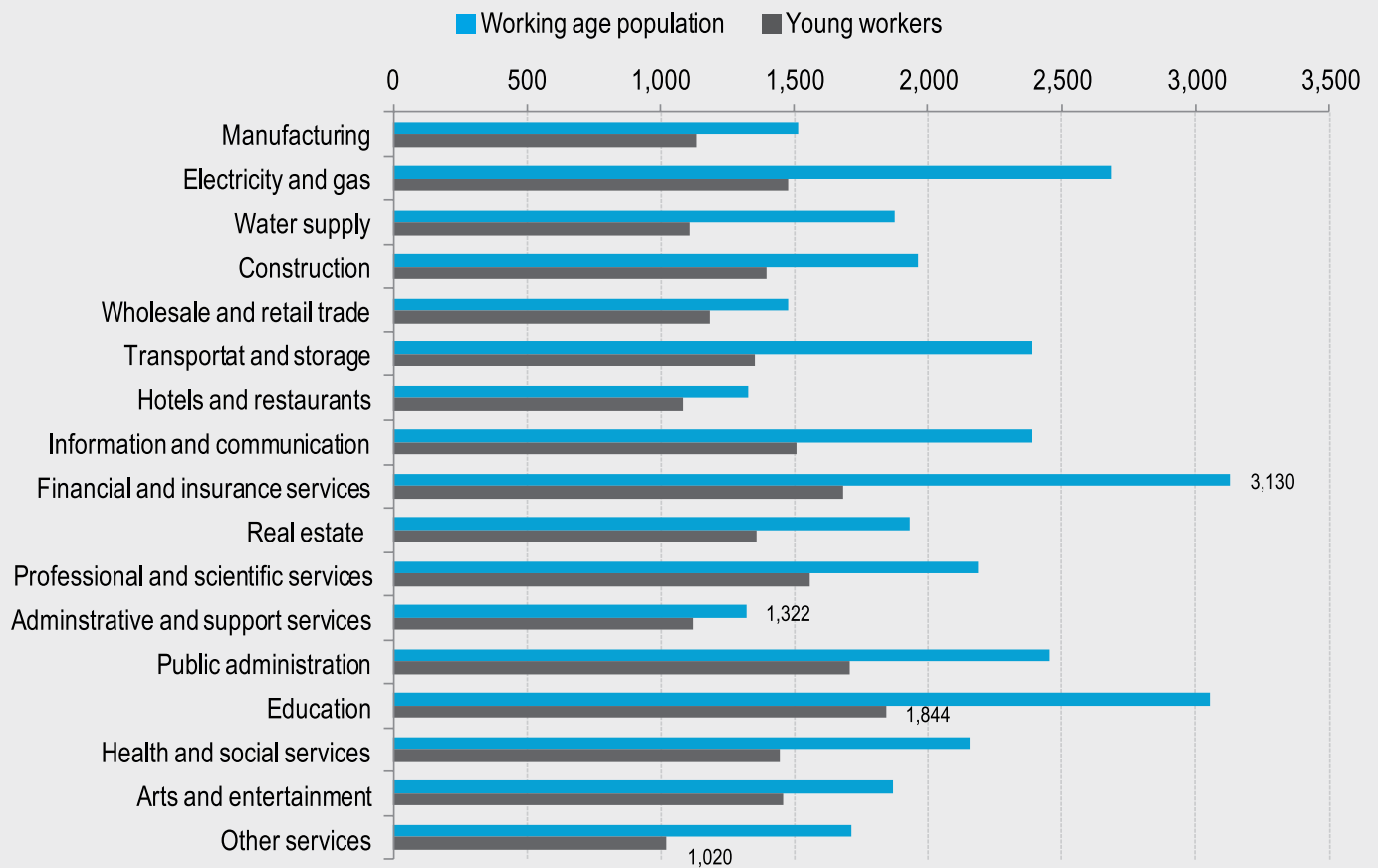
**BOX A 2.6 YOUTH WAGES AND LOW PAID-WORK**

The analysis of youth wages is subject to the availability of data disaggregated by age group. Usually data are collected by the National Statistical Office and published under earnings or living standards or labour costs and wages. The figures are usually disaggregated by economic sector, which allows to identify, which sectors are paying lower wages. When compared with information on youth employment by economic sector, these figures may provide useful insights on the quality of jobs young people get at country level.

The earnings gap for young workers in the country under review was 34 per cent (the mean average wage for the working age population was US\$ 2,084 and US\$ 1,379 for young workers). Differences in earnings across economic sectors are less pronounced for young workers compared to the total working age population. The wage gap between the lowest (administrative and support services) and the highest-paying sectors (financial and insurance services) was over 58 per cent for adults, while for youth the gap between lowest (other services) and the highest-paying sector (education) was 44.7 per cent.


Over 37 per cent of young workers were in low-paid work (with earnings below 60 per cent of the median wage) compared to an average of 22.7 per cent for the population within the working age. The higher incidence of low pay among young workers is in part due to their concentration in economic sectors where low-paid work is more widespread: for instance administrative and support services (where low-paid employment affects 53.9 per cent of workers), hotels and restaurants (46.4 per cent of workers), trade (36.9 per cent) and manufacturing (33.2 per cent).

**COUNTRY A: MEAN MONTHLY EARNINGS BY ECONOMIC SECTORS,
WORKING AGE POPULATION AND YOUNG WORKERS, T1 (US\$)**



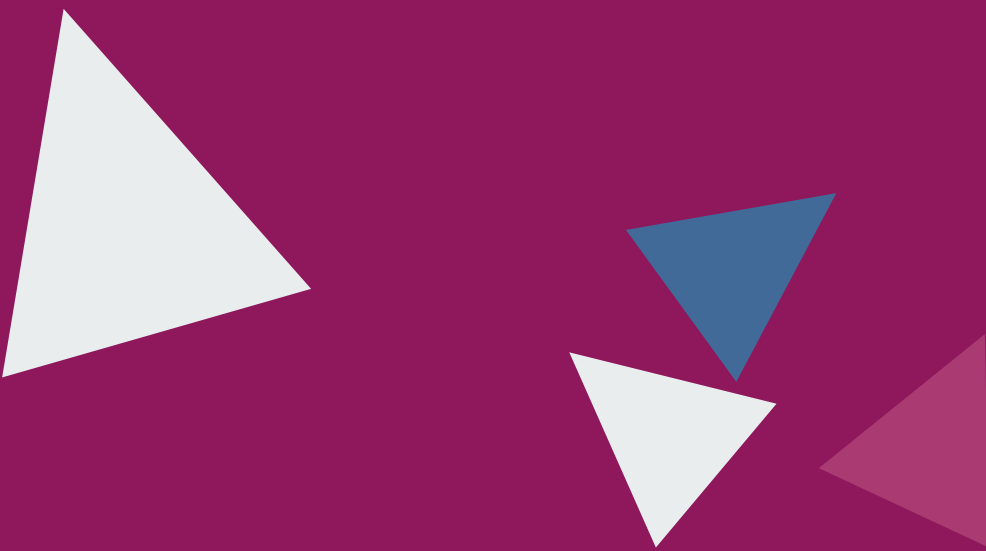
Sources:

National Statistical Office, *Structure of earnings survey*, T1.



SECTION 3:

YOUTH EMPLOYMENT POLICIES AND PROGRAMMES



SECTION 3: YOUTH EMPLOYMENT POLICIES AND PROGRAMMES

Chapter 3 of the country's Labour market analyses aims at reviewing the government policies implemented and planned at national level to affect the youth labour market situation that was reported in Chapter 2. It also appraises whether youth employment is a priority of national policies. This is reflected in the inclusion of specific youth employment objectives and targets in cross-cutting policies such as development, poverty reduction or social inclusion strategies, and/or in the national employment policy. If youth employment is indeed a priority, the next level of analysis is geared to ascertain whether there is progress in achieving youth employment targets.

This Chapter starts with a brief review of macroeconomic policies (fiscal, monetary, investment, trade and private sector development policies) as these influence economic growth and the demand for labour. The assessment continues with education and training policies, i.e. those that have an effect on the quality of human capital (i.e. labour supply), while the core of the Chapter is devoted to the analysis of labour market policies and institutions and to a detailed review of active labour market policies targeting young people.

Countries are advised to follow a number of steps in selecting the information to be provided in Chapter 2 of the analysis (see also the Toolkit for conducting voluntary peer reviews on youth employment policies).

- 1. Review the challenges identified in Chapters 1 and 2 and the policy areas most likely to address them.** The analysis carried in the first two Chapters of the analysis should have identified the main problems young people face in entering the labour market (lack of jobs, uncompetitive enterprises, educational outcomes not aligned to labour market requirements, skills mismatch and so on). To organize the review of policies, youth labour market challenges may be classified into: i) problems relating to labour demand (and the most relevant policy areas are economic, enterprise development and labour market policies affecting firms' hiring and firing decisions); ii) labour supply problems (with education and training policies at the forefront of the analysis); and iii) problems associated with conditions of work (these are mostly influenced by enterprise development and labour market policies and institutions).

Once all relevant policies have been screened, it becomes easier to focus on those that have a direct and measurable effect on youth employment, as determined by the labour market analysis.

2. Examine policy coherence and how it impacts policy implementation.

Policy coherence is the systematic promotion of mutually reinforcing policy action across government departments and agencies, which create synergies and ease the attainment of specific objectives. Often, however, the economic policies pursued/to be pursued are not aligned with the employment and social policy objectives of the country. For instance, the employment policy may pursue job creation, but structural adjustment mainly takes the form of cuts in investment spending or a reduction of incentives for enterprises to recruit new workers, which have negative consequences on employment generally, and on youth employment specifically.

3. Carry out a detailed review of active labour market policies (ALMPs) targeting youth and an assessment of the Public Employment Services (PES).

ALPMs are an important tool for promoting the transition of young people to the world of work. But these policies are not always successful in increasing employment probabilities and earnings of young jobseekers. Their effectiveness depends on their design, resources invested and delivery arrangements. Once there is a good understanding of the effectiveness of ALMPs for youth, it becomes easier to synthesize the information. This type of analysis can be used by the country for a number of purposes. If regularly updated, it can provide a useful tool for policy and programme design.



SOURCES OF INFORMATION FOR CHAPTER 3 OF THE ANALYSIS

The policy documents to be screened for this part of the youth employment review range from overarching policy frameworks (such as poverty reduction or development strategies) to specific policy documents (such as a mid-term fiscal strategy, employment policy, education strategy, youth development policy, national action plan on youth employment and so on) and legislative instruments (annual government budget law, employment promotion law, labour code and so on).

The key sources of information for Chapter 3 are the documents/reports of national ministries (of finance, economy, labour and social protection, education, regional development, trade and industry) and agencies (labour inspectorate, public employment services, social assistance and so on), the National Bank and the National Statistical Office. The web pages of the respective ministries usually provide access to their key legislative and policy documents and serve to develop the list of documents to be screened.

International financial institutions (such as the World Bank and the International Monetary Fund), as well as international organizations (such as the ILO, UNDP, UNICEF, WFP, UNFPA) often conduct research and analysis in various policy areas, which also include policy implications and/or recommendations.

As the amount of information to be reviewed at this stage of the analysis can be extensive, the authors are advised to start by scanning the most recent and more in-depth research available at the country level before moving on to specific/thematic studies. Annex 1 provides an example of a policy assessment tool that can be used to review national policies.

Section 1: Macroeconomic and sectoral policies

- National Ministry of Economy or Finance: mid-term macroeconomic frameworks, annual reports, annual budget law; poverty reduction strategy, economic growth/development policy;
- National Bank: quarterly bulletins, annual reports;
- Sectoral ministries and agencies (of trade, industry, agriculture or enterprise and investment promotion agencies): annual reports and policy documents.

Section 2: Education and training policies

- National Ministry of Education: administrative data, policy documents, tracer studies, annual reports.

Section 3: Labour market policies and institutions

The main sources of labour market figures are national Labour Force Surveys, other household based surveys and administrative records on labour collected and published by National Statistical Offices.

- National Ministry of Employment, Labour, Social Policy: administrative data, policy documents, annual reports;
- Public Employment Service: annual reports, operational plans, organizational structure;
- International Labour Office: research by country and on specific employment and labour market policy issues;
- World Bank: labour market and social protection research by country.

SECTION 3.1 MACROECONOMIC AND SECTORAL POLICIES

Using the figures already presented in Chapter 1 (factual analysis of the overall economic situation of the country), the analysis of this part of Chapter 3 focuses on the key macroeconomic challenges the country is facing, the actions the government is/will be taking and their likely effect on youth employment. For examples, measures to correct the national budget deficit can act on revenues (tax increases) or on expenditures (cuts in public spending). Tax increases (VAT, corporate or personal taxes) will contract aggregate demand more than cuts in expenditures, with stronger negative consequences on employment.⁵ Similarly, spending cuts often concentrate on items that reduce aggregate demand (such as lower spending on investment) or on policy areas that impact the quantity and quality of labour (such as education, health and social protection). In short, the action the government will take to influence economic growth, correct fiscal or external balances, or ensure price stability will have a number of consequences on labour demand and on youth employment prospects. An example of how these effects materialized in the youth labour market is provided in Box 3.1.

⁵ The effect of different fiscal policy tools on employment is well documented. See for instance Ball L., Leigh D., Loungani, P., *Painful medicine*. Finance and Development, No 48(3), 2011; and Matsumoto M., Hengge M., Islam I., *Tackling the youth employment crisis: A macroeconomic perspective*. Employment Working Paper Number 124, ILO, Geneva 2012.



BOX 3.1. FISCAL POLICIES AND YOUTH EMPLOYMENT: LESSONS LEARNT DURING THE GLOBAL ECONOMIC CRISIS

In response to the economic crisis of 2008–09, most countries embarked on unprecedented levels of fiscal expansion. The aim was to contain the decline of GDP and limit job losses. The size of the stimulus was particularly large in Asia and the Pacific (9.1 per cent of GDP), while Africa and the Middle East invested approximately 5.9 per cent, Central and Eastern Europe about 4.3 per cent and advanced economies 3.4 per cent of GDP.

The implemented fiscal packages – albeit with different compositions at national level – included: i) labour market measures; ii) transfers to low-income individuals and households; iii) infrastructure spending; iv) tax cuts; and v) additional measures to boost aggregate demand. Broadly speaking, advanced economies focussed mostly on tax cuts and labour market measures while developing and emerging economies invested more in infrastructure spending. In terms of employment, there are only some general estimates available, none focused specifically on young people. In the United States, for instance, the stimulus is estimated to have created approximately 2.7 million jobs, while in Europe the effect of the fiscal package was insufficient to offset large job losses (the employment rate declined by 2.1 percentage points between 2008 and 2009).

Soon after the end of the economic crisis, the policy strategy shifted its focus away from job creation and concentrated instead on cutting the fiscal deficit and reducing the size of the government debt. This approach was intended to pave the way for higher investment and growth, along with lower fiscal deficits. In reality, austerity measures resulted in weaker economic growth, contraction of credit, lower investment and more job losses. Empirical research showed that the increase in the youth unemployment rates tended to be higher in countries that underwent strong fiscal tightening measures. A fiscal balance tightening of one percentage point of GDP resulted in an increase of the youth unemployment rate by 1.5 percentage points.

