Good afternoon.

Thank you for the invitation to the ILO to address this World Bank Public Seminar on one of the most important challenges of our time.

I was invited to talk about the global labour market and the youth employment challenge.

Jobs are the overwhelming concern of people around the world today, and quite rightly so. Our jobs strongly determine our income and quality of life, the possibilities of education of our children, our pensions and standards of living after retirement. They influence our own sense of dignity, of contribution to our own families, to our communities, and to the wider societies in which we live. And they also shape our perceptions of fairness and social justice, and our perceptions of whether the social contracts in our societies are inclusive, and are not leaving us behind.

That is why we in the ILO strongly believe that jobs are not only what we do but also a great part of what we are and affect how we feel about ourselves and about society. And this is why our mission is to promote decent work for all and why we strongly believe that creation of decent work is and should be the number one priority for policy makers.

Unfortunately, although the economic crisis as such has receded in most countries, the jobs crisis has not. The world of work is in turmoil.

This is one reason why the world is at a crossroads, but we cannot fully understand the nature of this turning point unless we recognize that the world economy has not just experienced a Great Recession it is also experiencing a Great Restructuring.

This Great Transformation is due to long term, structural megatrends or forces that have major impacts on labour markets globally. It is the combination of these two stories: the continuing uncertainties and risks brought by the economic crisis on the one hand, and the long term
transformational trends on the other, what frames the employment challenges facing all countries in the world today.

So let me start with the crisis story, and then move briefly to the transformational megatrends story, before coming to the youth unemployment challenge and policies to tackle it.

I. The impact of the global economic crisis on labour markets

Between 2007 and 2009 the global economy experienced the deepest recession since the 1930s. Because policymakers around the world responded in an unprecedented way the economic recession was brought to a halt and the global economy grew at a robust rate of 5.1 per cent in 2010. However, as the effects of the extraordinary fiscal and monetary measures waned, global growth slowed to 3.8 per cent in 2011.

(SLIDE 1) As you can see in this slide, while the economic recession formally ended, the global jobs crisis did not. Following its sharp rise in 2008 and 2009, the global unemployment rate barely budged during the next two years, with global unemployment declining by only 1 million during this period. So at the close of 2011, we still had 25 million more unemployed people around the world than in 2007.

(SLIDE 2) Breaking this down into geographies, in this second slide you can see a clear divide between developed and developing regions. 14 of the 26 million people increase in global unemployment occurred in the Developed Economies, where the unemployment rate surged from 5.8 per cent in 2007 to 8.5 per cent in 2011.

(SLIDE 3) This is a shocking figure given that this region only accounts for around 15 per cent of the global workforce. You can see in this slide how the share of increased unemployment is out of proportion for the Developed Economies and Europe compared to other regions. In South-East Asia and the Pacific and the Middle East unemployment rates in fact declined.

(SLIDE 4) Here you can see that in the United States (red line) and Japan (green) unemployment rates continue to decline gradually, however, in the Euro Area (blue), unemployment continues to increase, especially since the second half of 2011.

(SLIDE 5) Yet, the measure of the global labour market situation is not limited to this sharp increase in unemployment. An additional 29 million people dropped out of the labour market mainly due to discouragement. These discouraged workers are not included in official unemployment statistics. So taking this together, this means that there were around 54 million additional unemployed or discouraged workers around the world in 2011 than just 4 years earlier.
Young people were especially hard hit. But I will come back to figures on youth unemployment and underemployment a bit later.

Another important measure of labour market strain is long term unemployment – those without work for a year or more. Long-term unemployment rose between 2007 and 2011 in the majority of countries, as you can see in this slide.

This is likely to lead to structural problems in the labour market, as it causes skills obsolescence and reduced employability. And this also impacts negatively on the broader economy. In the short-run, by sapping aggregate demand through reduced consumption; in the long-run by reducing human capital and increasing skills mismatches, it leads to lower potential rates of economic growth.

Therefore, the wounds that the great recession is leaving on labour markets could be very long lasting, setting the global economy on a lower growth trajectory that could limit progress toward broader economic development goals.

Besides increased joblessness and deeper structural labour market problems, the world faces what we in the ILO call “the crisis before the crisis”.

Out of a global labour force of 3.3 billion in 2011, the ILO estimates that 900 million workers were living with their families below the US$2 poverty line. If we add to this the number of unemployed around the world, an alarming statistic emerges: Entering the year 2012, one out of every three workers in the global labour force was either poor or unemployed.

A global decent work deficit of this magnitude is morally unacceptable and economically inefficient. This is not a recipe for increased aggregate demand and higher growth going forward. To the contrary, it is a recipe for economic stagnation.

