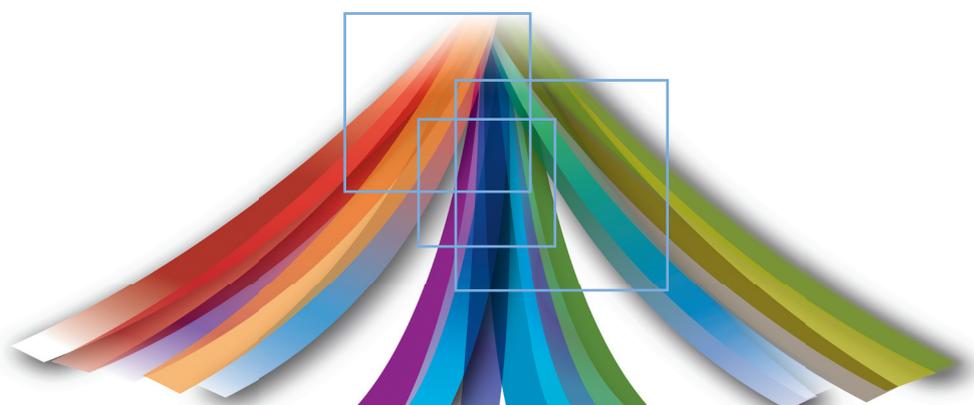


# GLOBAL JOBS PACT POLICY BRIEFS



International  
Labour  
Organization



## POLICY OPTIONS TO SUPPORT YOUNG WORKERS DURING ECONOMIC RECOVERY

### 1. Executive summary

The global jobs crisis has hit young people hard. Of the world's estimated 211 million unemployed people in 2009, nearly 40 per cent – or about 81 million – were between 15 and 24 years of age. In many countries, this grim unemployment picture is darkened further by the large number of youth engaged in poor quality and low paid jobs with intermittent and insecure work arrangements, including in the informal economy. Many youth are poor or underemployed: some 152 million young people, or 28 per cent of all young workers in the world, work but live in households that earn less than the equivalent of US\$1.25 per day. Youth unemployment and under-employment result in missed opportunities in terms of economic growth and development.

The Global Jobs Pact, adopted by the International Labour Conference in 2009, highlights the labour market vulnerabilities of young people and calls for action to support youth at risk. During the jobs crisis, many governments have taken measures to sustain youth employment through a combination of incentives for new employment, employment services, skills development, income support, public works and community services, and youth entrepreneurship. This brief highlights a number of lessons learned from the implementation of initiatives during past crises. The latter could be taken into consideration by governments, in concert with the social partners, to design interventions aimed at promoting decent work for young people during economic recovery.

### 2. Description of the policy challenges

Employment outcomes of young people are particularly sensitive to the economic cycle. Youth are generally the first to lose their jobs in times of economic contraction and the last to gain employment when the economy rebounds. The experience from past jobs crises shows that it takes longer for young people to reap the benefits of economic recovery and employment growth, even more so for disadvantaged youth. Furthermore, young people who experienced deficits during the crisis will be competing for jobs with millions of new labour market entrants in the coming years. Increasing pressure on the labour market can create social discontent. The section below highlights the policy challenges relating to both quantity and quality of youth employment.

During the crisis, youth unemployment increased at a faster pace than overall unemployment. Today, youth are between two and three times more likely to be unemployed than their adult counterparts. In 2009 alone, 6.7 million youth joined the ranks of the unemployed. To put this into perspective, over the course of the ten year period prior to the current crisis (1997 to 2007) the number of unemployed youth had increased, on average, by 191,000 per year. The youth unemployment rate reached a global rate of 13.0 per cent in 2009, compared to 11.9 per cent two years earlier. During the same period, the adult unemployment rate increased from 4.2 to 4.9 per cent. Youth unemployment rates grew in all regions, especially in developed economies and Eastern Europe (see Table 1). In addition, the crisis has discouraged many young people in their job

*The Global Jobs Pact policy brief series is intended to inform readers of the relevance of the ILO's technical areas of work in addressing economic downturns as well as assisting in sustainable economic recoveries. Each brief is an invitation to the reader to contact the ILO for additional information and support.*

*More briefs can be found and downloaded at <http://www.ilo.org/jobspact>*



search. The challenge of reducing the unemployment rate becomes greater for policymakers who want to reduce the numbers of discouraged young workers' less attached to the labour market than the unemployed. In EU, about 3.9 mil-

lion inactive youth were willing to take a job by the end of 2009 - although they had lost hope and were not active in their job search. This figure adds to that of 5.2 million unemployed youth, (EUROSTAT, 2010).

