

THE YOUTH EMPLOYMENT CRISIS: TIME FOR ACTION

Report prepared by the Office for the ILC 2012 discussion on Youth Employment

Summary of key issues and findings

1. It is the realization of an on-going youth employment crisis of unprecedented proportions that prompted the March 2011 Governing Body of the ILO to put this topic on the agenda of the 2012 International Labour Conference for a new general discussion. This executive summary presents the key issues and main messages of the report prepared by the Office for this discussion.
2. **The on-going youth employment crisis, aggravated by the global financial crisis, has created a renewed sense of urgency for action.** Across the world, young women and men face real and increasing difficulty in finding decent work. Youth aspirations for jobs, freedom and social justice, their deep alienation from the system that led to the economic and social exclusion of a whole generation of young people, generating extreme inequalities of wealth and income, have triggered the surge in youth-led protests against economic injustice across the world. An intensification of the youth employment crisis poses problems from an intergenerational perspective – the current crisis constitutes a serious breach of the norm of improving employment and economic prospects for each successive generation – as well as it threatens to cause a sharp widening in inequality within the current youth cohort. There is thus a clear risk of ever more unequal societies if the youth employment crisis is allowed to persist.

Characteristics and new challenges of the youth employment crisis

3. **The clock is ticking for turning the demographic challenge into a youth dividend.** Almost one in five persons in the world is aged between 15 and 24. The majority of young people live in developing countries, the largest youth cohort the world has ever seen, and it will keep growing until 2060. Developing countries face huge challenges in absorbing youth in education and labour markets and are not fully benefitting from the demographic dividend. The age structure in developed economies is considerably older. But there too the productive employment of youth is key to sustaining economic development, inter-generational solidarity and pensions systems.
4. **Youth unemployment is reaching unprecedented proportions in many countries.** This is not a new phenomenon. What is new is the staggering proportion it has reached. Between 2007 and 2010, youth unemployment increased by 5.1 million and in 2012, four out of ten unemployed was a young woman or man. Globally, youth are three times more likely than adults to be unemployed. With respect to regional trends before and after the global financial crisis, youth unemployment was and remains historically highest in the Middle East and North Africa, followed by CIS and Eastern and Central European countries (non EU).
5. **There is evidence of declining quality of jobs available for youth.** Youth unemployment is only the tip of the iceberg; the insecurity and vulnerability of many more who have some form of work are an integral part of the youth employment crisis. In developing countries, young workers are especially vulnerable to underemployment and poverty. In 2011, young people made up almost a quarter of the total working poor, but less than a fifth of non-poor workers. Young workers are also disproportionately represented in low-paid work. Data confirm the higher incidence of informality among young workers compared to their adult counterparts. The deterioration in the quality of jobs available to young workers is also

visible in the progressive expansion of temporary employment as well as the shorter duration of the fixed-term contracts in recent years. The proportion of young temporary workers who could not find permanent employment is increasing in many countries.

6. **The school-to-work transition has become slower and more insecure.** Youth are often caught in the experience trap whereby they have no experience to show in their job applications simply because they have been unable to get a job in the first place. Another factor is the “last in and first out” pattern for youth that was confirmed by the financial crisis. Youth are more likely to be fired before adult workers when there are redundancies. In most countries, youth show a higher rate of turnover between employment and unemployment than adults. Finally, the average job search period has increased in several countries, making the school-to-work transition longer, while the final result is less secure.
7. **Two new challenges characterizing the youth employment crisis have emerged: more discouragement and university graduates unemployment.** There is evidence of rising discouragement in many countries, whereby growing unemployment in the context of the global financial crisis has led some young people to give up the job search altogether. The unemployment of educated youth, especially graduates of tertiary educational institutions, is another challenging trend that is emerging in different countries and regions. The reasons advanced for educated unemployment vary, but decreasing returns to education are a concern because of frustration and resentment that can lead to uprisings, emigration, and reversal of educational trends.
8. **Inequalities among young workers are increasing.** Young people are not a homogeneous group, among them particular groups are more vulnerable. There are signs of polarization within the youth population with the disadvantaged groups being particularly affected. In the global financial context, with reduced prospects to move into decent jobs, it is likely to become more difficult to reduce labour market discrimination. Slower employment growth will mean increased competition for the fewer decent jobs that are becoming available. This will mean that disadvantaged youth are likely to be pushed further back in the queue for such jobs.
9. **The future prospects are a formidable challenge if no significant changes in the policy environment take place.** The world will need to create 600 million jobs over the next ten years in order to absorb the 40 million new entrants annually into the labour market, in addition to the 200 million already unemployed in 2012 – of which 75 million are youth.