Sources:

ILO, EU and ILS, *A review of global fiscal stimulus*. ILO, EC and ILS Joint Discussion Paper Series No 5, Geneva 2011. ILO, *World of Work Report 2012*. ILO, Geneva 2012. Matsumoto M., Hengge M., Islam I., *Tackling the youth employment crisis: A macroeconomic perspective*. Employment Working Paper Number 124, ILO, Geneva 2012. Ball L., Leigh D., Loungani, P., *Painful medicine*. Finance and Development, No 48(3), 2011.

One policy item that is often overlooked in youth employment policy reviews is the positive relation that exists between investment and employment creation (this is why investment is examined closely when reviewing key macroeconomic indicators in Chapter 1). In terms of employment creation, investment (and especially investment in infrastructure) may indeed be the single most important macroeconomic variable to examine in this section.

This first part of Chapter 3 of the analysis concludes with the analysis of sectoral and enterprise development policies and how these promote or hinder the job-creation capacity of firms. Specifically, the section examines existing barriers to enterprise start-up and expansion and the policies enacted to address them, as well as the main features of sectoral policies (primarily agriculture and industrial policies). The typical barriers to enterprise creation/expansion revolve around access to finance; tax rates and tax administration; administrative regulations (permits, licenses and other regulations); poor human capital and infrastructure; government involvement in the production of goods and services; the rule of law (bankruptcy and liquidation proceedings, enforcement of competition rules, operation of the justice system, extent of corruption); and the unfair competition exerted by firms in the informal economy.

Small and medium-size enterprises (SMEs) in many countries account for a large share of existing and new jobs. However, only half of start-ups survive for more than five years, and only a fraction develop into the high-growth firms that make important contributions to job creation.

This part of the analysis, therefore, needs to examine the measures taken/to be taken by the government to promote enterprise development generally, and SMEs specifically, and to assess the effect of the measures taken on job creation. The comparison over time of private sector development indicators can help in judging whether public policies have an effect. An example of how to frame this analysis is shown in Box A 3.1 in the Annex.

The labour market analysis of Chapter 2 provides insights into the economic sectors that are creating/destroying more jobs for youth, and points to sectoral policies that may be the most relevant at national level (agriculture, manufacturing, information technology and so on). Attention should also be paid to the quality of jobs generated by different economic sectors. For instance, agriculture may be the largest provider of jobs for the population, but it is often characterized by precarious working conditions, informal working arrangements, low pay and poor enforcement of occupational health and safety regulations.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) offer guidance on how to analyze economic and private sector development policies, as well as a list of items to be screened for reviewing economic policies.

Matsumoto M., Hengge M., Islam I., *Tackling the youth employment crisis: A macroeconomic perspective*. Employment Working Paper Number 124, ILO, Geneva 2012.

This working paper reviews the impact of the global economic and financial crisis – and the fiscal austerity policies that followed – on youth employment. Specifically, it examines the labour market impact of fiscal and exchange rate policies.

ILO, *World of work report*. ILO, Geneva, various years.

This is an annual publication of the ILO that explores issues relevant for the world of work. The 2012 edition, for instance, explores the relationship between public investment and employment creation. The 2013 edition examines the labour market and social trends five years after the global economic and financial crisis as well as the impact of austerity measures on employment and living standards. The 2014 edition centres on developing countries and finds that a common factor amongst those countries that have achieved higher per capita income and sustained growth was the creation of quality jobs.

International Monetary Fund, *World Economic Outlook: Recovery, Risk, and Rebalancing*. IMF, Washington D.C. 2010.

Chapter 3 of this report examines the effects of fiscal consolidation – tax hikes and government spending cuts – on economic activity and unemployment.

Islam, I., Anwar S., *Should developing countries target low, single digit inflation to promote growth and employment?* ILO Employment Working Paper 87, ILO, Geneva, 2011.

This paper reviews inflation targeting approaches in developing countries and their effectiveness in terms of labour productivity, vulnerable employment, working poverty and growth.

De Kok J., Deijl C., Veldhuis-Van Essen C., *Is small still beautiful? Literature review of recent empirical evidence on the contribution of SMEs to employment creation*. ILO and GIZ, Geneva 2013.

This publication reviews the most recent literature and empirical evidence on the role of SMEs in employment creation. Besides analyzing the contribution of SMEs to employment growth, this book explores the evidence on the quality of jobs generated by SMEs and key constraints to SME job creation ability.

SECTION 3.2 EDUCATION AND TRAINING POLICIES

This section analyses the national education and training system in terms of quantity, quality and relevance for the labour market. It builds on the facts presented in Chapter 2 of the analysis (education trends and situation on the youth labour market) to assess the effect of national education and training policies on the enhancement of human capital.

The analysis starts with an overview of the structure of the educational system, including basic data on enrolment by stream, and youth employment and unemployment by educational attainment level. If data on skills mismatch and/or skills deficits are available, these should be benchmarked against policies implemented by the government. A good indicator of the priority assigned at the national level to education and training is the level of public investment (as a percentage of GDP) by education level. This indicator, when compared to neighbouring

countries or regional averages, suggests the priority the government assigns to human capital development. An example of how to frame the analysis of the education structure is provided in Box A 3.2 in the Annex.

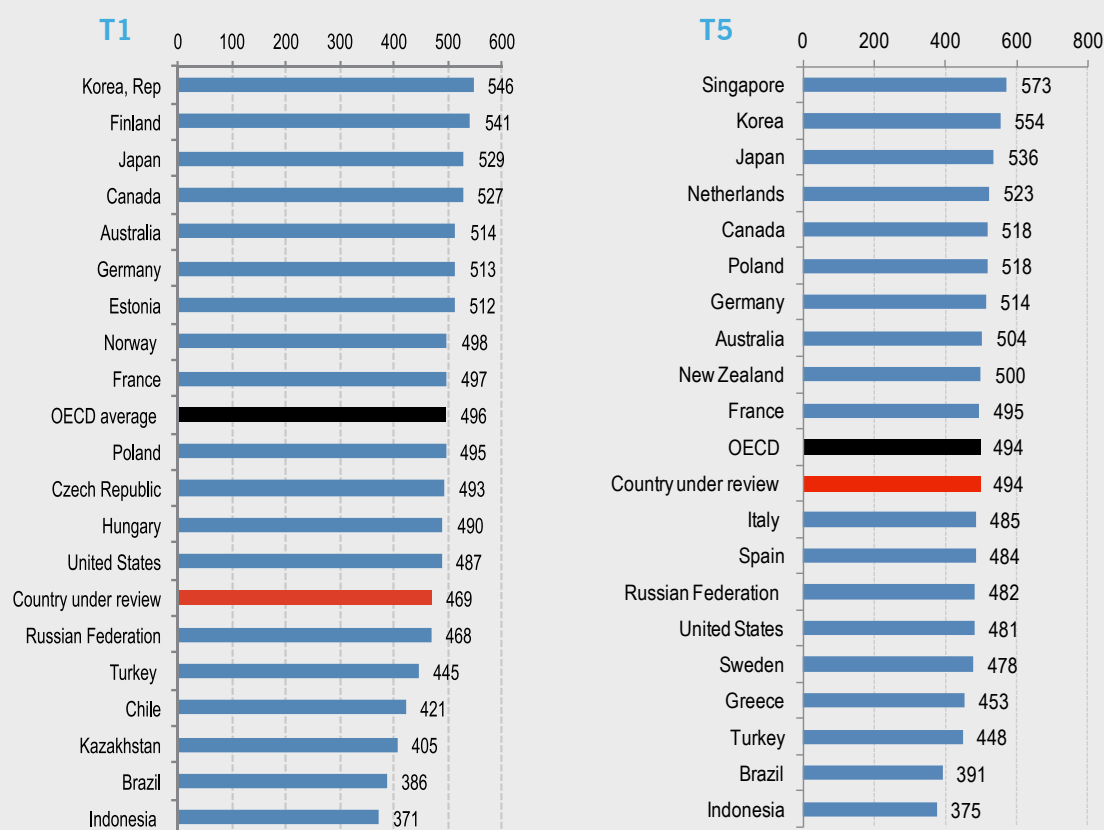
One of the key issues to be explored in this Chapter is the quality and relevance of education and training. This can be done in a number of ways. If the country participates in the Programme for International Student Assessment (PISA), the scores attained by students at the national level at two points in time can be used as proxies for education quality and its improvements (see Box 3.2. below). Another way is to observe the relative labour market performance of individuals with different levels and streams of education over time. Establishment surveys, where available, provide information on the skill level of the workforce and the education/skills enterprises are looking for in new recruits. National testing scores (standardized assessment) can also be used to detect quality of education gaps, if they can be connected to individual labour market outcomes.



BOX 3.2 QUALITY OF EDUCATIONAL OUTCOMES

If the country under review participates in one of the international surveys organized to measure students' achievements, such as PISA, the Trends in International Mathematics and Science Study (TIMSS) or the Progress in International Reading Literacy Study (PIRLS), the analysis of the quality of education can be based on the progress made over time, to be related to the education reforms introduced. In the country shown in the graph below, for instance, the average score in PISA has been improving over time. As the timeline coincide with the implementation of a major secondary education reform (new curricula, new education structure, teachers' training and refurbishing), it can safely be assumed that the reform is bearing fruits.

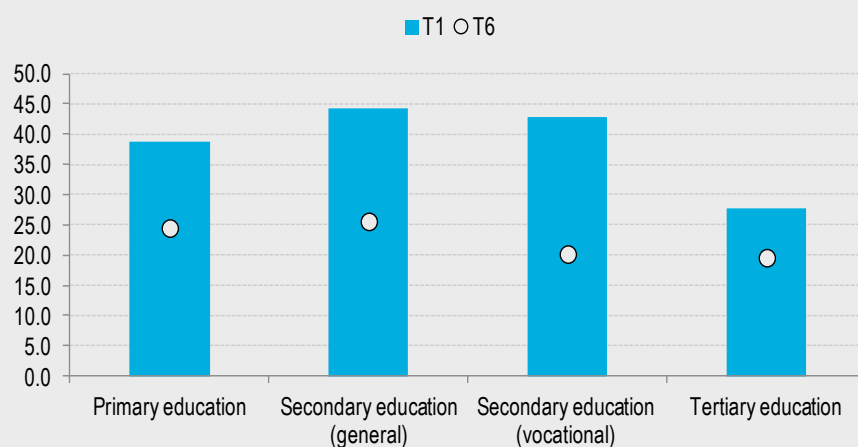
PISA: STUDENTS' SCORES IN MATHEMATICS, COUNTRY UNDER REVIEW, OECD AVERAGE AND SELECTED COUNTRIES, T1–T5



Sources:

OECD, *PISA results*. OECD, Paris, various years.

The most direct method to assess the relevance of education is to look at the youth unemployment rates by level of education and their change over time. The figure below, for example, shows that the country under review was able to reduce youth unemployment for all levels of education, but especially for youth graduating from vocational education institutions. This means that the education reforms implemented in the period succeeded.



Sources:

National Statistical Office, *Labour Force Survey*, various years.

Vocational education and training (VET) merits a separate heading, given its relevance in easing the transition to the world of work. Many countries have introduced extensive reforms in the last few years to modernize the system and ensure that VET is aligned to labour market needs. Such reforms have focused on reforming vocational education curricula to provide broader and transferable skills; shifting teaching methods from theory to practice; providing work experience in real work settings; increasing the competencies of VET teachers and so on.

The review should also look at the structure and functioning of the adult training system (or continuing vocational training system). Accompanied by figures on the participation of adults in non-formal learning (if available), the appraisal should determine the relevance of the training content, the delivery methods used (institution- or enterprise-based), resources allocated by the government and the main characteristics of individuals participating in adult training. The results in terms of labour market outcomes, if available, should also be reported.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) offer guidance on how to analyze education and training policies and provide a list of policy items to be reviewed.

Hanushek E.A., Wossmann L., *The role of education quality in economic growth*. Policy Research Working Paper, World Bank, Washington, D.C. 2007.

This book examines the role of quality education in improving individuals' earnings as well as overall economic growth. Chapter 3, specifically, looks at the determinants of quality education and the policies that may be key for its attainment.

Adams, A. A., *The role of youth skills development in the transition to work: A global review*. World Bank, Washington D.C. 2007.

This report examines the role played by skills development at school and in the workplace and its impact on the transition of youth to work in advanced and developing countries. It offers advice to policy makers on the employment and earnings outcomes associated with different pathways to skills. It highlights what many countries are doing to bridge more effectively schooling and work for youth. New models of technical and vocational education and apprenticeship are reviewed along with programmes to provide second chances for youth who may have lacked opportunities to acquire education and training or who initially made bad choices in preparing themselves for the world of work.

Eichhorst W., Rodríguez-Planas N., Schmidl R., Zimmermann K.F., *A roadmap to vocational education and training systems around the world. Discussion Paper No. 7110, IZA, Bonn 2012.*

This discussion paper reviews vocational education and training around the world, dealing with three types of vocational systems: school-based education, a dual system in which school-based education is combined with firm-based training, and informal training. It highlights the key elements of each training system and discusses the evidence on the effectiveness of VET versus general education and between the three VET systems.

SECTION 3.3 LABOUR MARKET POLICIES AND INSTITUTIONS

This Section 3 of Chapter 3 of the analysis focuses on employment and labour market policies. The review starts with the screening of the youth employment policy or youth development policy and implementing plans, if these exist. If the country has no specific youth policy, the employment policy/strategy is screened for specific youth employment objectives or targets, or alternatively, for those policy outcomes more likely to influence youth employment. Annex 3.1 provides a policy assessment grid that can be used for the appraisal of policies.

As already mentioned, the core of Chapter 3 is dedicated to the analysis of labour market policies and institutions and especially active labour market policies (ALMPs). **Labour market policies** are government measures to influence labour supply and demand, as well as their interaction. They include income replacement (or passive) policies and labour market integration measures for the unemployed (active policies). **Labour market institutions** are the system of laws, norms or conventions providing constraints and incentives that influence the choice of individuals regarding labour and pay. They include minimum wage, employment protection legislation, trade union density and collective bargaining, and the unemployment benefits.

The review should look at wage policy and the main principles of labour legislation (wage setting mechanisms, hiring and firing practices, temporary employment regulations, social security systems). The analysis of passive labour market policies focuses on the unemployment benefit system, social assistance programmes and activation strategies (i.e. the relationship between active and passive labour market policies).

This part of the analysis does not need to be overly detailed: what is important is to identify what is most effective for stimulating youth employment at the national level. For example, in many countries the problem is not the minimum wage per se, but rather its enforcement and the extent of informal employment. In other countries, the tax wedge (i.e. the difference between the cost of labour for the enterprise and the net wage of the worker) is a factor that limits the job-creation potential of enterprises. In other countries still, more restrictive employment protection legislation (EPL) may have the unwanted result that young people may face difficulties to get a permanent job. In this part of the analysis, it is useful to compare the national situation with that of neighbouring countries (or the regional average) to understand if indeed any of these policies represents a barrier for the labour market integration of young people.

The assessment of active labour market policies (employment services, training, employment subsidies, public works and self-employment) and the role played by the Public Employment Service in promoting youth employment warrants a specific and separate section.

SECTION 3.3.1 WAGE POLICY

The discussion on wage policies centres on the minimum wage (if in force), wage-setting mechanisms (including the role played by employers' and workers' organizations in negotiating wages), payroll taxes and the determinants of low pay for young people.

