



Achieving better youth employment outcomes: Monitoring policies and progress in G20 economies

**Organisation for Economic Co-Operation and Development
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Introduction

Promoting better employment outcomes for youth remains a key G20 objective as reaffirmed in the G20 Brisbane Action Plan and the 2014 G20 Labour and Employment Ministerial Declaration. Employment measures targeted at youth also feature prominently in many of the national Employment Plans (EP) developed by each G20 economy. The purpose of this note, prepared at the request of the Turkish Presidency of the G20, is to put forward possible options for monitoring developments in youth labour markets as well as country progress in implementing policy commitments for improving the labour market situation of young people.

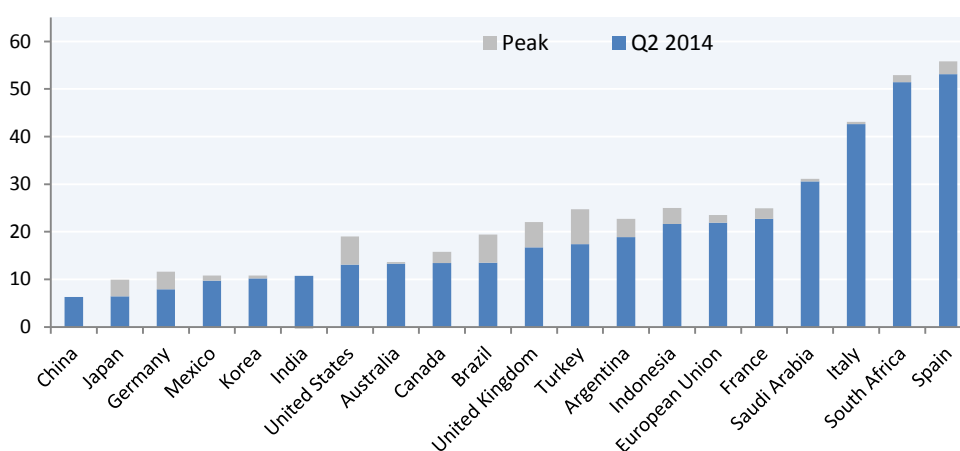
The note begins by highlighting the key trends and youth employment challenges in G20 countries and the diversity of youth labour markets across these economies. A proposal to establish a “youth scoreboard” is then put forward as a way of monitoring developments in youth labour markets on a regular basis and for identifying improvements and where further action is required. This is followed by a discussion of the feasibility of using one of the indicators from the youth scoreboard to set a quantitative target for improving youth employment outcomes. The note concludes with the presentation of a draft questionnaire for the consideration of the G20 EWG for sharing information on the implementation of new policy measures to improve youth labour market outcomes.

Recent youth labour market developments and key challenges

Unemployment and underemployment remain stubbornly high in several countries

The youth employment crisis has become a stubborn reality in many G20 countries. Notwithstanding the decline of around 3.5 percentage points since the peak level reached following the crisis (see Figure 1), the youth unemployment rate remains at a high (un-weighted) average of 20 per cent across G20 economies in the second quarter of 2014 and significantly above its pre-crisis level. ILO projections do not point to any significant improvement in youth labour markets before 2018 (ILO, 2013). There are considerable cross-country differences with youth unemployment ranging from a low of around 6% to close to 50% in South Africa and Spain. Even in some of the emerging economies where youth unemployment is low, underemployment remains substantial. Of special concern is the share of long-term unemployment among youth, which is becoming increasingly higher. In several G20 countries of the EU, for instance, this share has gone beyond one-third of overall youth unemployment.