Decent Work policies for youth: key issues and lessons learnt

10. **Young people should be given multiple pathways to decent work.** To achieve this, an integrated and coherent approach to youth employment is needed as called for in the 2005 ILC Resolution concerning youth employment, an approach that combines macroeconomic and microeconomic interventions, addresses both labour demand and supply, both the quantity and the quality of employment. The following issues and lessons learnt emerge from the review of action taken by governments, social partners and the ILO since 2005.
11. **Youth employment is a rising priority in national policy agendas but it is not sufficiently translated into action.** Since the 2005 ILC resolution, there has been an increasing commitment by member states to place youth employment in national policy agendas. However, it is seldom translated into a comprehensive policy framework establishing a clear set of policy priorities that would bring coherence and therefore enhance the impact of the youth interventions. Funding allocated for policy implementation is limited and resources earmarked are mostly underestimated. Making youth employment a priority objective of national policy agendas entails adequate and predictable funding to support sustainable

policy interventions. In that regard, assembling regular and rigorous knowledge of the long-run fiscal requirements of youth employment policies should become a key focus of policy-makers.

12. **Promotion of youth employment is carried out through a variety of institutional models engaging various government institutions and social partners.** There isn't a good practice institutional model to be applied to all circumstances. What matters is that responsibilities lie with a Government Agency which has the appropriate technical capacity and can also muster political support to ensure policy coherence and coordination among government institutions and engage social partners. Employers and workers' organisations are important partners for policy and programme development, for example by strengthening links between business and education and promoting rights of young people at work.
13. **Government expenditures on employment policies targeting youth need to be maintained, even in countries embarking on fiscal consolidation and austerity measures.** In the first two years after the onset of the global crisis in 2008, a number of policy interventions were targeting youth employment. There has since been a dramatic change of the policy stance in many industrialised countries where fiscal consolidation currently dominates the policy agenda. From the standpoint of the youth employment crisis, a sharp and immediate reduction in government expenditures is likely to aggravate the problem.
14. **Macroeconomic policies can create a favourable environment for youth employment by sustaining long-run inclusive job-rich growth.** High growth alone is not sufficient to solve the youth employment problem, its employment content matters. Promoting economic diversification and productive transformation through an industrial policy and sectoral strategies that stimulate investment can fuel the engine of job creation both for adults and young workers. Alleviating the constraints on private sector growth, with particular emphasis on access to finance for MSMEs, can also boost job creation.
15. **Macroeconomic policies can also protect youth employment by containing recessions.** Macroeconomic volatility and poor employment outcomes for young people are closely correlated as documented by a number of ILO studies. Reducing macroeconomic volatility requires the use of timely and targeted counter-cyclical policies. This in turn requires enhanced fiscal and institutional capacity for countries to undertake counter-cyclical measures.
16. **More and better education for future generations of young people is a basic requirement for finding a durable solution to the youth employment crisis.** Education, training, lifelong learning foster a virtuous cycle of improved employability, higher productivity, income growth and development. With accelerating technical progress and globalization, finding a niche in global markets increasingly requires countries to continuously upgrade the educational and skill levels of their labour force.
17. **For the 130 million young people lacking the basic reading, writing and numeracy skills, second chance initiatives are the best option.** Many of these young people are emerging from education without these basic skills making it difficult for them to obtain the technical skills needed to compete in the labour market. Programmes that engage youth throughout adolescence appear to be the most effective. Practical curricula, flexible schedules and less formal instruction methods are likely to attract and retain young people. To increase the cost effectiveness of second chance initiatives, programmes need to target the poor, particularly girls.
18. **Adjusting the focus of TVET to make it relevant and appropriate to the newly emerging economic circumstances is an important policy area.** Weak monitoring and evaluation mechanisms, inadequate financing, poor management, ill-adapted organizational structures are elements countries recognize and take steps to address. Experience also shows that