The minimum wage sets a wage floor applicable to salaried employees, ensuring they receive a minimum level of pay. The objectives are to: (i) redistribute earnings to low-paid workers, and (ii) reduce working poverty. The analysis of the minimum wage trends has particular relevance in contexts where young people are exposed to low-paid work and poverty.

Minimum wage policies are used in many countries as a means to protect vulnerable workers – e.g. those with low pay, in part-time, temporary or casual employment – and reduce inequality. It has been argued that lower minimum wages for young people improve employment prospects by making them more attractive to employers. This is based on the presumption that young and adult workers are interchangeable. However, young people and adults often have different skills and experience, and therefore compete for different jobs. Thus, the introduction of a differentiated wage for young workers (sub-minimum wage for youth) in many countries did not yield the expected results and was discontinued (for example in the United Kingdom and in New Zealand).

The setting of the level of the minimum wage is a key element for ensuring that it remedies market failures and reduces earnings

inequality. When the minimum wage is too low, it is ineffective; when it is too high, it may result in the crowding out of low-productivity workers (e.g. young people and low-skilled workers). The impact of the minimum wage on both employment and wage levels depends on a number of factors, including the degree of compliance, enforcement, the existence of uncovered sectors of the economy, the structure of the minimum wage (especially its level and coverage) and its interaction with other labour market institutions. Empirical evidence has often found small or negligible effects of increases of the minimum wages on overall employment.

Payroll taxes consist of income taxes and social security contributions and are part of the labour costs borne by employers when employing workers. These taxes are levied as a percentage of pay (the tax rate) and drive a wedge between the cost of labour for the enterprise and the net wage of the worker. In countries where non-wage labour costs are high, their reduction has increasingly been considered as a tool to reduce unemployment and informality. Recent surveys suggest that decreased payroll taxes have a positive overall short-term effect on wages and also on permanent employment probabilities. Lowering payroll costs may also increase the transition from unemployment to permanent employment. Such a direct relationship suggests that decreasing non-wage labour costs could indeed result in youth employment gains. To understand whether the tax wedge is playing a role in determining youth labour market outcomes, the country can undertake the type of analysis shown in Box A 3.3 annexed to this Section.

SECTION 3.3.2 EMPLOYMENT PROTECTION LEGISLATION

Employment protection legislation (EPL) consists of regulatory provisions that relate to “hiring and firing”, particularly those governing unfair dismissals, termination of employment for economic reasons, severance pay, minimum notice periods, authorization for dismissals, and prior consultations with trade union and/or labour administration representatives. One of the more frequently used measures of the strictness of employment protection is the EPL index elaborated by the Organisation for Economic Cooperation and Development (OECD). The 2013 methodology includes 21 basic items, grouped into four main indexes: (i) individual dismissal of workers with permanent contracts; (ii) specific requirements for collective dismissals; (iii) regulation of fixed term contracts; and (iv) rules governing temporary agency work (TWA) employment. Each of these 21 items is scored separately and their weighted average gives the summary measures of the strictness/flexibility of EPL for regular contracts and for temporary contracts at national level.

The impact of employment protection legislation on youth employment has long been controversial. On the one hand, it is argued that stricter EPL increases dismissal costs and reduces the flexibility of enterprises to adjust to the economic cycle. This would negatively affect employment in general, and youth employment in particular, by favouring those who are already employed to the detriment of those who are seeking employment (the “insider-outsider” effect). On the other hand, EPL is thought to ensure basic security, increase incentives for employers to invest in human capital and encourage cooperative labour relations, which should all lead to improvements in productivity, competitiveness and overall efficiency.

EPL provisions have been the subject of a number of reforms in many countries. Changes in EPL have had a major influence on the types of job available for young workers, but the expected increase in youth employment has not materialized. In most countries where EPL was weakened, youth employment outcomes worsened in comparison to those of adults. The different levels of protection between temporary and permanent workers have led to a segmentation of the labour market in several countries. This is particularly the case in countries where EPL reform has been carried out at the “margins”, i.e. by increasing labour market flexibility mainly through the liberalization of temporary contracts.

There are three features of EPL that are most relevant for youth employment, to be contextualized to the findings of the youth labour market analysis (labour market segmentation, higher incidence of temporary work for youth compared to adults, or a faster shedding of jobs for youth during economic downturn):

- i) the overall indexes for permanent and temporary contracts (if the indexes show large differences, this may point to two-tier reforms and labour market duality);
- ii) the relationship between severance pay and tenure (young workers, who typically have shorter tenure, are less expensive to dismiss and may suffer higher job losses during economic downturn); and
- iii) length of trial periods (since severance pay regulations do not apply, very short trial periods of 1–2 months may discourage the hiring of youth whose productivity is difficult to judge ex-ante).

An example of how to frame the analysis of EPL is provided in the Annex to this section (Box A 3.4).

SECTION 3.3.3 PASSIVE LABOUR MARKET POLICIES

Passive labour market policies include unemployment insurance, unemployment assistance and social assistance/social welfare programmes. All of these instruments are intended to support (or replace) an individual's or household's income, and are part of the social protection system of a country.

Unemployment insurance is, typically, a contributory system that covers workers employed in the formal economy. Benefit levels are usually earnings-related and the duration of entitlement is tied to previous employment history. Some countries envisage that special groups, such as school leavers or women returning to the labour market after raising children, are entitled to benefits at fixed rates. The eligibility requirements established for the unemployment benefit (minimum work period in the formal economy) limit the coverage of the benefit to only a few categories of workers. Young people, since they are more likely to work in the informal economy and to have short work experience periods, are generally unable to participate in the insurance system.

Many countries increasingly rely on social assistance benefits to provide a minimum income floor for the poor. Young people may be entitled to social assistance as individuals, or as members of poor households. In this part of the report, it is important to mention what types of programme are available, eligibility criteria, level of benefits and targeting mechanisms. The measure normally used to find out whether social assistance programmes are well targeted (e.g. whether they reach the ones who really need the assistance and the amount of "leakage" to the non-poor) is the percentage of individuals in the lowest income quintile who receive the benefit.

Other important items are the cost of the social protection system as a percentage of GDP (by spending item); the coverage of the eligible population; and the level of benefits as compared to the national poverty line (or the minimum wage). If age-disaggregated data are available, the respective share of youth and adults benefitting from social assistance schemes should be reported. In particular, if eligibility rules require social assistance beneficiaries to register as unemployed and actively search for a job, this can be linked to the following section 3.3.4 (active labour market policies) to examine the effectiveness of activation approaches for youth (see Box 3.3 below).



BOX 3.3 PASSIVE LABOUR MARKET POLICIES TARGETING YOUTH AND ACTIVATION STRATEGIES

Worldwide, less than 30 per cent of the economically active population are covered by income support in case of unemployment. The coverage is high (80 per cent or more) in Western Europe, North America and Central and Eastern Europe and in the Commonwealth of Independent States (CIS). In the rest of the world, only a small minority is covered: slightly over 20 per cent in North Africa, less than 20 per cent in Asia, Latin America and the Middle East, and just a few per cent of the economically active in sub-Saharan Africa.

However, even when the coverage is high, the majority of young laid-off workers do not qualify for the unemployment benefit system because of short tenure, atypical forms of work and engagement in the informal economy. Countries that provide unemployment assistance (e.g. Australia, Belgium, Denmark, Ireland and United Kingdom among others) to individuals who are ineligible for the unemployment benefits, usually impose strict limits in terms of amount of the benefits (usually a percentage of the unemployment benefits), its duration (usually 12 months), and conditionality for receipt (registration with the Public Employment Service, active job search, mandatory participation in training or community work programmes).

In Germany for instance, the Public Employment Service has an obligation to place young welfare recipients (up to 25 years old) immediately after the benefit claim into training, employment or public job to reduce the risk of welfare dependency. This is accompanied by a strict sanction system for non-compliance (reduction and eventually suspension of the benefit). An evaluation carried out on this activation regime found that it neither improves the performance of young welfare recipients in the short-term nor does it help them in the longer-term. Measures aimed at integrating youth in apprenticeships are effective in terms of education participation, but fail to show any impact on employment outcomes. Public sector job creation is found to be harmful for the medium-term employment prospects and ineffective in the long-run. The analysis further indicates that the targeting of German ALMPs systematically ignores low-educated youth as the group most in need of support. In short, the immediate targeting of young welfare recipients resulted in too many assignments to interventions that did not fit individuals' needs, and the early re-entry into the labour market often ended up in low-paid jobs.

Sources:

ILO, *World Social Security Report 2010/11*. ILO, Geneva 2011. *Providing coverage in times of crisis and beyond*. ILO, Geneva 2010. OECD, *Off to a good start? Jobs for youth*. OECD, Paris 2010. Nivorozhkin, A., Wolff, J., *Give them a break! Did activation of young welfare recipients overshoot in Germany? (A Regression Discontinuity Analysis)*. Institute for Employment Research IZA, Bonn 2013. Caliendo, M., Künn, S., Schmild, R., *Fighting youth unemployment: The effects of active labour market policies*. Discussion Paper, No. 6222, IZA, Bonn 2011.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) offer guidance on how to analyze labour market policies and institutions and their likely impact on youth employment prospects.

Cazes, S., Verick, S. (eds), *Perspectives on labour economics for development*. ILO, Geneva 2013.

This book provides the theoretical background, cross-country comparison and empirical evidence about unemployment benefit systems and labour market institutions, including EPL (Chapter 8). It offers to the reader examples of practices of both developed and developing countries. Gender and youth issues are considered in various parts of the section on EPL.

ILO, *World social security report 2010/11. Providing coverage in times of crisis and beyond*. ILO, Geneva 2010.

This is a regular publication of the ILO that monitors global progress on social security coverage. Each new edition takes up one specific topic, with the one of 2010/2011 dealing with the global economic crisis. Chapter 5 of this report deals with income support to the unemployed (and especially legal and effective coverage around the world).

Boeri, T., van Ours, J., *The economics of imperfect labour markets*. Princeton University Press, Princeton 2008.

This book deals exclusively with the role and effects of labour market policies and institutions in labour markets that depart from perfect competition. Chapter 2 reviews the different effects of the minimum wage in competitive and non-competitive labour markets, analyzes empirical evidence and addresses two key policy issues, namely should the minimum wage be increased or decreased and what is its effectiveness in reducing earnings inequality. Chapter 10 on EPL reviews the varying effects of EPL on different categories of workers, analyzes cross-country empirical evidence and addresses two key policy issues, namely how much protection should EPL provide and whom should this labour market institution protect.

Grimshaw, D., *At work but earning less: Trends in decent pay and minimum wages for young people*. Employment Working Paper No. 162, ILO, Geneva 2014.

This paper reviews the issues, empirical evidence and policy approaches on youth wages. It compiles evidence on key characteristics of the wage structure for young people around the world; considers how pay patterns relate to trends in youth labour supply; investigates how skill formation systems, wage structure and wage-setting mechanisms shape the youth labour market; and reviews country practices in the use of sub-minimum wages for youth.

OECD, *Taxing wages*. OECD, Paris, latest available year.

This is an annual publication of the OECD that provides information on income tax and social security contributions in OECD countries. It includes the marginal and effective tax burden by income level and household composition.

SECTION 3.3.4 ACTIVE LABOUR MARKET POLICIES FOR YOUTH

The analysis of active labour market policies (ALPMs) and the role played by the Public Employment Service (PES) in promoting youth employment constitute the core part of Chapter 3 of the analysis. This section starts with an assessment of the PES structure, functional organization and coverage of the unemployed population, to then proceed to the review of ALMPs targeting youth.

SECTION 3.3.4.1 THE PUBLIC EMPLOYMENT SERVICE (PES)

The assessment of the PES focuses on: i) institutional arrangements (independent agency, department of the Ministry of Labour); ii) geographical organization; iii) the functions covered (registration of unemployed individuals, job placement, counselling and guidance, active labour market programmes and unemployment benefits administration); iv) coverage of the unemployed population by age group; and v) service delivery.

Since the PES plays a key role in the promotion of youth employment and in easing the transition of youth to the labour market, it would be useful for the country to carry out a fully-fledged functional assessment (Annex 3.2 provides an analytical framework to assess the functional organization of the PES). This exercise allows identifying shortcomings in the provision of employment services and programme delivery and helps understand how they can be made more effective.

The following items should be reviewed: i) PES coverage and capacity to deliver services and programmes for youth; ii) financial and human resources and their evolution over time; and iii) service delivery modalities. An example of how to appraise the capacity of PES to deliver services for youth is provided in Box 3.4 below.

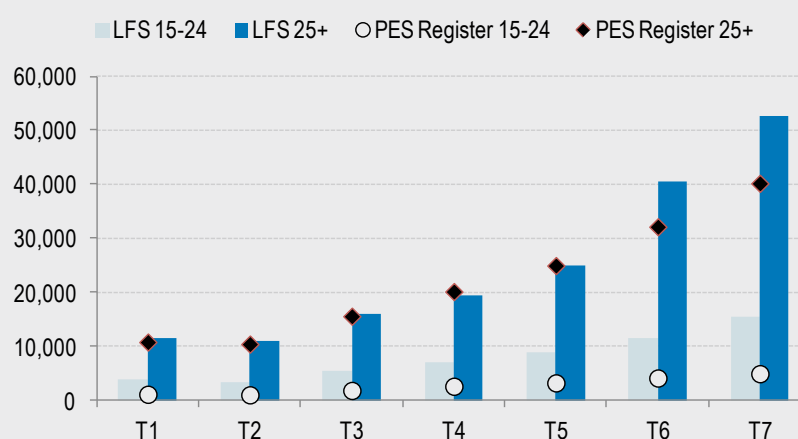


BOX 3.4 IS THE PUBLIC EMPLOYMENT SERVICE EFFECTIVE IN EASING THE TRANSITION TO WORK?

The first item to look at to verify the capacity of the PES to target young people is the coverage of the unemployed population by age group. This latter item can be explored by comparing survey-based and administrative data by age group and over time.

The figure below for example shows that since T3 there has been an increase in the number of unemployed individuals that resort to the employment offices. Until T5 the number of adult jobseekers (25+) registering with the PES closely matched the number of individuals detected as unemployed in the Labour Force Survey, but the number of young people registering was lower than the actual number of youth unemployed.

**ADMINISTRATIVE AND SURVEY-BASED UNEMPLOYMENT, T1–T7,
NUMBER OF PERSONS**



Sources:

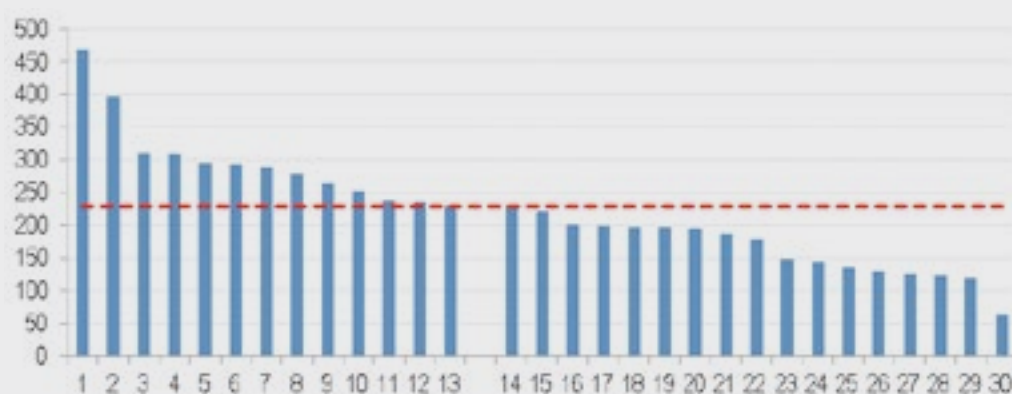
National Statistical Office, *Labour Force Survey and PES, Annual Report*, various years.