Figure 1. Youth unemployment in G20 countries (Q2, 2014)

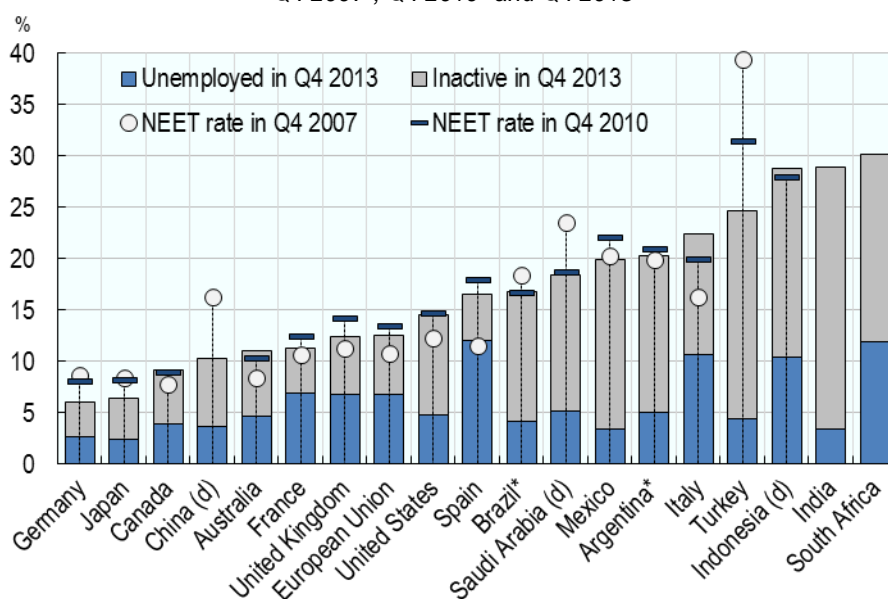


Source: Update based on OECD and ILO, 2014

Giving youth better access to work or study is a priority

A broader picture of the group of young people who are potentially at risk of marginalisation from the labour market is provided by proportion of youth who are Neither in Employment nor in Education or Training (NEET). In G20 economies, this group accounted for 16.2% of the overall 15-24 youth population on average (un-weighted) in the fourth quarter of 2013 (Figure 2). Over the past six years the NEET share across G20 economies has remained broadly stable. This is because an increase in the number of unemployed young people was offset by an increase in school enrolments, which reduced the number of inactive youth not in education. Again, there are large country differences. Gender differences are also often substantial, with young women being particularly at risk of being excluded from work and study, although for some this may represent a choice to stay outside the labour market for family or other reasons.

Figure 2. **A high proportion of youth do not have access to work or study**
 Youth not in employment, education or training (NEET) as a percentage of population aged 15-24,
 Q4 2007^a, Q4 2010^b and Q4 2013^c



Note: Countries are shown by ascending order of the NEET rate in Q4 2013.

* Selected urban areas.

a) 2005 for China; October 2007 for Australia; Q3 2007 for Saudi Arabia; Q3 2008 for Indonesia; and Q4 2008 for Argentina.

b) October 2010 for Australia; Q3 2010 for Indonesia; and Q3 2009 for Saudi Arabia.

c) 2010 for China; 2009/10 only for India; October 2013 for Australia; and Q3 2013 for Indonesia and Saudi Arabia.

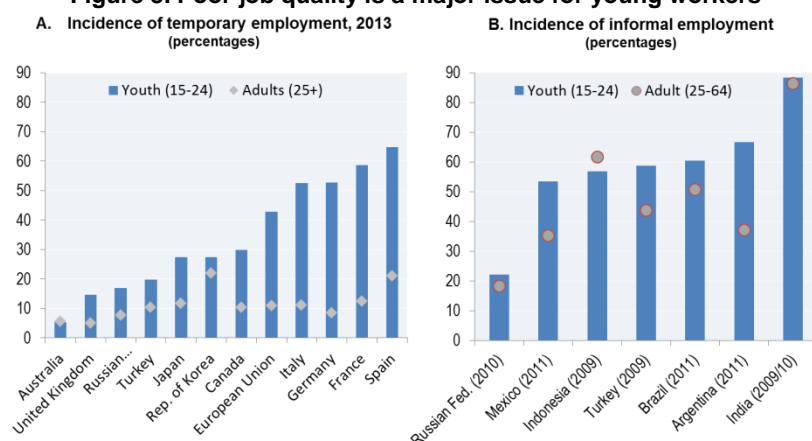
d) NEET rate may include some unemployed people who are in education.

Source: OECD estimates based on national labour force surveys.