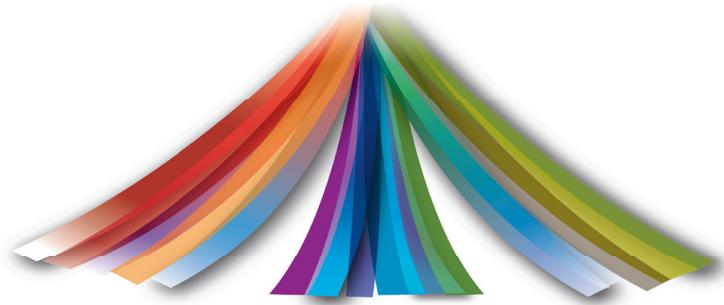
**Table 1 : Key indicators of the youth labour market, 2007 and 2009 (per cent)**

Region	Labour force participation rate		Employment-to-population ratio		Unemployment rate	
	2007	2009	2007	2009	2007	2009
WORLD	51.1	51.0	45.0	44.2	11.9	13.0
Developed Economies & European Union	50.7	50.3	44.5	41.4	12.2	17.7
Central & South-Eastern Europe (non-EU) & CIS	41.5	41.6	34.2	33.0	17.6	20.8
East Asia	58.9	59.2	54.3	54.0	7.8	8.9
South-East Asia & the Pacific	52.0	51.6	44.3	44.0	14.8	14.7
South Asia	46.8	46.6	42.6	41.8	10.3	10.3
Latin America & the Caribbean	53.0	52.3	45.5	43.9	14.1	16.1
Middle East	36.5	36.4	28.1	27.9	23.0	23.4
North Africa	37.2	38.0	28.5	29.0	23.3	23.7
Sub-Saharan Africa	57.5	57.5	50.6	50.6	11.9	11.9

Source : ILO, Trends Econometric Models, April 2010; Global Employment Trends for Youth, August 2010.

Policy challenges are also linked to the increasing number of young workers in intermittent and insecure work arrangements in developed countries and to the large share of young working poor and young people working in the informal economy in developing countries. By the end of 2009, the rate of young workers in precarious employment in the European Union was four times higher than that of adult workers (40.8 and 10.3 per cent, respectively). In Latin America, the percentage of young workers engaged

in the informal economy in urban areas increased by 5.4 per cent between mid-2007 and mid-2009 to reach 51.3 per cent, while an additional quarter of young workers were employed informally by enterprises operating in the formal economy (ILO 2009). The projected increase in the overall number of working poor (ILO 2010a) is likely to affect more young workers, especially in Sub-Saharan Africa and Asia and the Pacific, given their over-representation in low-income jobs.



### 3. Policy options to address the challenges

Stimulating demand and putting employment at the centre of macroeconomic policies are preconditions for creating jobs for all people, including youth. This is because youth employment is bound to overall employment. Policy options aimed at achieving high levels of overall employment and job quality will also improve decent work prospects for the young labour force. On the demand side, sectoral policies focusing on employment-intensive investment combined with human resources development and training could expand aggregate demand and enhance youth employability. Similarly, policies to improve access to finance and markets for small and medium-sized enterprises, could increase demand for new labour in the formal economy. On the supply side, education and training equipping youth with skills and work experience can be effective in preventing unemployment and increasing the quality of jobs. The link with work experience is an essential ingredient to overcome the reluctance to recruit inexperienced youth. Job recovery strategies should be accompanied by policies to provide a basic social floor to reduce youth poverty and social exclusion, redress gender inequalities and promote a healthy and productive youth labour force.