Despite a sharp increase in youth unemployment, the number of young jobseekers who registered lagged much behind (by T7, only 36 per cent of unemployed youth registered with the PES). This may be due to the fact that the young unemployed are less likely than adults to qualify for the unemployment benefit; to the low consideration youth have of the capacity of the PES to help them in finding a job, but also due to a gap between resources available to the PES compared to the number of unemployed to be treated.

To understand whether the PES has sufficient human and financial resources to provide effective services, the review should analyze the ratio of the PES staff to the unemployed and the annual investment deployed by the country for the PES and ALMPs (as percentage of GDP).

The figure below, for example, shows that the ratio of the staff to the registered unemployed of 1:230 (1:378 when considering only the staff actually assigned to deliver the services to clients) exceeds twice the average international benchmark of 1:100 that is used as reference to assess the quality of employment service delivery. This ratio varies across 30 local employment offices, with over one third of all offices facing higher staff constraints than the national average.

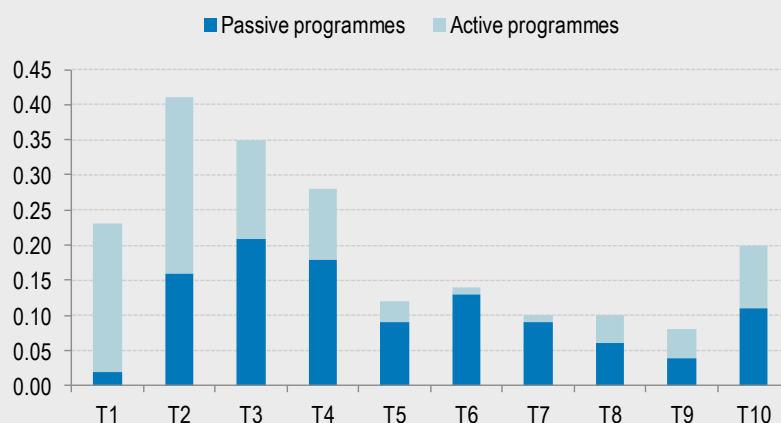
**STAFF TO UNEMPLOYED RATIO BY LOCAL EMPLOYMENT OFFICE, 2014,
NUMBER OF PERSONS**



Sources:
PES, *Annual Report*, various years.

The financial resources allocated also show a progressive decrease of resources for labour market policies since T2. Funding also favoured passive programmes. Despite the doubling of resources in T10 (from less than 0.1 per cent to 0.2 per cent of GDP), spending remained well below the average recorded at the beginning of the decade.

LABOUR MARKET EXPENDITURES, PERCENTAGE OF GDP



Sources:
PES, *Annual Report*, various years.

Finally, the table below shows the gradual reduction of public works and job subsidies (which were scaled up during a period of economic downturn), but also a decrease in vocational training, self-employment and internship programmes for school leavers.

ALMPS BENEFICIARIES AND EXPENDITURES, T1–T2

Type of service and programme	T1		T2	
	% of total expenditures	% of total participants	% of total expenditures	% of total participants
Labour market information	4.1	51.6	4.4	52.8
Vocational guidance	2.5	28.7	2.4	28.9
Job fairs, job search training	1.9	0.2	2.5	0.2
Job subsidies (youth)	12.4	6.9	12.2	6.6
Job subsidies (vulnerable jobseekers)	3.9	0.6	4.2	0.7
Vocational training	52.7	3.4	54.5	3.0
Internship	1.4	0.2	0.9	0.1
Public works	15.7	4.4	14.6	3.7
Self-employment	3.7	2.0	3.0	1.7
Activation programmes (job clubs, work experience)	1.7	2.0	1.4	2.3

Sources:

PES, *Annual Report*, various years.

The conclusions that can be drawn from the information presented above, can be summarized as follows:

- The human resources allocated to the PES are currently inadequate to meet basic service requirements. On the basis of the international benchmark of 1:100, the current number of PES staff should be at least doubled.
- The low level of registration, despite the five-time increase of unemployment among youth, is a sign of disengagement, worker discouragement and labour market detachment. The PES may consider the introduction of a comprehensive and integrated package of labour market services and measures for youth that can act as an incentive. In parallel, the PES could consider training and assigning specific staff to provide services to the youth or running events such as job fairs that are generally more popular among young people.
- Despite the increase of resources recently (to 0.2 per cent of GDP), spending on ALMPs is well below the average recorded in OECD countries (1.69 per cent of GDP, of which 0.66 per cent invested in active programmes). To adequately address the needs of unemployed individuals, the funding allocated to ALMPs should be gradually expanded.

The appraisal then proceeds to the services the PES delivers to individuals and enterprises. The review needs to examine the range of labour market information the PES collects, elaborates and uses (on unemployed individuals, enterprises, job vacancies, occupations and skills most demanded by firms and so on). This is instrumental for assessing the quality of the basic functions of the PES, namely job placement, employment counselling and career guidance, as these are widely recognised as the most cost-effective means to ease the transition of young people to the world of work. If available, data on the individual characteristics of beneficiaries (by age group) should be presented.

- *Labour market information (LMI)* includes information on economic sectors and occupations that are in demand, enterprises creating jobs, geographical areas where labour demand is higher, education streams to attend to gain the skills required by an occupations in demand. There are various methods of information dissemination (e.g. one-to-one advice; ICT-based information such as web portals, job and training data banks; leaflets).
- *Job placement* is the matching of youth looking for work with available job openings. This activity is the core and primary function of the PES. The quality of job placement depends to a large extent on the amount of information that is collected on unemployed individuals and job vacancies. Today, many employment services rely on electronic matching systems that build on a wide range of information collected on individuals, job vacancies and training programmes.
- *Counselling and guidance* encompass structured advice provided over a period of time for employment and career purposes. The services may be provided on an individual or group basis, face-to-face or at distance (web-based services). These services comprise career information (in print, ICT-based, and other forms), assessment and self-assessment tools, counselling interviews and work taster programmes. Counselling and guidance services provided by the PES usually comprise three types of activity: i) personalized employment services; ii) specialized career guidance services; and iii) other career guidance provision. Personalized services involve a range of guidance-related activities for job placement such as interviewing, job search assistance and development of an individual employment plan. Specialized career guidance services are a more intensive and specialized level of support targeting unemployed persons facing specific barriers in gaining a foothold in the labour market (for example young persons with disabilities, ex-prisoners, young women re-entering the labour market after child birth). The third category of guidance services includes the production and dissemination of labour market and occupational information as well as the provision of career guidance services to students.

- *Job search skills services* include advice, guidance and training (of short duration) on how to approach employers, identify enterprises and economic sectors that have open vacancies, write a curriculum vitae and manage job interviews.

The assessment of the PES concludes with the review of the targeting approaches used by the PES. Early intervention is often advocated as a means to avoid long-term unemployment among youth and the problems associated with it. The rationale is that as the unemployment spell increases, the young individual loses contact with the labour market, working habits weaken, skills deteriorate and job search intensity decreases. The longer the unemployment spell, the more intensive and complex (and, therefore, costly) are the interventions necessary to help young jobseekers re-enter the labour market. One approach is to offer assistance to all as soon as the unemployment spell starts (or soon thereafter). This approach (universal provision), however, may generate deadweight losses as it provides assistance also to those young people who would be able to find a job on their own. It is also impractical in countries that have insufficient resources to provide assistance to all young people who would need it. Today, the prevailing approach for the provision of employment assistance is to differentiate services and programmes across population groups, based on individual circumstances and the barriers faced in entering the labour market (using profiling means to identify those individuals whose characteristics are known to be a “risk”). Annex 3 appended to this Section provides an example of tiered service delivery for the young unemployed.

SECTION 3.3.4.2 ACTIVE LABOUR MARKET PROGRAMMES TARGETING YOUTH

Active labour market policies (ALPMs) are government interventions aimed at improving the functioning of the labour market by enhancing labour market mobility (transition from unemployment and inactivity to employment) and easing the redeployment of laid-off workers. By improving the matching of unemployed individuals with available job vacancies, ALMPs may have a positive impact on the unemployment rate. These policies are usually grouped into three broad categories: (i) employment services (already screened under the PES assessment); (ii) training; and (iii) subsidized employment (wage subsidies, self-employment schemes and public works). Each category includes several types of interventions, with different objectives and target groups.

The review of active labour market measures needs to include an appraisal of the key features of the programmes (type and duration), eligibility criteria, main groups targeted and also implementation modalities. Wherever possible, the appraisal should also include monitoring data (number of participants, average cost per participant, gross employment outcomes) and the findings of net impact evaluation (including the measurement of distortions), if available.

In light of the multiplicity of measures that can be implemented to help young people gain a foothold in the labour market, the paragraphs that follow briefly examine the main design features of programmes that produce positive labour market outcomes, as a benchmark for the appraisal of national youth employment programmes.

Training is the dominant active labour market measure used to develop skills among workers of all ages. It includes second chance education programmes (e.g. basic literacy and numeracy programmes); technical and vocational education and training (off-the-job); workplace training (e.g. internships, on-the-job training schemes); apprenticeship; and financial incentives for training (subsidies and vouchers).

Training programmes can be relatively costly, their impact may be limited when job opportunities are scarce and they may give rise to deadweight losses (i.e. young workers would have found jobs also without the training programme) and lock-in effects (participants decrease job search efforts during participation and lower their chances to find work). More importantly, training programmes organized or supported by the PES cannot substitute general education and cannot remedy the shortcoming of the educational system.

The design of training programmes needs to take into account: i) the type of skills different groups of young people need to enter the labour market, ii) skills assessment and recognition/certification mechanisms; iii) the mode of training delivery (classroom, work-based or a mix); iv) duration of the programme (sufficient to provide relevant skills but not too long to minimize lock-in effects); and v) other support services (counselling and job search assistance, child care support, compensation during the training period). The impact evaluations carried out on training programmes targeting youth revealed a number of key features that can make the difference (Box 3.5).



BOX 3.5 TRAINING TARGETING YOUTH: WHAT IS THE EVIDENCE?

Evidence indicates that programme designs that combine different training approaches have a higher probability of yielding positive labour market impacts on employment and/or earnings of trained persons. In particular, compared to in-classroom training alone, the interaction of in-classroom and workplace training increases the likelihood of positive labour market impact by 30 percentage points, and when combined with other services (career counselling and guidance, placement services), the probability of a positive impact increases by 53 percentage points. Institution-based vocational training programmes targeting youth often have a negligible impact on employment probability, but improve the quality of jobs for youth (increases in formal employment and formal wages).

A number of factors characterizes successful training programmes for young people:

1. **Targeting:** Interventions should target youth with low qualifications, who have spent some time out of work or who lack work experience. The evidence suggests that people in their twenties seem to benefit more than those in their teens.
2. **Smaller scale programmes:** The principle that training programmes should be relatively small in scale has been held since the early 2000s and has contributed to a move away from large-scale training programmes in a number of countries.
3. **Focused on work experience and the transition to work:** A number of studies point out that programmes that combine training with periods of work experience, contact with employers and assistance in job search, and that lead to recognised qualification, are more likely to have a positive impact.
4. **Addressing multiple disadvantages:** Three quarters of youth with no qualifications face additional barriers to employment, such as disability, child care responsibilities, migrant or foreign background and low motivation to take up work. Training programmes, therefore, should have a comprehensive design aimed at tackling all these labour market barriers simultaneously.

Mixed results for training programmes are not surprising. Interventions tend to be relatively long (4–6 months and longer) and during programme participation beneficiaries are less likely to move into work. These “lock-in” effects often lead to a negative impact on employment probabilities in the short term. The impact of training programmes – while negative for the first year or so – increase over time and generally turn positive by the third year.

Sources:

Fares, J., Puerto, O.S., *Towards comprehensive training*. Social Protection Discussion Paper No. 0924, World Bank, Washington D.C. 2009. Hirshleifer, S., McKenzie, D., Almeida, R., Ridao-Cano, C., *The impact of vocational training for the unemployed: Experimental evidence from Turkey*. Policy Research Working Paper No. 6807, World Bank, Washington D.C. 2014. Wilson, T., *Youth unemployment: Review of training for young people with low qualifications*. Research Paper No. 101, UK Department for Business, Innovation and Skills, London 2013.

Job subsidies provide incentives to employers for hiring new workers or keeping employees who might otherwise be laid off by lowering the cost of labour. These interventions usually take the form of direct wage subsidies or social security payment offsets or monetary grants to enterprises to cover part or all of the labour cost for the individual hired.⁶ They can also take the form of vouchers that employers can redeem when creating a new position or that the unemployed can use during job search.

As these interventions usually carry significant “deadweight” effects (subsidized workers would have been hired also without the incentive), they are typically targeted to the long-term unemployed, areas/sectors with high unemployment, and groups of workers facing particular barriers in gaining a foothold in the labour market. A generalized subsidy to reduce the cost of hiring young workers that is simply based on the age criterion, therefore, is likely to be ineffective in the medium to long run.

The typical form of a wage subsidy comprises: i) a reduction in social security contribution or payroll tax (targeted at youth); ii) a tax refund (where the subsidy is paid through the tax system, in the form of a refundable tax credit); or iii) a direct payment to the employer or the young worker covering part of the worker’s wage. Temporary hiring subsidies are more efficient than open-ended ones. The duration of the subsidy should reflect the type of problems that it intends to overcome. Subsidies of short duration (six months or less) are useful for overcoming employers’ initial reluctance to hire due to the absence of signals on youth productivity. Medium-term and longer subsidy periods (from nine months up to two years) can allow young workers to develop the necessary skills and increase their productivity. Subsidized employment beyond this learning-by-doing period tends to be cost-ineffective as it leads to deadweight losses. Long-term subsidies are only rarely used – typically only in the case of target groups with multiple disadvantages (for example, low-skilled, long-term unemployed and youth with disabilities).

Imposing conditions on employers can help limit unintended responses that reduce the effectiveness of subsidies. The conditionalities typically imposed on recruiting firms include: i) the obligation to pay back the subsidies if the hired worker is dismissed during the subsidy period; ii) the extension of the contract of the subsidized worker after the expiry of the subsidy (usually for a period at least equal to the duration of the subsidy); iii) the non-dismissal of workers in the period preceding the granting of the subsidy. To ensure that subsidies contribute to the long-term integration of youth, further rules can make it compulsory for employers to provide training or other forms of skills development to the subsidized worker.

⁶ Total labour costs include direct remuneration that goes to the worker (take home pay), bonuses and allowances, and indirect costs paid by the employer, such as social security contributions and taxes relating to employment.