Improving the quality of jobs for youth remains a major challenge

Young people who do manage to find work are more likely than prime-age workers to have jobs that are low paid and offer limited job security, reduced social protection and opportunities for training and career progression. The incidence of temporary work or informal employment is much higher among youth than other age-group of workers in most G20 countries. In some of these countries, young people are over-represented in temporary jobs or in informal employment in others (see Figure 3).

Figure 3. Poor job quality is a major issue for young workers

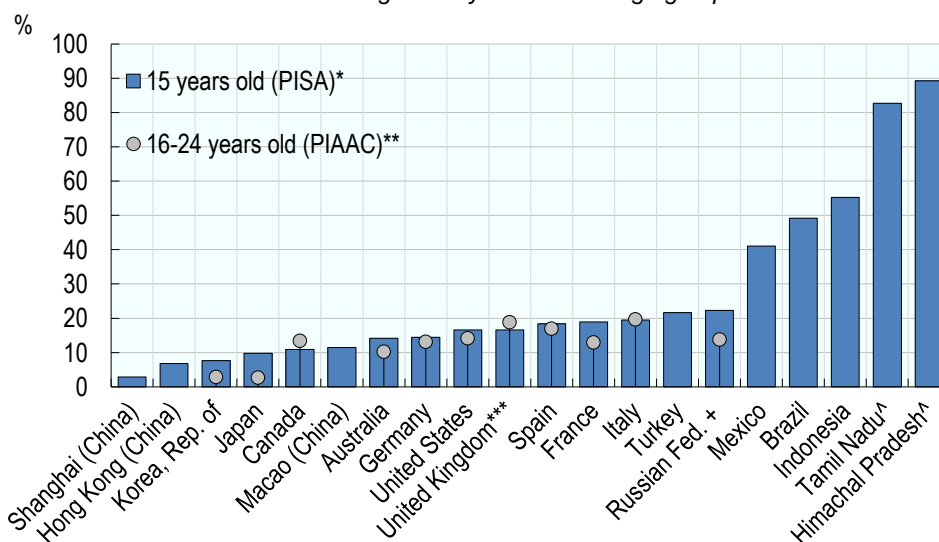


Source: Update based on OECD and ILO, 2014.

Poor skills and skills mismatch are major barriers to quality employment

Low-skilled youth face a higher risk of joblessness and, if employed, often work in low-quality, low-paid and precarious jobs in most countries. Good foundation skills in literacy and numeracy are closely related to better labour market outcomes. The proportion of youth with poor foundation skills in these areas remains high across G20 countries, especially in some emerging economies (Figure 4). At the same time, improving the skills base of young people is not sufficient to improve their labour market outcomes if these skills do not match those demanded by employers. Thus, skills mismatch needs to be tackled as in all G20 countries, although its incidence and the groups it affects varies considerable among countries.

Figure 4. Many youth have poor reading skills
Percentage of all youth in each age group



* Proportion of all 15-year-old students with a level of reading proficiency at Level 1 or below on the OECD PISA scale.

** Proportion of all 16-24 year-olds with a level of literacy proficiency at Level 1 or below on the scale of the OECD Survey of Adult Skills.

*** The PIAAC results for Belgium and United Kingdom refer to Flanders and England/Northern Ireland only, respectively.

+ The data for the Russian Federation are preliminary and may be subject to change. It should be noted that these results are not representative of the entire resident population aged 16-65 of the Russian Federation as they exclude the population residing in the Moscow municipal area.

^ PISA results for Tamil Nadu (India) and Himachal Pradesh (India) correspond to PISA 2009. They are on the same scale and fully comparable with the PISA results for 2012.

Source: OECD PISA survey, 2012, and OECD Survey of Adult Skills, 2012.

Monitoring youth labour market outcomes: A youth employment scoreboard

Monitoring performance and assessing results of the action of G20 countries is essential to adapt and refine youth employment policies during their implementation in order to achieve maximum impact in terms of both the quantity and quality of youth labour market outcomes. It is also vital to identify areas where further action may be required.