II. Recent developments and prospects

Unfortunately, as this slide shows, global growth in 2012 has seen a further substantial deterioration. The IMF’s latest estimates indicate that growth will slow to 3.3 per cent this year, the lowest growth rate since 2008.

The Euro Area is facing an outright recession, it is expected to shrink by minus 0.4 per cent. In China, growth is expected to decelerate also to 7.8 per cent – the lowest rate since 1999, and the Indian economy to 4.9 per cent, the lowest growth rate in the country in a decade.
Latin America and the Caribbean and the Middle East also are expected to see a substantial deceleration.

A key reason for the weak recovery is that policies in the advanced economies have not managed to rebuild investor and consumer confidence, and fiscal austerity has been overdone, particularly in Europe.

The main source of continuing uncertainty is the Eurozone. As the IMF has argued in its October World Economic Outlook, “…the crisis in the euro area remains the most obvious threat to the global outlook”.

The IMF is recommending that Euro Area programme countries should be allowed to stretch out their deficit reduction efforts. But EU governments continue to argue about the scale and pace of fiscal consolidation, whether and how to allow sovereign debt restructuring and about how to distribute the burden of paying for a longer adjustment period.

A major brake on growth, which economists have shown is intrinsic after banking crises is the fact that the process of deleveraging continues, households and firms continue paying off their debts, and banks continue writing off bad debts.

Another break on growth, which the ILO has been pointing out, is the negative feedback loop between labour markets and the macro-economy. With each passing day in which we face high rates of joblessness, growing numbers of long-term unemployed, and weak labour markets, the world inches closer to allowing the vicious circle of weak economic growth and labour market distress to become more entrenched, more structural. And the more structural the problems, the more difficult it is for recovery policies to be effective.

And yet, instead of the strong international policy coordination that helped arrest the global economic crisis in 2009, “go it alone” strategies seem to predominate today.

III. Long term Megatrends: The Great Restructuring

As I said at the beginning, these impacts and uncertainties of the Great Recession interact with the forces of the Great Restructuring to shape the employment challenges of our era.

(SLIDE 10) There are at least six major forces that are impacting labour markets, changing the nature of work and influencing the levels of employment:

- technological change,
- the emergence of the BRICs,
- demographic changes,
• skills mismatches,
• the energy efficiency/green growth imperative, and
• growing income inequality.

There is one implication of these trends I want to underline. They suggest that even though fiscal and monetary stimulus are important for growth and jobs, simply restoring aggregate demand is not enough to bring back pre-recession employment levels and will not prepare the workforce for the new jobs of the next decades.

In other words, the jobs challenge for any country today, is not only to generate a certain volume of jobs, but to do so under the fast labour market churning, structural changes and job redesign conditions induced by this Great Restructuring.

(Slide 11)

IV. The youth employment challenge and ILO response

After this rather long background setting, let me now talk about young people and their plight in the world of work, and I would like to begin by tell you how the ILO works promoting youth employment.

We support countries in elaborating national action plans for youth employment and in crafting specific interventions in areas that range from skills, to entrepreneurship, to labour market policies, to inclusive finance, employment services and others.

We do research on what works in all these areas, and have three main databases: one on statistics,1 one on programmes jointly with the World Bank,2 and one on national policies. And we build on research and databases to engage in capacity building, knowledge sharing, policy advice and technical cooperation.

In light of the magnitude of the youth employment crisis, the constituents from the 186 ILO member States decided last year to discuss this challenge in the International Labour Conference of 2012. And previous to this Conference last June, we organized 46 national and regional consultations with young people and a major Youth Forum in Geneva at the end of May.

So in June, governments, employers and workers engaged in a major knowledge-sharing exercise. During two weeks they exchanged their knowledge and experience on youth

1 See www.youthstatistics.org
2 See www.youth-employment-inventory.org
employment and agreed on a set of conclusions entitled: “The Youth Employment Crisis: A Call for Action”.³

The Call for Action is really a Global Strategy and Action Plan: it provides a series of guiding principles and a detailed policy portfolio of tried and tested measures; it emphasizes the key role of partnerships; it declares that “youth are part of the solution, their voices should be heard, their creativity engaged, their rights respected…”; it calls on “governments, the multilateral system, the G20 and all relevant national, regional and international organizations” to tackle the issue, and it asks the ILO to take a leadership role.

The ILO’s vision on youth employment that I am going to present today is very much based on this document and these discussions.

With this background, let me give you some additional figures on the realities of global youth employment challenge.