Lessons from past crises point to a number of policy options to address the specific youth employment dimensions during recovery. These options should aim to increase labour market opportunities and reduce the longer time it takes for youth employment rates to grow. For example, temporary reductions of a share of non-wage labour costs can be an incentive for employers to recruit young workers during recovery. These measures work better if targeted at the most disadvantaged young workers or geographical areas where unemployment and informality are particularly acute. Active labour market policies that mediate between labour supply and demand can mitigate education and labour market failures and promote efficiency and equity in the labour market. For instance, employment planning and job-search assistance, usually offered by labour offices, can be effective in helping youth to find jobs. Training programmes can enhance the employability of disadvantaged youth, especially when combining learning with work experience. Self-employment and entrepreneurship measures providing business start-ups credit and microfinance may be successful if supplemented by vocational and entrepreneurship training and provision of non-financial services. In developing countries, informal apprenticeships prepare young people for self-employment.

During the recent crisis, several countries have introduced one or more of these youth employment measures (see Box 1 below).

#### **Box 1: Youth employment measures adopted during the recent crisis**

While stimulating demand is fundamental for employment creation, several employment measures were adopted to cushion the negative impact of the crisis specifically aimed at youth employment. *Employment subsidies* (e.g. contribution to salary, waivers to social security contributions, tax breaks) for hiring young people or *ad hoc* premiums to transform temporary contracts into permanent ones were introduced to sustain labour demand for young workers. Incentives to *promote youth entrepreneurship* - training and access to financial and non financial services - were used to create jobs. Some governments increased funding to programmes offering paid *summer employment*, while others supported youth employment through large-scale *public works and community services programmes* to improve infrastructure and the environment, as well as to provide income support. Additional resources were allocated to Public Employment Services for job-search assistance and other labour market services. During the downturn, many countries sponsored *skills development programmes* to enhance the employability of disadvantaged youth, including through skills in emerging occupations (e.g. green jobs). Employers were encouraged to provide apprenticeships and other work-experience programmes through bonuses and other incentives. *Unemployment and social assistance benefits* were granted to protect young people's income or to help them stay in school through scholarships and other conditional cash transfers.

Source : [www.ilo.org/youth](http://www.ilo.org/youth)

Although evaluations of these measures are not yet available, findings from past evaluations show mixed results in terms of the impact and cost-effectiveness of programmes. However, most of them converge on the main advantages and disadvantages of measures that are part of youth employment programmes (see Box 2 below).

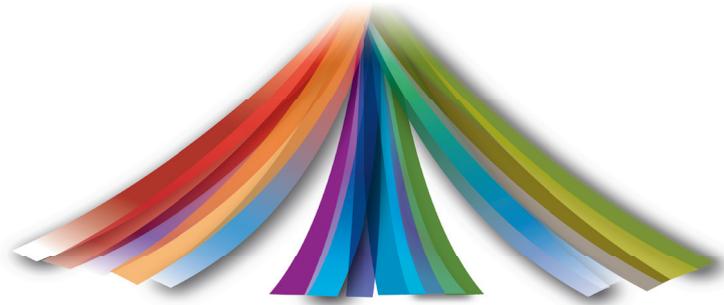


### **Box 2 Youth employment programmes : Advantages and disadvantages**

Several studies of youth employment programmes have shown that some are successful while others fail to improve participants' chances of gaining a job. Some of the features of these programmes are summarized below.

<b>Type of programme</b>	<b>Advantages</b>	<b>Disadvantages</b>	<b>Selected examples of successful programmes</b>
<b>Labour market training</b>	Works better with broader vocational and employability skills that are in demand and includes work experience as well as employment services.	May produce temporary, rather than sustainable solutions and if not well targeted, may benefit those who are already "better off". Training alone may not be sufficient to increase youth employment prospects.	PLANFOR (Brazil) Jóvenes Programmes (several countries in Latin America), and Employability Improvement Programme (Canada).
<b>Employment services (job search, career guidance and labour market information)</b>	Can help youth make realistic choices and match their aspirations with employment and training opportunities; improve information on job prospects as well as efficiency, effectiveness and relevance of initiatives.	May create unrealistic expectations if not linked to labour market needs and often cover only urban areas and the formal economy.	New Deal for Young People (UK) and Active Labour Market Programme (Finland).
<b>Employment intensive public works and community services</b>	Help young people gain labour market attachment and, at the same time, improve physical and social infrastructure and the environment - especially if combined with development and sectoral strategies – and enhance employability, if combined with training.	Low capacity for labour market integration; young workers may become trapped in a carousel of public works programmes; often gender-biased; displacement of private sector companies.	American Conservation and Youth Service Corps (USA) and Temporary Employment Programme (Bulgaria)
<b>Employment subsidies</b>	Can create employment if targeted to specific needs (e.g. to compensate for initial lower productivity and training) and to groups of disadvantaged young people.	High deadweight losses and substitution effects (if not targeted); employment may last only as long as the subsidy.	Employment Plan (Belgium). Wage Subsidy Programme (Czech Republic) and Intervention Works Programme (Poland)
<b>Entrepreneurship promotion</b>	Can have high employment potential and may meet young people's aspirations (e.g. for flexibility, independence); more effective if combined with financial and other services, including mentoring.	May create displacement effects and may have high failure rate, which limits its capacity to create sustainable employment. They are often difficult for disadvantaged youth, owing to their lack of networks, experience, know-how and collateral.	Self-employment Programme (Bulgaria), Youth Entrepreneurship Training (Perú) and Youth Creators of Micro-enterprises (Perú).