However, as highlighted above, given the diversity of youth employment challenges across G20 countries as well as within each country, a range of indicators is required to capture the labour market situation of young people and changes over time. This could be achieved by developing a “G20 youth employment scoreboard for each G20 economy, which would be updated regularly. In Table 1, a list of potential indicators is given that would capture the range of challenges facing young people in terms of both quantity and quality of employment.

Table 1. A G20 youth employment scoreboard

Indicator	Definition
<i>Better education opportunities</i>	
1. Lacking basic skills	Share of youth with a low level of proficiency in numeracy or literacy.
2. Achieving basic qualifications	Share of youth aged 20-24 years with at least an upper-secondary level of education.
3. Choice in educational pathways	Share of upper-secondary students participating in Technical Vocational Education and Training (TVET).
4. Achieving high-level qualifications	Share of youth aged 25-29 years with a tertiary level of education.
5. Incidence of skills mismatch	a) Overqualified: Share of young workers with education levels higher than those required for the occupation. b) Underqualified: Share of young workers with education levels lower than those required for the occupation.
<i>Improving youth employment opportunities</i>	
6. Employment-to-population ratio	Share of employed youth in total youth population.
7. Unemployment rate	Share of all youth in the labour force who are unemployed (did not work in the reference week and are actively seeking work and available).
8. Incidence of long-term unemployment	Share of unemployed youth who have been out of work and looking for a job for one year or more.
9. Incidence of not working or studying	Share of youth Not in Employment, Education or Training (NEET).
10. Incidence of working in temporary, informal or vulnerable jobs	a) Share of employed youth in temporary employment. b) Share of employed youth in informal employment. c) Share of employed youth in vulnerable forms of employment (own-account workers and contributing family members).
11. Incidence of working part-time involuntarily	Share of employed youth working less than full-time involuntarily.
12. Incidence of working in a low-paid job	Share of young workers earning less than 2/3 of median earnings.

The list of indicators has been kept short in order to limit it to those that could be feasibly collected on a regular and comparable basis for most G20 economies. Most of the indicators could be updated on an annual basis. The indicators could be collected separately by gender, age groups (15-19, 20-24, 25-29) as well as by level of education for some of the key indicators. In addition, some information could be collected regularly for key policy variables such as the statutory minimum wage and any youth minimum wage, which are key determinants of wages for many young people.

The views of the G20 EWG are sought on both the usefulness of establishing a G20 youth employment scoreboard as well as on the choice of indicators for the scoreboard.

Setting targets for improving youth employment outcomes

Setting a quantitative G20 target for improving youth employment outcomes could help to galvanise countries to do more to help youth and would provide a powerful statement by G20 countries of their commitment to provide young people with better employment prospects. However, establishing a single target that reflects the wide national and cross-national diversity in the labour market situation of young people is not straightforward. The advantages and disadvantages of the most commonly used indicators to assess the performance of the youth labour market at the aggregate level are summarised in Table 2. This table also provides information on data availability.

Table 2. Possible indicators for establishing a youth employment target: Advantages and disadvantages^a

Indicator	Advantages	Disadvantages	Data availability*
Unemployment rate	Proxy to measure position of young people in the labour market in advanced economies of the G20	Not reflective of situation of youth labour markets in emerging economies of the G20	All G20 countries but strict definition only
Employment-to-population ratio	Measures capacity of economies to create jobs for youth	Diluted by inclusion of students in some G20 countries; Includes youth who should be in school	All G20 countries
Rate of temporary employment	Proxy to measure youth precariousness in advanced economies of the G20	In emerging economies temporary employment is overshadowed by vulnerable and informal employment	Only advanced economies of the G20
Rate of informal employment	Proxy to measure quality of employment, particularly in emerging economies of G20	Measure is broad and require sub-indicators to direct policy action	Most G20 countries (except for China and Saudi Arabia)
Rate of vulnerable employment	Measures quality of employment and stability of jobs	Limited use for advanced economies of the G20 and difficulty of classifying different categories of self-employed	All G20 countries
NEET rate	Offers wider measure of exclusion	Groups together concepts that have diverse youth employment policy implications	All G20 countries but with different time series.

a) In the case of China, some of these indicators are currently only available from census data, as national household-based labour force surveys are not systematically conducted or based on international definitions.