V. The realities: Where are the 1.2 billion young people today? And how does the world of work look like today for them?

There are 1.2 billion people in this planet today between 15 and 24 years of age, this is nearly 17% of the world’s population.

90% of them live in developing countries, more than 55% of them in Asia. Only 10% live in developed countries.

Some of the major challenges are in Africa and Asia. In Africa the average age of the population today is 19 years old. By 2050 roughly half of the planet’s extra 2.3 billion people will be in Africa. This demographic reality means that the overall unemployment and underemployment problem in most African countries in the next decades is really a youth employment problem.

Now, how does the world of work look like today for these 1.2 billion young people?

The situation is very differentiated between developed and developing countries, and even between regions and countries. Young people find themselves in very different predicaments vis-à-vis the labour market.

Therefore, young people should not be viewed as a homogeneous group just because of their age. Among them, there are particular groups that are more vulnerable than others. While the gender

³ The text of the resolution and conclusions can be found on the ILO website at: www.ilo.org/youth. Also available is the background report The Youth Employment Crisis: Time for Action, Geneva, 2012.
gap has been closing, young women are still at a disadvantage. Female unemployment in most cases is higher than for males in spite of lower participation rates.

No single measure or indicator captures this complex, multidimensional reality. But let me tell you about the main numbers and trends.4

- **Globally** youth unemployment is reaching unprecedented proportions. Of the world's estimated 200 million unemployed people, about 75 million are young people, this is 4 million more than in 2007. With a 12.7% unemployment rate, young people are three times more likely than adults to be out of a job. And even this high unemployment rate does not count the at least 6 million young people, mostly in developed countries, who are discouraged, out of the labour market and thus not counted as unemployed.

- In most **developing countries** open unemployment and even discouragement are important but not the main issues. The main situations instead are working poverty, educated but unemployed, and the NEETs (Not in Employment, Education or Training). Since in developing countries large numbers of young people do not have the luxury of unemployment benefits or social protection they have to work, supporting their families, and in survival activities. We estimate that more than 200 million young people work but earn under US$ 2 a day, mostly in the informal sectors of developing countries.

(Slide 12)

- In **developed economies**, in addition to unemployment and discouragement, the crisis increased the proportion of young people in temporary employment and part-time work. In the European Union, for instance, the proportion of youth employees with temporary contracts increased from 35.2 percent in 2000 to 42.2 percent in 2011. Another dimension of this problem is the issue of “serial internships” for graduates desperate for employment but that can only find internship after internship. In Japan, youth unemployment, at above 9 per cent, is also much higher than the average unemployment rate of 5.3 per cent, and youth are over represented among the non-regular workers.

So there is a major problem with the quality of work for young people, in both developed and developing countries. In developed countries employment deficits have a strong cyclical component, but with a high risk of becoming structural. In developing countries it is mostly structural and previous to the crisis.

Two additional situations are significant in both developed and developing countries:

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The NEETs for instance, often constitute at least 10 per cent of the youth population. Disconnected from both the world of work and the world of education and training, this is the group most vulnerable to risky behaviors such as violence, drug addiction, gang activity, and others. In the United States the NEET rate was 15.6 per cent in 2010 whereas the average for the OECD was 12.8 per cent.

Yet another category that has become disconnected from the world of work, or have been forced to migrate in search of opportunities, are the educated unemployed. These are young people that have managed to go to school and college, but for whom the transition from school to work has become longer and more insecure. In countries such as Tunisia and Spain they are a significant number.\(^5\)

Persistent youth unemployment and underemployment carry very high social and economic costs and threaten the fabric of societies. And there is plenty of evidence that failure to generate sufficient decent jobs results in long-lasting “scarring effects” on young people and raise fears of a “lost generation”.

**Are these global trends about to improve?**

Are these global trends about to improve? Unfortunately, we do not expect so for the global averages. Last September we published new youth unemployment projections up to 2017 based on the IMF growth projections.\(^6\)

We find that global youth unemployment is set to remain high at 12.6\%, or possibly even rise on average globally, as the impact of the Eurozone crisis spreads to other regions.