Source: Adapted from Rosas G., Rossignotti G., "Starting the new millennium right: Decent employment for young people", *International Labour Review*, Vol. 144 (2005), No. 2 Geneva and Betcherman et al., *A review of interventions to support young workers: Findings of the youth employment inventory*, World Bank, Washington D.C., 2007.



## 4. Conclusions and recommendations

Even in good times, young people find it hard to get a right foothold in the labour market. Although being an integral element of the broader employment situation, the youth employment crisis has specific dimensions. The global jobs crisis has exacerbated the difficulties of young people to gain access to labour markets and to decent work. Unless policy options are put in place to sustain both quantity and quality of youth employment, the benefits of economic recovery for young workers may be delayed. Of course, supply-side measures alone will be unavailing in the absence of an increase in effective demand.

There is no one-size fits all and no individual solution either. Policy responses to the youth employment challenge will depend upon the nature and severity of the crisis in the country context. Governments and the social partners are best placed to identify viable policy options at country level that may improve youth employment outcomes once economic recovery gains momentum. An important message for policy-makers that can be shared across countries is that policy options should be part of an integrated policy framework to promote economic and employment recovery. The Global Employment Agenda can provide the framework to address youth employment in times of economic recovery.

Furthermore, young people have different experiences and disadvantages and their needs depend on individual characteristics (e.g. age, gender, national origin, socioeconomic background, educational and training levels). The crisis has also increased the risk of social exclusion of disadvantaged youth. This calls for combining policies for economic recovery with targeted programmes that overcome the specific employment disadvantages faced by many young people. The

main features of youth employment programmes that have been more effective than others can be summarised as follows :

- *Formulation and implementation at early stages of joblessness* (unemployment, discouragement or inactivity) are less costly, increase labour market attachment and are more likely to improve the employment of young people.
- *Design that responds to labour market requirements* improves the employment opportunities of participants. Labour market information and groups of control are essential for the design, monitoring and evaluation of initiatives.
- *Targeting and tailoring to individual needs and labour market disadvantages* have produced better programme results. Generic targeting based on age may benefit better-off youth.
- *Comprehensive packages of services that combine various components relating to both labour demand* (e.g. tax incentives, entrepreneurship) and supply (e.g. training, career guidance and job-search assistance) can be more effective than single measures.
- *Link to work experience and involvement of the private sector* (e.g. through in-company training, work placement) increase employment opportunities, especially if programmes place participants with private companies.
- *The involvement of the social partners* contributes to the effectiveness of programmes and help connect youth with the world of work.



## 5. Further reading and resources

- International Labour Organization. 2010b. *G20 Meeting of Labour and Employment Ministers : Country briefs and statistical update*, Communication to Pittsburgh Summit by the Director-General. (ILO, Geneva).
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- Scarpetta S., Sonnet, A., Manfredi, T : *Rising youth unemployment during the crisis : How to prevent negative long-term consequences on a generation?* OECD Social, Employment and Migration Papers No 106 2010, (OECD, Paris, Apr 2010)
- Adapted from Rosas G., Rossignotti G., *"Starting the new millennium right: Decent employment for young people"*, International Labour Review, Vol. 144 (2005), No. 2 Geneva and Betcherman et al., *A review of interventions to support young workers: Findings of the youth employment inventory*, World Bank, Washington D.C., 2007.