TVET needs to be coordinated, regulated, with high quality delivery systems that address geographical, gender and economic diversity and meet the needs of industry. The possibilities for efficient deployment of ICT to modernize TVET curricula, increase relevance of skills provision and expand enrolment capacity should be harnessed.

19. **Strengthening the link between the education and training system and the world of work is at the heart of TVET reforms.** In that regard, anticipating future skills is the first building block of strong training and skills strategies. Country experience provides lessons on the limits of skills forecasting: it is better to focus on providing an adaptable core, transversal skills, and especially on building the capacity to learn, than on planning training to meet detailed forecasts of technical skill needs because these may change before curricula can adjust. Shorter training courses, which build on general technical and core skills can minimize time lags between emerging skill needs and the provision of adequate training.
20. **Apprenticeship is considered an effective way to prepare young people for the labour market.** In several developed countries, formal apprenticeship and on-the-job training schemes have been strengthened during the global financial crisis. The interaction of in-classroom and workplace training increases the likelihood of positive labour market outcomes by 30 percentage points. Questions have been raised about how replicable these successes can be in developing countries where the formal wage sector is small and institutions are weak. In many developing countries, informal apprenticeship continues to be the largest provider of skills for young people. While the drawbacks of informal apprenticeships are widely recognized, yet for many informal economy workers this may prove to be the first and often only available option. Efforts are thus needed to improve the system and some innovative experiences have been documented by the ILO.
21. **Cost-effective Active Labour Market Policies (ALMPs) are of strategic importance for promoting youth employment in the current economic conjuncture.** A package of services integrating and sequencing various components on both the demand (e.g. tax incentives, self-employment) and the supply side (e.g. training, career guidance and other job-search assistance) is the most efficient model as illustrated by the experience of countries like Argentina, Peru, Germany, the Netherlands or the United Kingdom. Well targeted ALMPs that are tailored to individual needs are more successful than generic targeting of youth as a group.
22. **Policies to facilitate access to jobs, including to first job and experience, should not be to the detriment of young workers' rights at work.** Incentivizing the hiring of young workers at the expense of their rights and social benefits results in increased vulnerability and insecurity on a long-term basis. Low levels of protection and assistance by the State may impact on the future development of young workers as documented by the ILO. International Labour Standards provide the normative framework for addressing the youth employment crisis and are a means to protect young people's rights.
23. **Well-designed wage subsidies or reduction in social security contributions for young workers can help employing them.** Wage subsidies help to ease the transition from school-to-work and during economic downturns, moderate employment effects and the depreciation of skills in the labour force.
24. **The Public Employment Service (PES) is a key player in the implementation of strategies to ease the transition of young persons from school to work.** Employment services should particularly target the young people who are more in need of assistance and tailor the services provided according to their specific needs and labour market disadvantaged. However, PES has not been able to offer targeted packages of services that meet young people's needs everywhere in the world. Particularly in the developing world, major

challenges for PES to deliver is their lack of or low levels of technical and financial capacity as well as the basic infrastructure and utilities needed to operate the employment offices.