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\(^{5}\) Several factors explain the incidence of the educated unemployed: (1) they are often caught in the work-inexperience trap: they have no experience to show in their job applications simply because they have been unable to get a job or apprenticeship in the first place; (2) educational and vocational training systems that are not well attuned to the demands of companies in terms of technical or non-technical skills leading to so called skills-mismatch; (3) the skills mismatch problem can also have a structural origin. In countries that experienced a housing or construction boom and bust, the new sectors that can create employment usually have different skills requirements and therefore may not be able to absorb the unemployed young people from the shrinking sectors. In countries like Spain, this is a particularly serious problem leading also to discouragement and rising NEET rates; (4) the “first-out and last-in” pattern for youth as they are more likely to be fired before adult workers in a downturn and the last to be hired during a recovery; (5) poor working conditions and low-skill profiles of existing jobs which do not utilize or provide a good return on education and training; (6) a fundamental barrier is present in countries and sectors where companies are not hiring because they do not have enough effective demand and the recovery is weak. All these barriers stimulate growing numbers of educated unemployed to migrate to other countries in search of opportunity.

But averages are only a first approximation to country realities, there are enormous variations in economic and employment performance between regions and countries. Think of Spain and Greece where youth unemployment is more than 50% while in Germany and Switzerland it is less than 10%.

Therefore, the global numbers I have presented should not to be taken as a prophecy of inevitable doom or a fatalistic acceptance of some “new normal”. On the contrary, my message to you is yes, the recovery has been weak and there are still heavy clouds in the horizon, but we must urgently invest in youth opportunities, because we also know that policies and interventions matter and can make a great difference. I will come back to this in a few minutes.

(Slide 13)

VI. Youth Voices

As I said, at the ILO we have been listening hard to young people. As preparation for the June Conference we organized 46 national and regional consultations with young people with close to 5000 participants in total and a major Youth Employment Forum in ILO Headquarters in Geneva at the end of May.

We heard many testimonies in these events. Although the themes and perceived constraints vary depending on national specificities and context, there were some recurrent issues and barriers:

- First, a recession or a growth model that is too dependent on capital intensive or extractive industries is a killer of opportunities. So is a deficient environment for entrepreneurship.

- Second, the problem is not only too few jobs but low quality jobs such as temporary contracts and part time work. Limited access to social security for young people was also frequently mentioned as a very important contributor to low quality jobs.

- Third, the skills mismatch challenge was also amply recognized.

- Fourth, inadequate information services for job matching and ineffective career guidance services make it difficult and costly for young job seekers to anticipate employment opportunities and to signal their skills and availability to potential employers.

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7 There is a report for each region, as well as a global report (available at www.ilo.org/Yep).
• Fifth, the work inexperience trap was widely discussed, the paradoxical situation where young people are not hired because they lack work experience and they lack work experience because they are not hired. Participants discussed the strengths and weaknesses of different possible solutions to this, such as apprenticeships, internships, and incentives to employers to hire inexperienced young workers.

• A sixth recurrent theme was the narrow exposure of young people to entrepreneurship education and training, and the limited access to financial, physical and social capital, the lack of venture capital and angel investors, and the absence of incubators or proper IT infrastructure.

• Seventh, young people stressed that effective youth employment initiatives must involve them in policy dialogue and concrete platforms, partnerships and programmes.

• Finally, social discrimination and stereotyping was also widely discussed, whether based on gender, race or ethnicity.

In a myriad of different ways young people kept coming back to one or several of these as barriers to their dreams of getting a decent job, of improving upon the standards of living of their parents, of becoming independent adults and full and proud members of their communities. But young people also saw many ways to remove these barriers and improve their opportunities.

VII. An infrastructure of economic opportunities for young women and men

So how can we move forward? The policy vision I want to share with you is based on the conclusions of the 2012 International Labour Conference and ILO experience, research and lessons based on evaluations of what works, by us and others.

According to this vision the role and main objective of policies and partnerships is precisely to create an infrastructure of broad and equal decent work opportunities for young women and men.

Governments have a key role to play, but it is a shared responsibility, it is everybody’s business to do this. As the ILO Call for Action states: “Nothing short of strong collective action and partnership at the national, regional, and global levels will succeed in changing the dire situation of young people in labour markets for the better”.

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8 Many young people expressed concerns about the need for them to move back with their parents when leaving university does not lead to jobs, or having to postpone starting their own families. For a country, a combination of low youth employment and ageing society may be a disastrous mix for the future: long-term low productivity of young people combined with a rising dependency rate.
Let me comment briefly on five key areas of policy intervention, five major building blocks where we all must work to build an infrastructure of broad and equal economic opportunity for young people.

1. **Employability, education, training and skills**

The first building block is education and skills. Much has been done and much has been learned about this.

School enrolment has improved very significantly in many countries, but what is often not working is quality. Major deficits remain on the quality of education and training and their relevance to labour market requirements. 130 million young people are estimated to be without basic reading, writing and numeracy skills, early school leavers represent an increasing segment of disadvantaged youth.