Despite having some disadvantages, there are two possible options that would appear to be best suited for establishing a single quantitative target for improving youth employment outcomes. The first option would be to take the employment-to-population ratio as a target and monitor changes in this indicator in

relation to the indicators of unemployment and informal employment. This would ensure relevance for all G20 economies. In emerging G20 economies, the main challenges are not just youth unemployment or inactivity but also informality. Measuring developments in these two indicators would ensure that the percentage point change of the target is the result of a reduction of unemployment (in advanced G 20) and informality (in emerging G20 economies) among young people.

The second option for a youth target could be the NEET rate. This provides a broad measure of labour market exclusion and is widely available for all G20 countries. In all countries, it would be desirable to see some decrease in the NEET rate, as part of the NEET population are involuntarily out of work or would benefit from further education. However, the NEET group covers a wide range of youth with different reasons for not working or studying. Therefore, one way of targeting more closely on the most vulnerable group of young people within the overall NEET group would be to focus on low-skilled youth. In this case, a possible G20 target could take the form of seeking to reduce the share of low-skilled youth who are not in work or studying. However, as with the employment-to-population ratio, this target would need to be supplemented by other indicators in the youth employment scoreboard to capture the quality of employment opportunities for youth, e.g. the incidence of temporary or informal work.

If the G20 EWG considers that it would be worthwhile to explore further the possibility of establishing a youth target on the basis of these two options, a more complete investigation could be carried out of the implications for each G20 economy of different scenarios for setting these targets. Of course, any quantitative target would be one part of more general commitments and policies to improve both the number and quality of employment opportunities for youth.

Sharing information on recent policy initiatives

Irrespective of whether a target is established for improving youth employment outcomes, it would be useful to establish a mechanism for sharing information on recent and on-going employment policy initiatives targeted at young people. This would help to both share examples of good practice and monitor progress in the implementation of the G20 policy commitments to improve the youth labour market situation. Annex 1 presents a draft questionnaire on recent policy development for consideration by the G20 EWG. The questionnaire is based on that previously sent to countries. Ideally, the information would be collected on bi-annual basis with the replies and a summary stored on the G20 website for consultation by all G20 countries.

References:

OECD/ILO (2014): “Promoting better labour market outcomes for youth”, Background paper for the 2014 G20 Labour and Employment Ministerial meeting.

ILO (2013): “Global employment trends for youth: A generation at risk”

OECD (2013): “OECD Action Plan on Youth”, Paris, <http://www.oecd.org/employment/action-plan-youth.htm>.

ANNEX 1. PROPOSED YOUTH POLICY QUESTIONNAIRE

Introduction

Improving labour market outcomes for youth featured prominently in the declarations of the G20 Leaders in Brisbane in November 2014 who recognized that youth unemployment is unacceptably high and should be fought by taking action to ensure that young people are in education, training or employment. At the meeting in Melbourne in September 2014, Labour and Employment Ministers also renewed their commitment -- taken in Paris in 2011, in Guadalajara in 2012 and in Moscow in 2013 -- to fight youth unemployment and ensure youth have the skills they need be employed. Therefore, the purpose of this questionnaire is to take stock on a regular basis of *new* action that countries have taken in response to these commitments. The results of the questionnaire will facilitate knowledge sharing among G20 countries concerning new and interesting initiatives that have been taken to promote better employment outcomes for youth. They will also foster discussions and mutual learning among the members of the G20 Task Force for Employment. Youth employment has been a key topic in the work of the Task Force since the G20 Strategies for Youth Employment was adopted by Ministers in 2012.

Only information on those measures which have been implemented or announced in the past two years should be included.