The studies reported in Box 3.6 below highlight some important aspects of payroll tax reductions. First, it is clear that hiring subsidies are more effective in increasing the employment probability of the target group than wage subsidies. Second, the institutional context and labour supply incentives play an important role in influencing the employment effects. In countries where youth labour supply is more responsive to potential wage increases (either because the welfare system is less generous or because there is significant informal employment), hiring subsidies lead to larger increases in formal employment.



BOX 3.6 JOB SUBSIDIES FOR YOUTH: COUNTRY EXPERIENCES

The *Youth Hires* programme in **Canada** temporarily decreased the labour costs of hiring young persons (aged 18 to 24) by about 3.5 per cent in 1999–2000. This subsidy came in the form of an automatic refund of employers' contributions to the unemployment insurance fund. The evaluation found a 3.5 per cent increase in the employment rate of the target group, relative to the control group (aged 25 to 29). However, there was also evidence that the increase in young persons' employment came at the expense of these slightly older individuals. Hence, the net impact of the tax reduction was probably closer to 2.5 per cent.

The Employment Package of 2008 in **Turkey** included a generous subsidy (in the form of a reduction of employers' payroll taxes) for hiring women (aged 18 and over) and young men (aged 18 to 29) who had not been formally employed during the preceding six months. The subsidy was applied exclusively to new hires that increased firms' employment, and it lasted for five years, covering all payroll taxes initially – equivalent to about 15 per cent of the labour costs – and subsequently decreasing in five annual steps to zero. The evaluation finds a small positive impact on formal employment around a 3 per cent increase in employment probability for eligible young women, but none for young men. The increase is mainly due to movements from unemployment and inactivity into formal employment. Only about one-quarter of the impact is due to employers formalizing the employment contracts of previously informal workers. This policy was originally available for hires over a one-year period, but it was prolonged for an additional year. The impact of the programme over a two-year period presents a small positive result for men aged 25 to 29 by 1.3 percentage points.

Germany introduced a youth targeted subsidy in 2002. Compared to the standard wage subsidy (available to insured unemployed and covering up to 50 per cent of the participant's wages for up to one year), the youth subsidy targeted unemployed youth (aged 18 to 24) and covered 40 per cent of the young person's wage for

two years. The evaluation finds large post-programme employment effects on unsubsidized jobs. The employment probability of participant youth was not only substantially higher immediately after the subsidy period, but the effect of the programme – although it decreased over time – persisted for up to five years after entry into the programme. In other words, even two to three years after the subsidy had run out, youth who had participated in a wage subsidy programme had employment rates which were approximately 10–15 per cent higher than non-participants. The impact of the youth-targeted wage subsidy (as opposed to the general one) was higher, since the value of the targeted subsidy was higher for the employer. Finally, it is worth noting that the beneficial effects of the subsidies were higher in the eastern part of the country, where the labour market was more depressed, and that highly skilled youth obtained the greatest benefit from the subsidies.

Austria has a similarly generous wage subsidy – lasting for up to two years and covering up to 60 per cent of gross wages – targeting long-term unemployed. However, this programme does not have strict non-dismissal clause. The results also point to positive effects. Young participants accumulated approximately nine to nine-and-a-half months more employment and about four months more unsubsidized employment than non-participants (which equates to a 10 per cent increase) five years after participation. However, it is worth noting that approximately 60 per cent of those who found a job with the help of the subsidy would also have been employed in its absence.

In labour markets with strong employment protection legislation for jobs within the primary labour market (those with permanent labour contracts) and relatively unstable, precarious jobs in the secondary labour market (those with fixed-term labour contracts), hiring subsidies for permanent contracts may improve the quality of employment for young people as well as their overall employment outcomes. In **France**, for example, a hiring subsidy for recruiting young (below the age of 22), low-skilled persons on open-ended contracts was initiated in 2002. Employers received the subsidy for three years, corresponding to roughly 14 per cent of the total labour costs for a worker earning the minimum wage for the first two years, and to 7 per cent in the third year. The employer was not allowed to dismiss the young person during the first three years of the employment relationship. The evaluation found no discernible impact of the programme. Only about half of all eligible firms claimed the subsidy, which might be an indication that the protection awarded to workers by the policy was potentially too costly for firms.

In 1997, **Spain** introduced a reduction of payroll taxes for the hiring of youth less than 30 years old on open-ended contracts. This hiring subsidy represented approximately a 7.5 per cent reduction in the labour costs and lasted for two years. During this period, employers were not allowed to dismiss the newly hired young workers. At the same time, dismissal costs for persons on permanent contracts were decreased by 25 per cent. The evaluation findings show an increase in the probability of employment of young persons in permanent

contracts by 2.5 per cent (for young men) and 6 per cent (for women), which was attributable to increased transitions from non-employment and temporary contracts to permanent contracts. However, about 46 per cent of appointments under the new programme were due to deadweight effects, but no displacement of older workers was observed.

Sources:

Caliendo, M.; Künn, S.; Schmidl, R., *Fighting youth unemployment: The effects of active labour market policies*. Discussion Paper No. 6222, IZA, Bonn 2011. Eppel, R.; Mahringer, H., *Do wage subsidies work in boosting economic inclusion? Evidence on effect heterogeneity in Austria*. Working Paper No. 456, Austrian Institute of Economic Research, Vienna 2013. Webb, M., Sweetman, A., Warman C., *How targeted is targeted tax relief? Evidence from the unemployment insurance youth hires programme*. Economics Department Working Paper, No. 1298, Queen's University, Kingston 2012. Balkan B., Baskaya Y.S., Tumen S., *Evaluating the Impact of the Post-2008 Employment Subsidy Program in Turkey*, Central Bank of Turkey, Ankara, 2014. Betcherman, G., Daysal, N. M., Pagés, C., *Do Employment Subsidies Work? Evidence from Regionally Targeted Subsidies in Turkey*. Discussion Paper No. 3508, IZA, Bonn 2008. Roger, M.; Zamora, P., *Hiring young, unskilled workers on subsidized open-ended contracts: A good integration programme?* Oxford Review of Economic Policy, Vol. 27, No. 2, Oxford 2011. Kugler, A., Jimeno, J.F., Hernanz, V., *Employment consequences of restrictive permanent contracts: Evidence from Spanish labour market reforms*. Discussion Paper No. 657, IZA, Bonn 2002.

Self-employment programmes generally include advice on viable business ventures; training courses on how to establish and manage a small business; non-refundable grants; (refundable) credits; and specialized services (marketing, finance, export markets, supply chains and so on). Very few among the unemployed typically take up self-employment opportunities (generally around 2–3 per cent of the unemployed). Participants are typically better educated men in their thirties. Another problem is the potential displacement effect, whereby small businesses that do not receive assistance are disadvantaged in relation to those that are supported.

As part of ALMPs, self-employment schemes are aimed at reducing the market failures that hinder individuals' entrepreneurship drive. The most common market failures that self-employment programmes attempt to reduce are: i) the lack of entrepreneurship skills; and ii) the absence of start-up capital and/or poor access to commercial financing. Some programmes also offer mentor support during the first phases of business development, usually provided by the staff that manage the self-employment programme.



BOX 3.7 IS SELF-EMPLOYMENT ASSISTANCE EFFECTIVE FOR YOUNG PEOPLE?

The evaluations of the effect of entrepreneurship education and training provide mixed, albeit largely positive, results. Most of the available evidence indicate that the combination of different interventions matters. With respect to training programmes, vocational and business training work better than financial training and can be further improved by combining financial support and counselling. In terms of financing, there are little variations in the effectiveness of cash, in-kind grants, and microcredit. A package promoting skills with financial support seems to have larger impact on labour market activity.

Some research indicates that training programmes targeting potential entrepreneurs helped them launch new businesses and improved employment, income and savings for participants. In developing countries, the effect is stronger for youth and especially when entrepreneurship training is combined with counselling and access to finance. In the United States, conversely, a large randomized assessment of entrepreneurship training (Growing America through Entrepreneurship, GATE) found that entrepreneurship training had limited impact on business ownership, scale, and income in the medium to long-term.

The difficulties that young people and other vulnerable groups of the population (unemployed persons, women, persons with disabilities, minority groups) face in obtaining finance for business start-ups are addressed by government agencies through grants, soft and micro loans and loan guarantees. Despite the resources invested in these schemes, there is little evidence on their impact and especially so for young entrepreneurs.

A recent review of the impact of micro-credit schemes in middle and low income countries finds that most programmes have a strong effect on the creation of new businesses and the expansion of already larger, well established and profitable firms (and especially in upper middle income countries), but little impact on employment creation, business profit and capital stock. In Peru, for example, the programme *Formación Empresarial de la Juventud* was found to increase the probability of young participants to have their own business by 30 percentage points, while the programme *Calificación de Jóvenes Creadores de Microempresas* increased the probability of business survival over one year by 39 percentage points. Both programmes combined entrepreneurship training, business support and credit facilities. A meta-analysis that reviews the impact of entrepreneurship programmes in developing countries finds that, generally, these programmes have a stronger impact on youth compared to adults, but simply expanding credit access does not automatically improve entrepreneurial activities. It is rather the combination of entrepreneurship training and start-up capital that makes the difference.

Sources:

Fairlie, R. W., Karlan, D., Zinman, J., *Behind the GATE experiment: Evidence on effects of and rationales for subsidized entrepreneurship training*. Discussion Paper No. 8367, IZA, Bonn 2014. McKenzie, D., Woodruff, C. *What are we learning from business training and entrepreneurship evaluations around the developing world?* World Bank, Washington D.C. 2013. Valerio, A., Parton, B., Robb, A., *Entrepreneurship education and training programs around the world: Dimensions for success*. World Bank, Washington D.C. 2014. Cho, Y., Honorati, M., *Entrepreneurship programs in developing countries. A meta regression analysis*. Policy Research Working Paper No. 6402, World Bank, Washington D.C. 2013. OECD and European Commission, *Entrepreneurial activities in Europe. Policy brief on access to business start-up finance for inclusive entrepreneurship*. EC and OECD, Brussels and Paris 2014. Grimm, M., Paffhausen, A.L., *Do Interventions targeted at micro-entrepreneurs and small and medium-sized firms create jobs? A systematic review of the evidence for low and middle income countries*. Discussion Paper No. 8193, IZA, Bonn 2014.

Integrated programmes are comprehensive, multiple-service interventions that mix the whole range of programmes outlined in previous modules (e.g. employment services, skills development and employment creation, work experience programmes) to address the multiple barriers an individual might face in entering the labour market (see Box 3.8).



BOX 3.8 EFFECTIVENESS OF MULTI-COMPONENT PROGRAMMES TARGETING YOUTH

Job Corps is the largest, most comprehensive education and job training programme for youth with low educational attainment and coming from economically disadvantaged backgrounds implemented in the **United States**. It serves youths between the ages of 16 and 24, primarily in a residential setting. Each year, it serves more than 60,000 new participants at a cost of about \$1.5 billion, which is more than 60 percent of all funds spent by the U.S. Department of Labor on youth training and employment services. Job Corps services are delivered in three stages. Outreach and admissions counsellors recruit students, inform them about the programme, and ensure they meet eligibility criteria. Centre operations, which are the heart of the programme, offer vocational training, academic education, residential living, health care, and a wide range of other services, including counselling, social skills training, health education, and recreation. The third stage is placement in the open labour market.

The findings of a number of impact evaluations show that the programme: i) increased the attainment of general education and vocational certificates by more than 20 percentage points each; ii) generated earnings gains for all equal to 12 per cent during the first two years after the programme (with a diminishing effect over the 10 year span; and earnings gains persist over the span of 10 years for those 20 to 24 years old; iii) increased employment by between 4.9 and 9.3 percentage points; iv) reduced involvement with crime (arrest conviction and incarceration rates have been reduced by 16 percent); and v) decreased public benefits received by between US\$108 and US\$140.

In the period 2009–2013 **Hungary** introduced three combined programmes (*Rehabilitation and improvement of employability of disabled people*; *Improvement of employability of the disadvantaged*; and *Road to the world of work*), which provided a personalised combination of subsidies and services, such as labour market counselling, mentoring, vocational training and wage subsidies. The eligibility criteria were set to cover the most disadvantaged groups of jobseekers (the uneducated, the unskilled, the long-term unemployed). About two-thirds of those who received a wage subsidy for 1–3 months and about half to one-third of those who received it for a longer period lost their jobs after exhausting the subsidy. Low-skilled participants of the programme for persons with disabilities were 26–30 percentage points more likely to be reemployed than their comparable peers. The Road to the World of Work increased the probability of finding employment by 16–17 percentage points. Both programmes reduced the probability of re-entering unemployment by about 4–17 percentage points. The positive effect of the programmes is significant for the long-term unemployed as well. These large and significant positive impacts are likely to be biased partly due to unobserved (self-)selection of the participants and partly by the lack of available data on undeclared work.

Sources:

Schochet, P. Z., Burghardt, J., McConnell S., *National Job Corps study and longer-term follow-up study: Impact and cost-benefit findings. Final Report*. Mathematica Policy Research, Inc., Princeton 2006. Chen, X., Flores, C. A., Flores-Lagunes, A., *Going beyond LATE: Bounding average treatment effects of Job Corps training*. Discussion Paper No. 9511, IZA, Bonn 2015. *Targeting and impact evaluation of active labour market programmes: Executive summary*. Budapest Institute for Policy Analysis, 2014.

Some countries implement *Youth Guarantee* schemes, where young unemployed (usually registered with the PES) are provided with intensive counselling, vocation guidance and individual employment planning, and are offered a job, a study place (either academic or vocational) or other activation measure to help increase their employability. Youth Employment Guarantees are characterized by an obligation on the part of the PES to engage each young person who remains unemployed for a pre-established period of time (usually three to four months).



BOX 3.9 YOUTH GUARANTEES

The concept of youth guarantee implies an entitlement to a job, training or education of a defined group of young people and an obligation for the PES or another public authority to provide services and/or implement active programmes early in the unemployment spell (usually within four-six months). In contrast to typical ALMPs, youth guarantees provide the entitlement to certain measures for all young people who fulfil pre-established criteria. The North European countries (Sweden, Norway, Denmark and Finland) were the first to implement youth guarantees in the 1980s and 1990s, followed by Austria, Germany, the Netherlands and Poland. The measures provided within the scope of the guarantees include: i) education and training, including general education, vocational education and training, labour market training, apprenticeship and traineeship; ii) employment services and programmes, including employment planning, job-search assistance and employment subsidies; and iii) other active labour market measures, including public works, community services and business start-up programmes.

Evidence on the impact of youth guarantees is still limited. According to an evaluation of the Swedish youth guarantee scheme conducted in 2011, young unemployed persons who participated in the programme were able to find a job faster than non-participants. However, participants were as likely to be unemployed as non-participants after one year. The Finnish youth guarantee programme resulted in a reduction in unemployment through either direct employment assistance or further training leading to a job. In Austria, despite the high dropout rates experienced by young participants in the guarantee scheme, about 58 and 63 per cent of young people who participated in the apprenticeship in 2010 were integrated into the labour market after three and twelve months, respectively.

Although further research is needed, an ILO review of available data on youth guarantees suggests that these can play a significant role in reducing the “scars” of long-term unemployment and discouragement among young women and men. The same review distilled lessons on the prerequisites for well-functioning youth guarantees and analysed the costs related to the implementation of these programmes. The implementation of timely interventions, targeted at specific groups of disadvantaged youth; a well-established administrative capacity and budget flexibility; and a strong education and training system, are key factors for the success of youth guarantees.