25. **Promoting youth entrepreneurship and self-employment, including through cooperatives, provides young people with a pathway to enter the labour market.** In 2011, the total number of youth entrepreneurship promotion initiatives constituted 20 per cent of all youth programmes, making it the second most important after skills training, a significant increase from its 11 per cent share of 2007. Targeting women is an appropriate approach because they often experience more obstacles in starting and developing a business than men. Offering packages with a broad range of services rather than only providing managerial training or financial support is more effective. Cooperatives are more resilient and sustainable than other start-ups and thus provide young people a solid opportunity to create and maintain their own enterprises.
26. **Public Investment and Employment Programmes (PEPs) can efficiently target youth.** Young people figure prominently in these labour-intensive and local resource-based programmes, specific targets of 50 to 60 per cent are common across the world. Limited administrative, managerial and financial capacities in developing countries, especially LDCs, for deploying targeted ALMPs show the relevance of PEPs. PEPs that foster investment in physical infrastructure and environmental preservation have also proven their anti-crisis impact and counter-cyclical role in the countries that have resorted to them, including during the global financial crisis.
27. **Young people face special challenges in access to social protection.** First-time job seekers are usually not covered by unemployment benefits. Young unemployed women and men who have some work experience are less likely to be eligible for statutory unemployment benefits as compared to older workers. Young women are less likely to access unemployment benefits than young men because of the gendered employment patterns of young people.
28. **Many countries took measures to enhance access to unemployment benefits and income support for young adults in the wake of the global financial crisis.** These include ensuring that young people in vocational training programmes, job insertion schemes or other public employment programmes are contributing to unemployment insurance; reducing the number of months of contributions required for eligibility to unemployment insurance benefits; combining income support benefits with employment services, training, re-training and other measures increasing employability. More governments adopt policies to make the receipt of social assistance conditional upon active job search or participation in an active labour market programme.
29. **Much more can be done on social dialogue with respect to youth employment policies and in ensuring effective youth participation and representation in the policy decisions.** These twin deficits need to be closed in the interest of achieving better designed and more effectively implemented policies to confront the youth employment crisis. When ILO support has been sought for developing integrated youth action plans, the participation of social partners and consultations with a wide range of youth organisations and networks were promoted and facilitated.
30. **Collective bargaining initiatives addressing the employment and working conditions of youth are rare.** Where they exist, they typically deals with the four issues of (i) young people's entrance into the labour market, (ii) the stabilization of employment for vulnerable categories of youth, (iii) improvements in terms and conditions of employment for young workers and (iv) the negotiation of training.
31. **Continuous building of a knowledge base on country policies and programmes and the impact evaluation of the range of existing youth employment measures is a priority.** There

have been relatively few rigorous evaluations of policies and programmes, their impact in the short and long term and their relative costs and benefits, including in developed countries. Lessons learned from evaluations can lead to greater programme effectiveness and better targeting of scarce resources.

32. **A high level of policy coherence and coordination is required in dealing with the youth employment crisis.** First, it is essential that youth employment objectives are centrally and effectively embedded in national development plans and employment policies. Another key requirement is that there is a substantive technical agency to deal with the issue of youth employment, with sufficient technical capacity and political status to fulfill its mandate.

ILO support to youth employment and global partnerships

33. **The ILO supports youth employment through its normative action and through the implementation of the 2005 ILC Resolution concerning youth employment.** The strategy is based on three pillars: (i) knowledge building, (ii) advocacy and promotion of decent work for youth and (iii) technical assistance to support ILO constituents. Since 2005, some 60 countries have received ILO's support for developing and implementing strategies for youth. As a result of the global financial crisis, the demand for ILO assistance significantly increased with some 50 member states requesting support from the ILO.
34. **The youth employment crisis can only be tackled with a great deal of mobilization, coordination and partnerships at the global level.** The G20, the International Financial Institutions, other Multilateral and Regional Organisations and the United Nations system are key players of global governance and the ILO has the lead responsibility in garnering their support.