Instructions for completing the questionnaire

It was be useful to obtain information on the type of measure that has been taken using the classification of measures in the Box below. Delegates are requested to assign any recent measures taken or announced to improve labour market outcomes for youth to one of these broad policy areas and report on them in the table below. For each of these measures, the following information is sought:

1. The name of the country replying to the questionnaire
2. The number of the broad policy area identified in the Box that best corresponds to the recent or announced measure.
3. The name of the policy measure or reform, and a brief description of main aim and date of its (planned) introduction.
4. Where appropriate, the number of beneficiaries (expected) over the most recent (or prospective) 12 months of operation:
 - Total flow (000s) and corresponding period (e.g. Jan-Dec 2014, May-Dec 2014).
 - Total stock (000s) and reference period (e.g. end Jun 2014, end Dec 2014).
5. Where appropriate, the total expenditure over the most recent (or prospective) 12 months:
 - Amount (millions) and corresponding period (e.g. Jan-Dec 2014, May-Dec 2014) and currency (e.g. \$, €).
6. Any other observations that are pertinent.

If more than six measures have been taken or announced, additional lines should be inserted into the table.

Key actions for improving labour market outcomes for youth

1. **Tackle weak aggregate demand and boost job creation.**
2. **Provide adequate income support to unemployed youth** until labour market conditions improve but subject to strict mutual obligations in terms of active job search and engagement in measures to improve job readiness and employability.
3. **Maintain and where possible expand cost-effective active labour market measures** including counselling, job-search assistance, wage subsidies, youth guarantee schemes and entrepreneurship programmes.
4. **Tackle demand-side barriers to the employment of low-skilled youth.**
5. **Strengthen the education system and prepare all young people for the world of work**
 - Tackle and reduce school dropout and provide second-chance opportunities for those who have not completed upper secondary education level or equivalent.
 - Ensure that all youth achieve a good level of foundation and transversal skills.
 - Equip all young people with skills that are relevant for the labour market.
6. **Strengthen the role and effectiveness of Vocational Education and Training and apprenticeship programmes**
 - Ensure that the social partners are actively involved in developing VET and Apprenticeship programmes that are not only relevant to current labour market requirements but also promote broader employability skills, including foundation skills.
 - Encourage employers to continue or expand quality apprenticeship and internship programmes, including through additional financial incentives if necessary
 - Ensure that VET programmes are more responsive to the needs of the labour market and provide young people with skills for which there are jobs.
 - Ensure that VET programmes have strong elements of work-based learning, adopt blends of work-based and classroom learning that provide the most effective environments for learning relevant skills and enhance the quality of apprenticeships, where necessary
7. **Assist the transition to the world of work**
 - Provide appropriate work experience opportunities for all young people before they leave education.
 - Provide good quality career guidance services, backed up with high quality information about careers and labour market prospects, to help young people make better career choices.
 - Obtain the commitment of the social partners to support the effective transition of youth into work, including through the development of career pathways in specific sectors and occupations.
8. **Take an integrated and comprehensive approach to facilitate transitions to formality.**
 - Measures to reduce informal employment amongst youth.
 - Measures to promote entrepreneurship and start-ups in the formal economy.
9. **Promote equality of opportunity and treatment for young workers and tackle social exclusion and discrimination.**
 - Ensure more equal treatment in employment protection of permanent and temporary workers
 - Consider appropriate wage policies, including minimum wages, to ensure a fair wage, but which do not damage job prospects for young people.
 - Reduce labour market segmentation and multiplicity of contractual arrangements.
 - For the most disadvantaged youth, such as the low skilled, and those with a migrant background, intensive programmes and package approach may be required with a strong focus on remedial education, work experience and adult mentoring.

RECENT POLICY MEASURES AND REFORMS TO IMPROVE LABOUR MARKET OUTCOMES FOR YOUTH

Country	Policy area (see Box – give the number)	Name of policy measure or reform, and brief description of main aim and date of (planned) introduction	As appropriate, number of beneficiaries (expected)	As appropriate, total expenditure (expected)	Other observations
			Total inflows (000s): Period*: Total stock (000s): Period**:	Amount (millions): Period***: Currency (e.g. \$, €):	
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* Corresponding period for the data on flows (e.g. Jan-Dec 2014, May-Dec 2014, etc.); ** Corresponding period for the data on the stock (e.g. end Jun 2014, end Dec 2014, etc.); and *** Corresponding period for the amount (e.g. Jan-Dec 2014, May-Dec 2014, etc.).