In April 2013, the European Union issued a Recommendation for Member States to provide young people with an offer of quality employment, continued education, an apprenticeship or a traineeship within four months after leaving school or becoming unemployed. To implement the guarantee, EU Member States can make full use of the European Social Fund and other structural funds, as well as the additional €6 billion that were allocated for the period 2014–2020 to regions where the youth unemployment rate exceeds 25 per cent.

Although it is too early to attempt an estimation of the results achieved by the EU Youth Guarantee, there are some lessons that are starting to emerge from its implementation. First, in many countries the main responsibility for implementation rests with the PES. As a result, the majority of young beneficiaries are currently young people registered with the PES, while inactive youth represent a very small share. To address these gaps countries are introducing partnership approaches with a variety of local actors to identify young people detached from the labour market and direct them towards available services. Second, most countries adapted the portfolio of labour market integration measures that were deployed during the economic crisis. In some instances, the programmes that worked during the economic slump are ill-suited for a recovering labour market. Finally, most countries are still struggling with the design of practical approaches to effectively curb early school leaving. The most promising policy in these areas is the development of a tracking tool in the education system that acts as an early warning mechanism to identify pupils and students at risk and offer support activities to address the most common reasons for dropout (academic failure and economic difficulties).

Sources:

ILO, *Youth guarantees: A response to the youth employment crisis?* Employment Policy Brief, ILO, Geneva 2013, accessible at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_209468.pdf.

The review of ALMPs may also include the detail analysis of one youth employment intervention that is considered as a good practice.



ADDITIONAL RESOURCES

ILO, *Guidelines on reviews of policies for youth employment*. Mimeo. ILO, Geneva 2014.

These guidelines (available also in the Russian language) offer guidance on how to review the active labour market policies.

Cazes, S., Verick, S. (eds), *Perspectives on labour economics for development*. ILO, Geneva 2013.

Chapter 9 of this book analyzes ALMPs implemented around the world, including in developing and emerging countries. It also looks at the role of these policies in tackling unemployment during the economic crisis of 2007–2009.

Cahuc, P., Zylberber, A., *Labour economics*. Massachusetts Institute of Technology, Cambridge MA 2004.

Chapter 11 of this textbook on labour economics explores the main categories of ALMPs, their macroeconomic effects and evaluations methods.

Card, D., Kluve, J., Weber, A., *Active Labor Market Policy Evaluations: A Meta-Analysis*. Working Paper No. 16173, NBER, Cambridge MA 2010.

This paper analyzes the impact estimates of different ALMPs on participants both in the short-term (12 months) and medium- to long-term (2–3 years).

Youth Employment Inventory (<http://www.youth-employment-inventory.org>).

This is a database that provides comparative information on youth employment interventions worldwide. It documents programme design, implementation, and achieved results.

ILO, *What matters in wage employment programmes for youth. Guidance Note and Tool*. ILO, Geneva, forthcoming.

The purpose of the Guidance document and Excel-based tool is to support the design and implementation of selected Wage Employment Programmes for youth. Together, these last two documents are intended to act as a reference compendium to enable policy makers and practitioners to identify the key dimensions that should be considered in skills training, employment services, and wage subsidies interventions for youth.

Before finalizing Chapter 3 of the analysis, the country should make sure that:

- i) all the policy areas that have emerged as relevant for the youth labour market analysis have been screened and their effect on youth employment appraised;
- ii) the role played by PES in youth employment is adequately covered and the main categories of youth employment services and programmes have been reviewed (types of interventions, targeting approaches, performance and impact);
- iii) the conclusions drawn by the policy review are substantiated by evidence. For instance, a statement that emphasizes the reform of vocational secondary education as a means to promote youth employment needs to demonstrate that the current provision is not in line with labour market requirements. Similarly, the conclusion that the tax wedge is too high and needs to be lowered needs to build on the experience of other countries that have undertaken such reforms.

National policies screened to understand whether:

- Employment policies did/will have an impact on the barriers young people face in the labour market.
- These policies are coherent, coordinated and the resources invested/to be invested are sufficient to address youth employment challenges. For example, if the country faces a problem with the quality of employment (informality, low-paid work, involuntary temporary work), the employment policy should pursue – among others – a decent work for youth objective.



TIPS FOR REVIEWING:

- Chapter 3 of the Labour market analysis is key to understand the linkages between the labour market challenges identified and the policies implemented to address them. Information should be assessed with a view to: i) verify policy relevance and coherence, and ii) suggest additional policies and measures the country under review may wish to consider for improving policy effectiveness.
- The policy recommendations need to be grouped by broad policy area and should suggest a range of policy options that may be considered by policymakers to remedy the shortcomings identified. Recommendations need to be realistic, feasible, affordable and take into due consideration the internal and external factors that may constrain public policy. They also need to offer a blueprint for action, starting with actions that can be implemented in the short term and ending with those that may be considered over the medium and long term. In terms of presentation, each policy implication should be introduced by a title/sentence that provides a broad understanding of what the policy implication is about, and followed by few paragraphs that describe what is recommended, why and how it can be done. In instances where multiple actions are proposed under each of the policy areas examined by the youth employment review, those are grouped in titled paragraphs, introduced by broad statements regarding the importance of the specific policy issue for the country and followed by detailed policy options listed in bullet points.

CHECKLIST: CHAPTER 3 OF THE LABOUR MARKET ANALYSIS

1. Does the Chapter provide an assessment of the effect that economic and fiscal policies had/have on job creation generally and on youth employment specifically? ☐
2. Is the effect of the sectoral and enterprise development policies implemented at national level appraised in terms of youth employment outcomes? ☐
3. Is sufficient information provided to understand how educational and training policies are influencing youth prospects in the labour market? ☐
4. Is there a description of the key elements of the national youth employment policy (objectives, targets, policy outcomes)? ☐
5. Are labour market institutions (the minimum wage and EPL) reviewed and their effect on youth appraised? ☐
6. Does the Chapter provide an overview of the relevance of passive labour market policies for youth? If activation approaches exist, are they analyzed? ☐
7. Is the role of PES in promoting youth employment screened? Is there information of human and financial resources, coverage of the unemployed and a review of service delivery? ☐
8. Are the main youth employment programmes implemented in the country reviewed in depth (type, duration, eligibility criteria, implementation modalities)? ☐
9. Does Chapter 3 provide a critical appraisal of the effectiveness of ALMPs for youth? Which type of evidence is provided in this sense? ☐
10. Does Chapter 3 provide sufficient information to appraise youth employment policies and programmes? ☐
11. Are the sources of information presented in Chapter 3 clearly identified? ☐
12. Is the review of policies for youth employment referenced to the situation in the youth labour market (Chapter 2)? ☐

ANNEX 3 - EXAMPLES OF DATA ANALYSIS



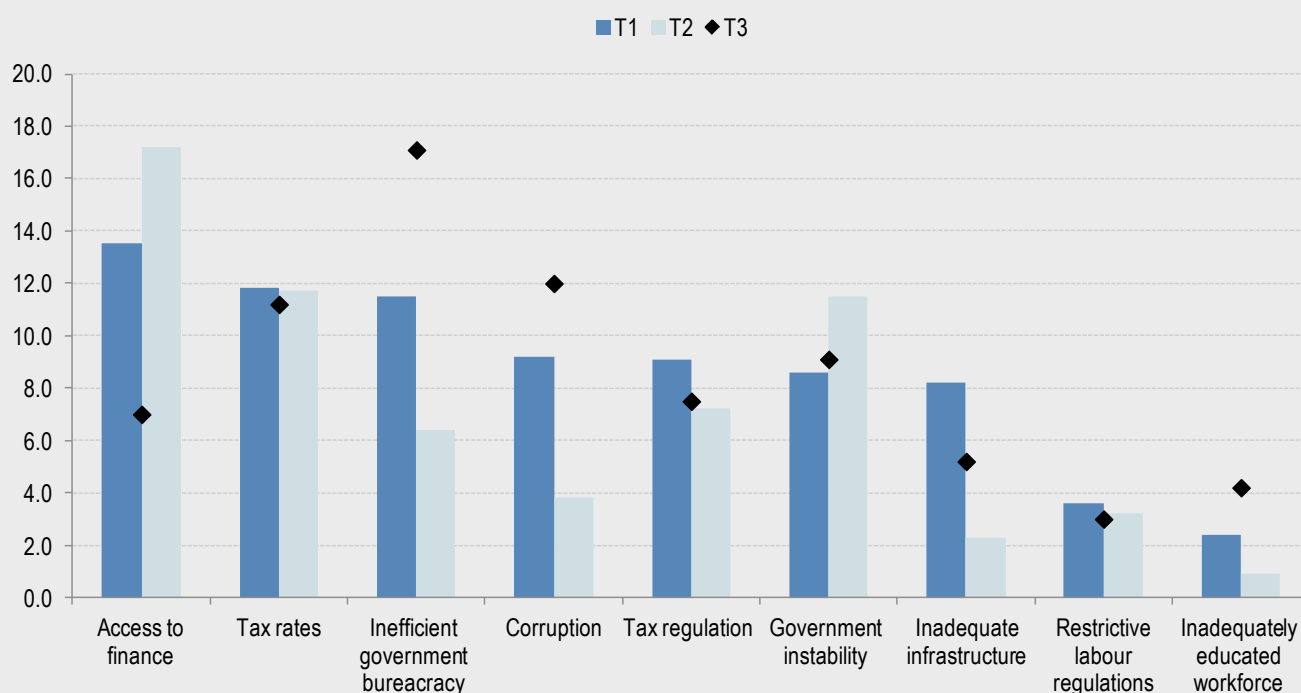
BOX A 3.1 BARRIERS TO PRIVATE SECTOR DEVELOPMENT

A dynamic private sector plays a crucial role in economic growth and employment creation. Private sector development comprises a wide range of government policies aimed at promoting activities of the private sector – which includes enterprises, households and individuals – and establish competitive markets. The basic underpinning of private sector development is the enabling business environment, i.e. the regulations that affect the cost of doing business (for instance, license requirements, costs and procedures of starting a business, costs of enforcing contracts and registering property), and those context-specific factors that shape the overall investment climate (quality of infrastructure, education system, rule of law, political stability, functioning of financial markets, competition rules and so on).

The comparison over time of private sector development indicators can help in judging whether public policies are having an effect. This can be done by either using the figures provided by the National Statistical Office (enterprise structural indicators) or by using the research carried out at international level. For example, both the World Bank (*Doing Business*) and the World Economic Forum (*Global Competitiveness Report*) conduct annual (in the latter case bi-annual) research on the most important barriers for enterprises at the national level.

In the country below, the data of the *Global Competitiveness Report* show that tax rates and administration, corruption and inefficient government bureaucracy have remained the most problematic factors for business operations, while access to finance improved considerably. The education of the workforce and labour market regulations represent a problem for only a small percentage of enterprises (around 3 per cent). Government policies, therefore, should focus more on simplifying tax administration, easing administrative requirements for enterprises and improving infrastructure to promote the capacity of enterprises to create jobs, rather than on labour legislation or the skills of the workforce.

MOST PROBLEMATIC FACTOR IN DOING BUSINESS (T1–T3)



Sources:

World Economic Forum, *Global competitiveness report*, various years.



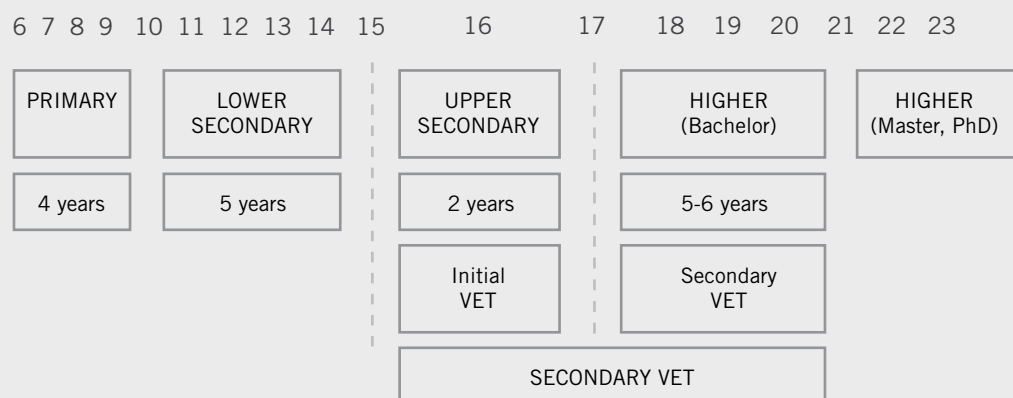
BOX A 3.2 NATIONAL EDUCATION AND TRAINING SYSTEM OUTLOOK

The review of education and training policies starts with a brief outlook of the education system, enrolment by stream and public investment in education and training. This serves to provide the reader with the basic information needed to appraise whether government policies are in line with the issues to be tackled.

The figure below, for example, shows that the compulsory education system comprises nine years of basic general education (primary and lower secondary education) and two years of upper secondary education. Upper-secondary education is divided into the general education stream, which prepares students for higher education, and the vocational stream, which prepares pupils both for work and for higher education. The secondary vocational stream includes initial vocational education, which lasts two years and secondary vocational education (VET), which lasts an additional one to two years and gives access to tertiary education.

STRUCTURE OF EDUCATION

Compulsory education

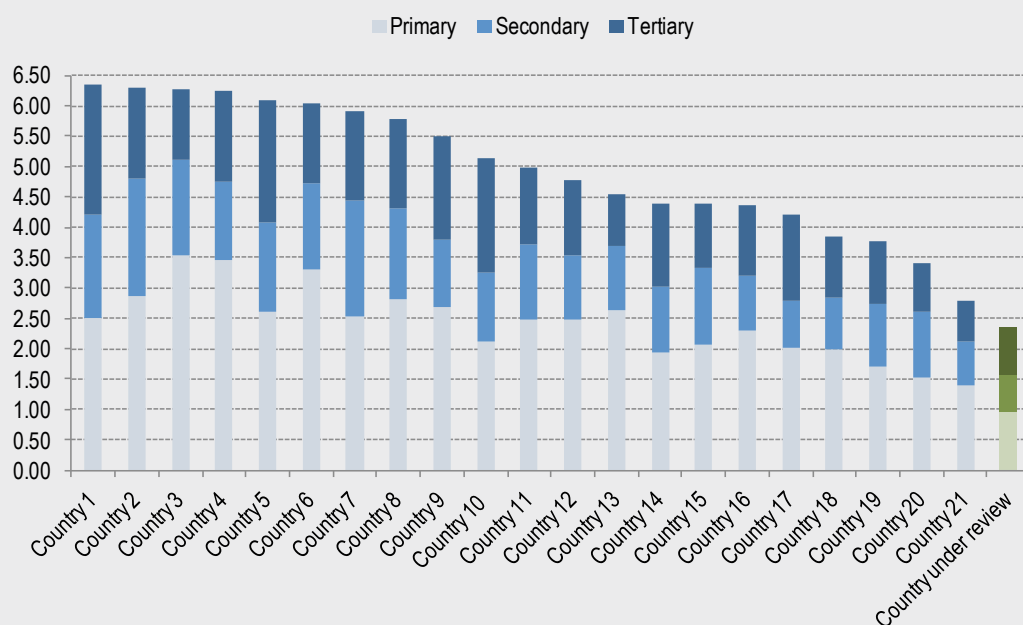


Sources:

National Ministry of Education.