Huge opportunities lie in improving the links between the world of education and training and the world of work. There are many measures and mechanisms that work, if well designed. They include:

- close dialogue between business and education and training institutions;
- improving the range and types of apprenticeships and internships;
- developing skills strategies as part of sectoral policies in close partnerships between companies and training institutions;
- expanding the reach of formal education and training through distance-learning strategies. New technologies, connectivity and social networking are having revolutionary consequences in access to information and in democratizing opportunities for continuing learning.
- Access to good employment services has been shown to decrease the job search period. Increasing investments in training without building up the capacity of Public Employment Services, is like building a road and stopping before constructing the bridge to the final destination… in this case a good job.
- In many developing countries, informal apprenticeships continue to be the largest provider of skills for young people. Improving these systems is a major area of opportunity throughout much of Africa and Asia.\(^9\)

Other key measures that work are:

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• mechanisms for early identification of potential early school leavers and for ensuring they stay in school;
• second chance initiatives targeted at young people who are neither in employment, nor education or training; 10
• systems of recognition of prior learning.
• Cash transfer or food transfer programmes can be very effective in ensuring young people stay in education and training if integrated into broader social protection strategies.

2. Labour market policies

A second building block for a society of broader opportunities is labour market policies. If well targeted they can benefit the most disadvantaged and promote greater equity and social inclusion.

These include Public investment and Public Employment Programmes that can make a big difference particularly in countries with low labour demand. 11

Many countries have introduced temporary contracts to ease hiring of young people.

Employment or training guarantee schemes for young people, such as those in Austria, Denmark, Finland, Norway and Sweden, that combine active labour market policies with incentives for employers to hire, can help get young job-seekers off the street and into useful activities and decent work.

Good practices in Active Labour Market Policies demonstrate that conditionality, activation and mutual obligation can successfully promote early exits from unemployment and avoid issues of welfare dependence.

In a partnership with the MasterCard Foundation the ILO is enabling national statistics offices and labour ministries to carry out school to work transition surveys in 28 countries to identify precise obstacles and develop national strategies and capacities to remove them and smooth the transition. 12

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12 See www.ilo.org/Yep/w4y
3. Youth entrepreneurship and self-employment

A third building block is Youth entrepreneurship. Many governments, business associations, International Organizations, including the ILO, donors and NGOs are working and investing on promoting youth entrepreneurship. Interventions range from entrepreneurship education to business development services to incubators, accelerators, mentoring and others.  

All these types of interventions and others work. The promotion of sustainable enterprises, under a specific ILO approach, is one of the pillars of our work on promoting productive employment and decent work.

4. Rights for young people

Our fourth building block is labour rights for young workers. Policies to promote youth employment should not disregard nor weaken the protection of labour rights, they should not lead to discrimination at work for instance. There is a list of international labour standards that are particularly relevant. You can read this list as an Annex to the Call for Action document. This includes issues such as ensuring that minimum wages for young workers are observed, as well as appropriate occupational safety and health and social protection.

5. Employment and economic policies for youth employment

The fifth building block is macroeconomic and sectoral policies. Because there is no supply-side fix for the youth employment challenge. High and sustained growth is essential, and so is the quality of that growth in terms of its employment content, and for this, sectoral policies are key. Sectoral and trade policies mindful of the balance between dynamic agriculture, manufacturing and services sectors, and making the most of export potentials, can influence job creation for young people by encouraging economic diversification and accelerating productive transformation.

Macroeconomic authorities must recognize their responsibility. We observe that Youth employment is a rising priority in national policy agendas around the world. This is good news. But often the priority is not sufficiently translated into action, funding is limited, resources underestimated. These investments should have a space in national budgets. I cannot overemphasize the importance of this point. This is not just a responsibility of ministers of

13 A major programmes in the ILO is the promotion of women entrepreneurship, strongly supported by Irish Aid. The WB-ILO Inventory of Youth Employment projects, that has more than 500 entries, suggests that in 2011, youth entrepreneurship promotion initiatives constituted 20 per cent of all youth programmes, making it the second most important after skills training.

labour, or of line ministries for the productive sectors, it is a challenge for ministries of finance and the macroeconomic authorities.

Concluding remark

In conclusion, clearly there is a lot we know about what works but also many aspects where we do not really have the answers. So there is a large knowledge agenda to be developed. Documenting and cataloguing successful initiatives and partnerships and better understanding the underlying models is extremely important.

We at the ILO are working on it, and so are all the ILO constituents, governments, employers' and worker’s organizations, and the colleagues at the World Bank.

Once again, I thank you for your kind invitation to speak at this World Bank Seminar and your attention.