In terms of public investment, the country under review is at the low end of the regional average (bar in green). The country under review spends approximately half the amount spent at regional level (4.8 per cent of GDP). Spending is concentrated in primary education (1 per cent of GDP) and at university level (0.8 per cent). Only 0.5 per cent of educational spending (as per cent of GDP) is devoted to secondary education.

PUBLIC EXPENDITURES BY LEVEL (% GDP), COUNTRY UNDER REVIEW AND NEIGHBOURING COUNTRIES



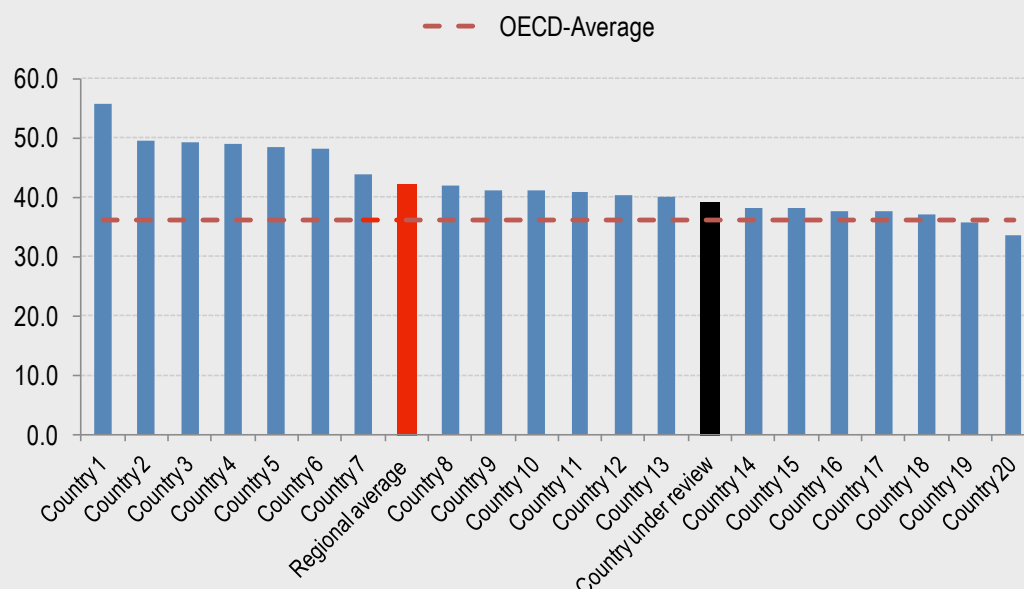


BOX A 3.3 DOES THE TAX WEDGE PLAY A ROLE IN DETERMINING POOR YOUTH EMPLOYMENT OUTCOMES?

The graph below shows that the tax wedge in the country under review is below the average recorded in the region, and only slightly above the average recorded in OECD countries. Since a reduction of the tax wedge of 2.8 percentage points is estimated to increase the employment rate by about 0.8 percentage points, for youth and adults alike, with a larger effect on women (1.4 percentage point increase in employment), it would make sense to consider a reduction to promote employment.⁷

This is why, generally, the analysis of the tax wedge takes into consideration two additional points: i) the trends of the tax wedge over time (increasing/decreasing); and ii) the composition of the tax wedge (i.e. the tax system applied and its degree of progressivity). In the last decade many countries introduced a flat tax rate system (i.e. the tax is applied as a percentage of income, irrespective of its level, to simplify the tax administration system). This means that the relative tax burden of workers earning the average wage or less may be rather high, while the opposite is the case for those with high earnings. In this instance, it is the low progressivity of the taxation system that is in part responsible for higher rates of informality among young workers compared to adults.

TAX BURDEN AS PERCENTAGE OF LABOUR COST, OECD, REGIONAL AVERAGE, SELECTED COUNTRIES AND COUNTRY UNDER REVIEW



Sources:

OECD, *Taxing wages 2015*, OECD, Paris 2015.

⁷ OECD, *Employment Outlook*, OECD, Paris 2006.



BOX A 3.4 EMPLOYMENT PROTECTION LEGISLATION (EPL) AND YOUTH EMPLOYMENT

To compare employment protection regimes across countries, the OECD developed in the mid-1990s a summary indicator that described the “strictness” of EPL at national level. In 2013 this methodology was updated to include 21 basic items (see table below), grouped into four main indexes: (i) individual dismissal of workers with permanent contracts; (ii) specific requirements for collective dismissals; (iii) regulation of fixed term contracts; and (iv) rules governing temporary agency work (TWA) employment. Each of these 21 items is scored separately and their weighted average gives the summary measure.

EMPLOYMENT PROTECTION LEGISLATION INDEXES AND SUB-INDEXES

Level 3 Scale 0–6	Level 2 Scale 0–6	Level 1 Scale 0–6	
Regular contracts	Procedural inconvenience	1. Notification procedures 2. Delay to start notice	
	Notice and severance pay for no-fault dismissal	3. Notice period after	9 months 4 years 20 years
		4. Severance pay after	9 months 4 years 20 years
	Difficulty of dismissal	5. Definition of unfair dismissal 6. Trial period 7. Compensation 8. Reinstatement 9. Maximum time for claim	
Temporary contracts	Fixed term (FT) contracts	10. Valid cases for the use of FT contracts 11. Maximum number of successive contracts 12. Maximum cumulated duration	
	Temporary work agency (TWA) employment	13. Types of work for which it is legal 14. Restriction on number of renewals 15. Maximum cumulated duration 16. TWA authorization and reporting 17. Equal treatment	
Collective dismissal		18. Definition of collective dismissal 19. Additional notification requirements 20. Additional delays 21. Other special costs to employers	

Sources:

OECD, *Employment protection legislation*.

The EPL features most relevant for youth employment are: (i) the overall indexes for permanent and temporary contracts; (ii) the relationship between severance pay and job tenure; and (iii) the length of trial periods.

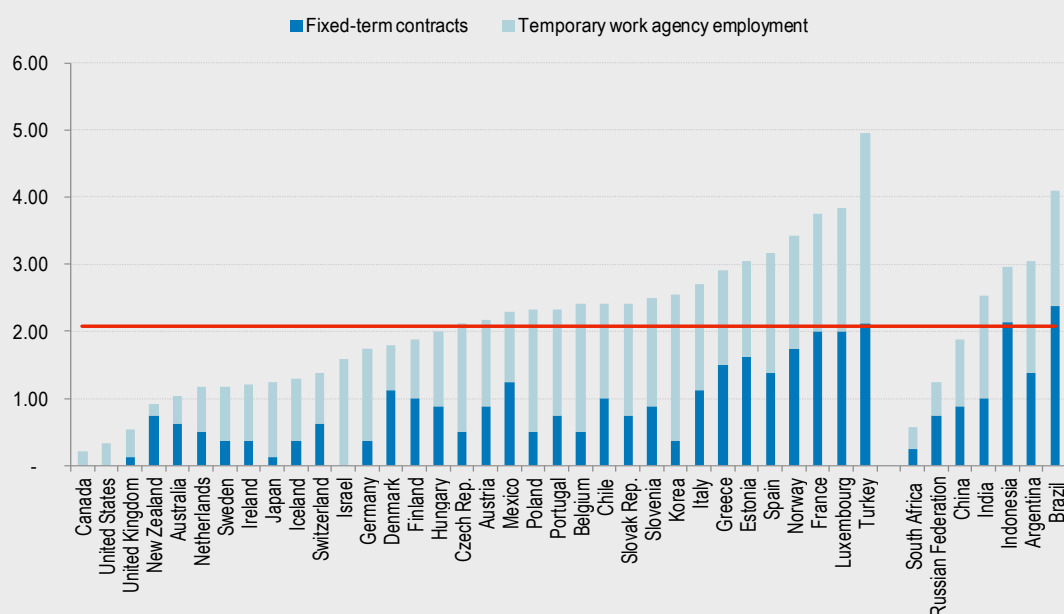
If the indexes of temporary and permanent contracts show large differences, this may point to two-tier EPL reforms and labour market duality. This can be confirmed by looking at the historical changes in the relative EPL indexes (if available) as well as the incidence of temporary employment among youth compared to adults and its evolution over time.

One of the most important dimensions of EPL is severance pay, which often depends on job tenure (i.e. the longer the tenure, the higher the severance pay). Young workers, who typically have shorter tenure, are less expensive to dismiss and may suffer higher job losses during economic downturn. This can be checked by looking at the changes in employment levels (young and adult workers) when output declines.

One aspect of employment protection rules that is likely to affect youth's hiring opportunities is the length of the trial period, during which severance pay regulations do not apply. Very short trial periods (1–2 months) are likely to discourage the hiring of young people whose productivity is difficult to judge ex-ante.

The comparison of EPL rigidity across countries (after the 2013 methodology change) is usually done for permanent (open-ended) contracts against individual and collective dismissals, on the one hand, and for regulation of fixed-term contracts and TWA employment, on the other (see the figure below).

EMPLOYMENT PROTECTION ON FIXED TERM CONTRACTS AND TWA EMPLOYMENT, SELECTED COUNTRIES (2013)*



(*) Data for non OECD countries are for 2012.

Sources: OECD, *EPL database*,

<http://www.oecd.org/employment/emp/oecdindicatorsofemploymentprotection.html/>

The graph shows that in 2013 Anglo-Saxon countries had the most flexible employment protection legislation, both for permanent and for temporary contracts, while Germany and the Netherlands had the largest gap between the degree of protection granted to permanent workers and to employees on temporary contracts. Since the onset of the economic crisis in 2008, many OECD countries with relatively strict EPL took action to relax the strictness of rules on individual and collective dismissal, in an effort to reduce the gap between permanent and temporary contracts (for example, Italy, Estonia, Greece, Portugal, the Slovak Republic and Spain). This is in marked contrast with the 1990s trends, when reforms were carried out mostly at the margin and resulted in widespread labour market duality.

There are three important considerations to bear in mind when comparing EPL indexes across countries. First, there are often important exemptions in the application of EPL rules. In many countries, for instance, micro and small enterprises (up to 50 employees) are exempted from the rules regarding dismissal. If employment in these firms represents a significant fraction of total employment, this means that most workers are *de jure* excluded from employment protection rules. This is the case for instance in Germany, where employment in enterprises exempted by ELP represents 18 per cent of total employment, and even more in Italy and Mexico, where, respectively, 51 per cent and 48 per cent of total employment are in small enterprises that are exempted from rules regarding reinstatement and collective dismissal.⁸

Second, since by definition employment protection does not apply to workers in the informal economy, its relevance in protecting workers diminishes proportionally to the share of informal employment in the countries compared.

Finally, the impact of EPL on youth employment cannot be analyzed in isolation. It is in fact the combined effect of labour market institutions (the minimum wage, EPL, trade unions and collective bargaining) and active and passive labour market policies that plays a role in the promotion of youth employment, rather than single provisions. For instance, the potentially negative effect of stringent EPL on youth unemployment may be mitigated by active labour market policies aimed at easing the transition of young unemployed persons to employment combined with conditional unemployment assistance.

⁸ Venn, D., *Legislation, collective bargaining and enforcement: Updating the OECD employment protection indicators*, OECD Social, Employment and Migration Working Papers, No. 89, 2009.

ANNEX 3.1 POLICY ASSESSMENT GRID

There are a number of tools that have been developed to support the formulation of public policy. Although these tools are designed to appraise the likely effect of policies *ex ante*, i.e. before policies are implemented, some can also be used to assess existing policies. Policy assessment tools range from simple instruments such as research screening, checklists, scoring cards, cost-effectiveness calculations, questionnaires or similar techniques to assist expert judgment, to more formalized instruments such as scenario-building techniques, cost-benefit analysis (CBA), risk and multi-criteria analysis, highly complex computer-based modelling, simulation or optimization exercises. For the review of national youth employment policies, however, a simple checklist technique can be used to collect and organize the information available at national level.

**EMPLOYMENT PROTECTION ON FIXED TERM CONTRACTS AND
TWA EMPLOYMENT, SELECTED COUNTRIES (2013)***

Policy context and objectives	<ul style="list-style-type: none"> • Describe the policy challenge and why it must be addressed. • What does the policy intend to achieve? • Which are the immediate policy objectives? • What information on existing legislative provisions or relevant data/statistics will be included?
Outcomes	<ul style="list-style-type: none"> • Who benefits and who bears the cost of the policy? • What are the expected outcomes? • How is progress to be measured?
Targets and indicators	<ul style="list-style-type: none"> • What are the targets of the policy (quantifiable measurement of objective achievement)? • Are performance indicators specified? • Are the mechanisms for measuring targets and indicators highlighted? • What data will be used?
Consultation process	<ul style="list-style-type: none"> • Who/which group was consulted? • How are the views expressed by the different consultation groups reflected in the policy?
Resources	<ul style="list-style-type: none"> • What costs are foreseen? • Were costs, benefits and other impacts identified and monetized?
Enforcement, monitoring and evaluation	<ul style="list-style-type: none"> • What agency/body/institution is to be charged with enforcement? • What are the compliance targets? • Was performance monitored and, if yes, what are the findings? • Was the policy evaluated (or will it be evaluated)? • What evaluation methods were used, and what are the results?

Sources:

Adapted from the 2010 Revised Regulatory Impact Analysis Guidelines of the Better Regulation Unit, Government of Ireland.

ANNEX 3.2 ANALYTICAL FRAMEWORK FOR THE ASSESSMENT OF THE PUBLIC EMPLOYMENT SERVICE

1. General information

- Collect information on the PES client base, i.e. the total number of registered jobseekers and registered unemployed persons (annual average stock), by sex, age group and duration of unemployment.

	T1	T2	T3	T4
Total				
Men				
Women				
Youth (15–29)				
Adults (30+)				
Unemployed <6 months				
<i>of whom youth (15–29)</i>				
Long-term unemployed (>1 year)				
<i>of whom youth (15–29)</i>				

- Disaggregate figures on young unemployed registered persons by region. Are there areas of the country where registered youth are above/below the national average? Why is that so?
- Has the type of young clients that come to the PES for assistance changed in the last 3–5 years? If so, which category of young clients prevails today? What needs do these clients have? What has been done to respond to these needs?
- What is the number of job vacancies advertised by the PES out of all vacancies recorded in the country for each year (market penetration rate)?

	T1	T2	T3	T4
Number of vacancies (total new vacancies advertised during the year)				
Number of vacancies posted with the PES during the year				

2. PES policy and strategy

- Review the main objectives of the PES policy and service strategy. What are the stated policy objectives of the PES? Is youth employment among them? Are the strategic drivers of the PES and the objectives clearly formulated? Are there objectives on youth employment? Is there an emphasis on active or passive labour market policies? Is there an emphasis on universal or targeted services?
- Analyze the legal framework that regulates PES status, activities and relations with the Ministry of Labour. What are the major external factors, which affect/have affected PES service development and delivery? Has the difficulty young people face in entering the labour market shaped the current role and functions of the PES?
- How effective is the management style of the organization? How is strategic planning carried out? How are the PES policy objectives translated into an organisational/implementation work-plan? How are these plans monitored? How is the planning process related to budgeting and resource mobilization processes? Are the resources invested in the promotion of youth employment in line with the extent of the youth employment challenge in the country?
- Assess the cooperation of social partners with the PES. Are the social partners represented in the management boards or advisory bodies of the PES at the national, regional and local levels? Are the social partners involved in the design, monitoring and evaluation of employment services and programmes?
- Does the PES have cooperation programmes with the PES of other countries (for example, in the framework of twinning programmes)? Are the employment offices cooperating with: regional and local authorities, NGOs (particularly those working with disadvantaged groups), education and training services, youth organizations?
- Are there private employment agencies? If so, how do they operate? And how does the PES relate with them? Which type of young jobseekers do private employment agencies mostly serve?

3. Organizational structure and functions

- Review the PES mandate, structure and organization (headquarters and local offices) as well as financial and human resource level. Indicate if some regions are at particular disadvantage in labour market terms and if specific measures are taken to improve/adapt the workflow and services available.

- Review the extent of decentralization of decision-making in the PES. To what extent has service delivery been outsourced or privatized and how has that been reflected in the organisational structure?
- Which of the key PES functions (labour market information, job placement, counselling and guidance, ALMPs administration, unemployment benefits administration and regulatory activities) are carried out by the PES? For each function, what are the key activities? What have been the major changes in the mix of activities in the last few years?
- For each function, what are the key performance indicators and how do they align with the strategic vision of the organisation? For each major function, what is the overall assessment of effectiveness and impact? Collect indicators/statistics of performance disaggregated by age group, where available. Are there mechanisms of involvement of young users in the evaluation of the performance of the PES? Which criteria have been established to compare the performance of local employment offices with different human and capital endowments? What are the general trends in PES performance over the last few years? What specific actions have been taken to improve performance in response to the analysis of performance information?

4. Service organization and programmes

- Assess the type, sequence and delivery of services provided to young individuals registering with the PES and new entrants in the labour market. Whenever possible compare these services with those provided to adults.

Registration and re-registration

- Which type of personal information is required for registering with the PES? Can individual register online? Which services can individuals access without registration (for example students)? Which entitlements does registration give to young jobseekers? How are young jobseekers and unemployed persons channelled towards the different services available?
- Which type of information is provided to youth at registration and which form does it take (printed material, face-to-face information, referral to self-help systems)? Is there age and sex-specific information?
- How often are registered unemployed persons required to report to the PES offices? Are requirements different for varying types of clients? Which sanctions are applicable for failure to report? Are young people more/less likely than adults to comply with reporting requirements? Why is that so?

Labour market information (LMI)

- What type of labour market information is provided to young jobseekers registering with the PES? How is it collected? Which steps are taken to ensure that it is user-friendly and oriented to young users' needs? In what form is it made available for service purposes (printed guides on jobs and training opportunities; individual leaflets or information sheets; ICT based services)?
- How does PES staff use available labour market information to inform young clients' decisions on careers, jobs and training opportunities?

Group and individualized counselling

- Are collective information sessions held in PES offices (on topics such as job search methods, rights and duties of the unemployed, information about unemployment benefits, self-employment promotion and other ALMPs)? Is there a requirement to attend such sessions during an unemployment spell or is the system based on voluntary participation? What are the criteria used to form groups for collective sessions? Is age one of these criteria? Which category of PES staff is mainly assigned to group counselling?
- What guidance and counselling methods (see the list below) are predominantly used by the PES for young unemployed persons? Do methods change by the type of client?
 - Psychological tests;
 - Group guidance and counselling sessions;
 - Telephone information, guidance and counselling ;
 - Individual face-to-face interviews;
 - Computer-based self-exploration and career-finding packages;
 - Internet-based self-exploration and job-search packages;
 - Career and job information libraries;
 - Careers and job fairs;
 - Self-assessment techniques
(for example, Holland Self-Directed Search).
- How are young clients referred to individualized counselling and guidance? Which counselling and guidance techniques are predominantly used during interviews? Do techniques vary according to age-group, sex or other individual characteristics? Do new entrants in the labour market and young unemployed persons receive different types of counselling and guidance (for example, motivation and job search training, training on occupational health and safety and on rights at work)?

- At what stage of unemployment is an individual employment plan created, if any? How many separate interviews are usually involved in establishing the individual employment plan? How many further interviews, to review progress or revise the plan, will typically occur?
- Which activation tools (mandatory job search linked to benefits, outreach practices, motivation training, psychological support) are available to PES staff? Which are the main target groups of activation approaches?

Job placement

- How is job placement carried out? Is the process mostly automated or is there the involvement of PES staff? Is the job placement system closed, semi-open or open? Is there a self-help system? If yes, what is the degree of its usage by age group?
- What types of service are provided to employers (registration of vacancies, job analysis, drafting of job descriptions, staff assessment and selection, human resource development advice)? How does the PES market its services to enterprises? Which channels does the PES use most with employers (internet, e-mail, online accounts, personal visits, telephone contact, call centres, letters, printed media)? Which methods are used to make the case for the recruitment of disadvantaged individuals (for example young people with no work experience, young persons with disabilities, youth belonging to ethnic and language minorities)?

Other services

- Which other services does the PES deploy to ease the transition of young people to the labour market (career and job fairs, job clubs, mentoring, peer-to-peer support, career guidance sessions, job tasters)? Are these services targeted to certain groups or are they universally available? Is take up/satisfaction of clients monitored? Is the PES considering the introduction of new services for young unemployed clients and/or employers? If yes, provide a description.

Service delivery

- Are screening or profiling tools used to match client needs or client type to the service available? If such tools exist, when were they developed and how are they used? Which are the individual criteria/variables used for screening/profiling? Are young clients assigned to certain service lines more/less than adults? If yes, why? Has an assessment on the effectiveness of screening/profiling tools been carried out?

- Are services offered through alternative methods such as the PES website, call centres, email or chat and social media? Has there been in the last few years a greater emphasis on electronic service delivery? Compared with the current situation, is it planned that the use of electronic services will become more or less important or remain about the same?
- Analyze any recent measure, if any, taken to strengthen the capacity and improve the performance of the PES in treating young clients. In particular, appraise the degree to which the PES provides individualised services (intensive counselling and guidance, individual employment plans) to young unemployed persons (compared to adults); how the management system (for example management-by-objectives approach) supports/hampers the attainment of youth employment objectives and whether the performance evaluation mechanisms adopted clearly disaggregate results by age-groups.
- Assess the service models developed to address the needs of particular categories of young clients. Do policies and practices of the PES favour a comprehensive approach (so that services are universally accessible and meet a wide range of needs), or a targeted approach that favours those in greatest need? Are employment services and labour market programmes sequenced and integrated? If yes, how does the integration take place? Which type of delivery model does the PES use (tiered, client-focused, competitive)? Does this delivery model benefit youth more/less than adults?
- Review priorities and target groups for the PES services and how such priorities and targets are expressed. Which steps have been taken to ease access to services for target groups?
- Re-visit any external or internal research/report conducted on:
 - a. The costs of providing employment services and how costs vary as a function of the type of service delivered and the characteristics of clients.
 - b. How the outcomes of services relate to their costs, to the type of service provided and the characteristics of clients.
 - c. The performance of regional and local offices in terms of the placement rates, jobseekers treated, companies visited and so on.

Active labour market programmes

- Indicate the range and scope of ALMPs that the PES offers to its clients (labour market training, employment subsidies, public works, etc.). Are there specific programmes targeting youth? Which are their basic features (objectives, compensation level, duration, etc.) and targeting mechanisms? Is there a plan to change any ALMP currently on offer? If yes, why? How much autonomy do the regional and local offices have for designing specific programmes, establishing eligibility criteria and targeting approaches, overall financial allocation and implementation modes?
- Describe any procedures or rules that will make participation in an ALMP mandatory. Describe arrangements for adults and for young people separately, where relevant. To what extent do unemployed participants in training and job creation programmes still have to prove continuing independent job search, or attend interviews with the PES?
- How is the information on programme's participation managed? What are the reporting modalities between regional and local offices and the central level on ALMPs? What are the criteria to measure the outcome of ALMPs? Does the PES measure the net impact of ALMPs? More specifically: are substitution and deadweight effects calculated? Does the PES carry out periodic surveys to verify the impact on employment and earnings of participants and non-participants? Is the information disaggregated by age group?

5. Workflow

- Appraise the workflow between the central and the regional and local offices of the PES, in terms of the organisation and delivery of services. Which type of service reorganization has been introduced over the past years?
- Review administrative and legal measures as well as practical modalities taken to enforce the principles of non-discrimination and equality of opportunities. Which are the main obstacles faced by the PES in implementing non-discrimination in daily work?
- Are quality standards established and monitored in relation to PES services? If so, outline the content of the standards and how they are used. How is the quality audited? Which are the criteria? What types of tool does the PES use to provide insight on the impact of services on individuals' employment prospects and the impact of services upon employers?

- Many PES have difficulties to reach young school leavers and other young people who are not employed and have low entitlement to benefits. Has the PES implemented any specific action to increase the contact with these groups of young people?
- How does the PES reach out to young clients living in remote/difficult to access areas? Is the PES planning alternative methods to provide services to eligible individuals who have difficulties to visit the employment offices?

6. Human Resources

- Collect information on the total number of the PES staff and the number (full-time equivalent) directly involved in servicing clients.

	T1	T2	T3	T4
Total PES staff				
<i>of which, directly servicing clients</i>				

- Assess the human resource structure and staffing levels of the employment services at central and local level. Is the number and qualification of PES staff adequate for the achievement of employment objectives? Which PES staff is typically assigned to serve young clients?
- Are there any mechanisms through which staff numbers can be increased/decreased in response to short-term variations in case loads? Are there any plans to increase/decrease staff from the current level? In particular, are budget restrictions likely to lead to staff reductions?
- Provide also an assessment of the human resource development programmes of the PES (past and present). Are there clearly defined human resource development procedures? Are they consistently applied? How is a training plan of the organization developed? Is training provided to the PES staff on the treatment of difficult and/or disadvantaged clients? How is staff performance assessed and rewarded and how is feedback given?
- Review the relevance and efficiency of the distribution of functions among the PES staff. Does the staff involved in delivering counselling services have distinct occupational roles and functional responsibilities? Is the counselling staff also involved in providing vocational guidance, job placement services and determining eligibility for unemployment benefit payments?

- How much time (percentage of the overall working time) does the PES staff spend on: (i) providing counselling and guidance to registered jobseekers; (ii) individualized services to the unemployed; (iii) services to employers; (iv) administration of ALMPs; (v) administration of unemployment benefits; (vi) labour market information gathering; and (vii) administrative tasks?

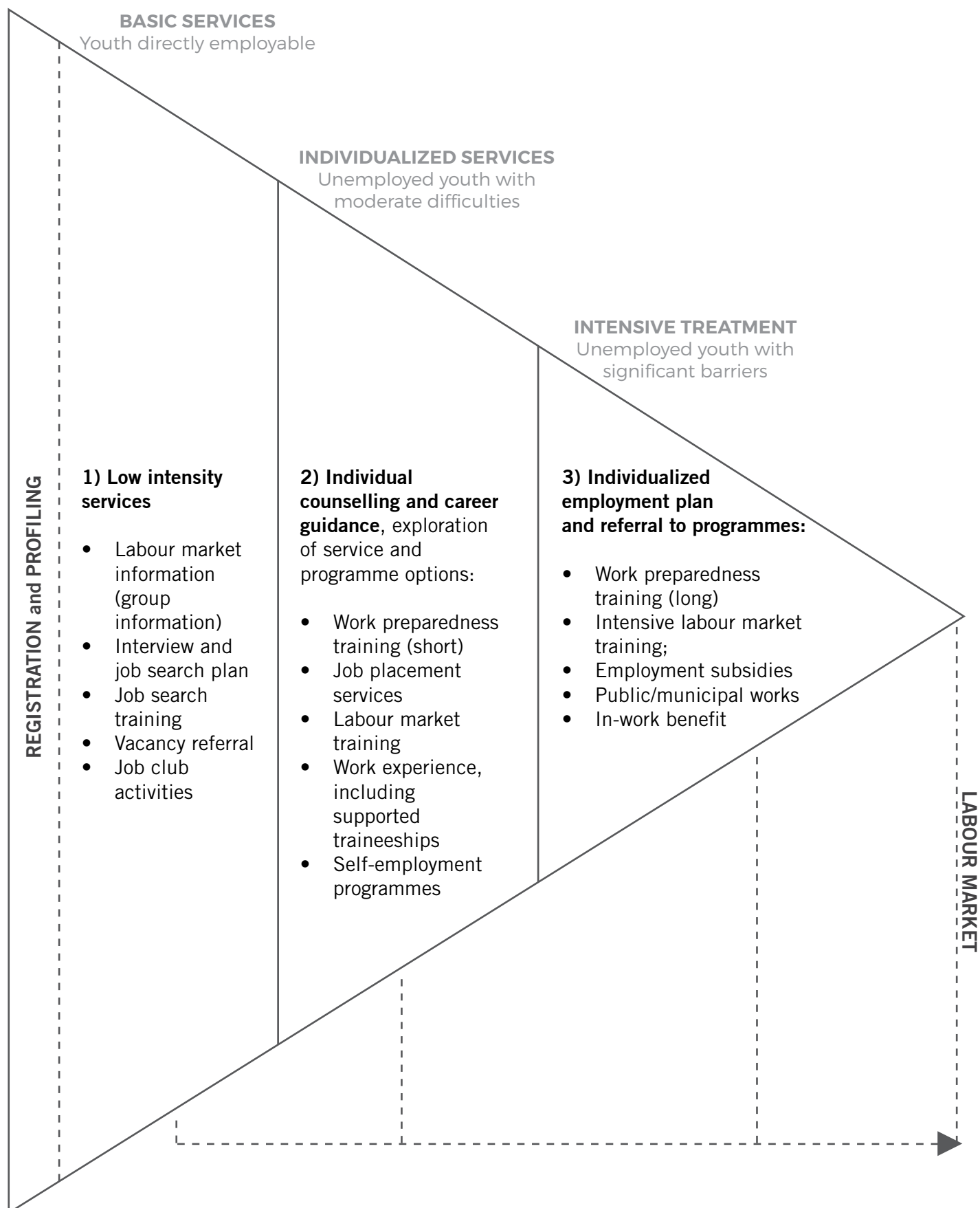
7. Financial resources

- Collect the annual expenditures of the PES for each of the categories of expenditure listed in the table below (in local currency, US\$ or Euro):

	T1	T2	T3	T4	T5	T6
Total PES expenditure , of which:						
Basic employment services (if available)						
ALMPs						
<i>Training</i>						
<i>Wage subsidy</i>						
<i>Self-employment</i>						
<i>Internship/traineeship</i>						
Unemployment benefits						
Staff costs						
Other						

- Can the resources invested in young clients be disaggregated? If yes, how do they relate to the number of young unemployed registered persons?
- What impact did the funding trends of the last few years exert on the type and coverage of services provided by the PES?
- Appraise the adequacy of the PES financial allocation and its disaggregation to the different headings (staff costs, service and programme delivery). What are the criteria for recommending budget changes? To what extent is decision-making on these resources decentralized to the regional and local levels?

ANNEX 3.3 TIERED SERVICE DELIVERY





**METHODOLOGY FOR CONDUCTING
YOUTH LABOUR MARKET ANALYSIS**