

# OECD *Multilingual Summaries*

## Off to a Good Start? Jobs for Youth

Summary in English



- Promoting a smooth transition from school to work, and ensuring that youth are given the opportunities to move on in their careers and lives, have long been issues of fundamental importance for our economies and societies. Today, they are even more pressing challenges as the global economy emerges from the worst crisis of the past 50 years. Indeed, young people have borne much of the brunt of the recent jobs crisis. The youth unemployment rate is approaching 20% in the OECD area, with nearly 4 million more youth among the unemployed than at the end of 2007.
- The initial experience in the labour market has a profound influence on later working life. Getting off to a good start facilitates youth integration into the world of work and lays the foundation for a good career, while it can be difficult to catch up after an initial failure. In particular, the jobs crisis is likely to leave long-lasting “scarring” effects on some of the current generation of school-leavers, particularly if they face multiple disadvantages, such as having low skills and also coming from a disadvantaged background.
- Tackling the youth jobs crisis requires a strong commitment from all: the youth themselves, the government through well-targeted and effective policy measures, social partners through their participation in the dialogue, and other key actors – such as teachers, practitioners and parents – who can really make a difference to investing in youth.
- This report makes an important contribution to a new agenda of youth-friendly employment policies and practices. It analyses the situation of youth employment and unemployment in the context of the jobs crisis and identifies successful policy measures in OECD countries. But it also discusses structural reforms in education and in the labour market that can facilitate the transition from school to work. The report draws on both recent data and the main lessons that emerged from the 16 country reviews conducted as part of the OECD Jobs for Youth/Des emplois pour les jeunes programme.

## More jobs opportunities and better skills needed to ensure that young people benefit from the ongoing recovery

Young people have suffered a disproportionate share of job losses during the global economic crisis. In the third quarter of 2010, the OECD-average youth unemployment rate represented 18.5% of the labour force aged 15/16-24, with nearly 3.5 million more youth having joined the ranks of the unemployed compared with the corresponding quarter of 2007. But unemployment does not capture the full hardship for youth, as many of those who have left education do not even appear in labour market statistics. By mid-2010 in the 26 OECD countries in which data are available, the proportion of youth aged 15-24 who were neither in education nor in employment or training (the so-called NEET group), stood at 12.5% of the total population aged 15-24, up from 10.8% in 2008. This represents 16.7 million young people, 10 million of whom were inactive and not studying, and 6.7 million of whom were unemployed. Coping with unemployment is difficult for everyone. But for low-skilled youth, and especially those who have left school without qualifications, failure to find a first job or keep it for long can have negative long-term consequences on career prospects – a phenomenon that some experts refer to as “scarring”.

The risks posed by a “scarred” generation have motivated many governments to take vigorous action, notably by scaling up funds for youth labour market programmes. In the context of today’s fragile recovery and mounting fiscal pressures, there is a strong need to keep momentum, by maintaining adequate resources for cost-effective measures for youth. But governments cannot do everything alone, and well co-ordinated supports and incentives must come from all key stakeholders, including employers, trade unions, NGOs, and naturally from youth themselves. This report provides policy makers and other stakeholders a range of good practices for increasing jobs opportunities and developing learning capabilities to ensure that all young people get off to a good start in the labour market.

### A. SHORT-TERM OUTLOOK

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#### *Youth unemployment has increased dramatically in the past three years*

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The most recent data show that in the three years to the third quarter of 2010, unemployment among young people in the labour force aged 15/16-24 increased by 5.3 percentage points in the OECD area as a whole, but by 6.3 percentage points in Europe and by more (7.4 percentage points) in the United States (Figure 1). In the third quarter of 2010, youth unemployment rates in the United States and Europe, at 18.2% and 21.1% respectively, are close to 25-year record-high levels. The situation is less dramatic in Japan, where the youth unemployment rate stood at 8.8%, 1.2 percentage point higher than in 2007.

Young people are much more vulnerable to unemployment than adult and older workers, with an OECD average ratio of 3.2 in 2007 and 2.6 in 2010 (Figure 2). The gap increased, however, during the crisis in Europe while it decreased elsewhere, and particularly in the United States.

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#### *Youth unemployment rates should remain high in 2011 and 2012*

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Based on the most recent OECD economic projections, youth unemployment rates are expected to be around 18% in 2011 and 17% in 2012 after a very slow decline in 2010 (Figure 3). The situation differs, however, from one country to another. In Japan, the youth unemployment rate should decrease slowly to reach 7.4% end-2012 while in the United States, it is likely to exceed 18% in 2011 and decrease only in 2012 up to 15.7%. The situation could be even more difficult in Europe with a rate in excess of 21% in 2011 and close to 20% in 2012.

In the context of a weak recovery, a significant and growing proportion of youth, even among those who would have performed well in good times, are at risk of prolonged unemployment, with potentially long-term negative consequences for their careers, or so-called “scarring effects”.

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*Even more worrying, the number of young people disconnected from education and the labour market is on the rise*

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On average in the OECD, almost 11% of all young people aged 15-24 were NEET (Neither in Education nor in Employment or Training) in 2008. Of these, 33% were unemployed for less than a year, 7% were unemployed for more than a year, and 60% were inactive without studying (Figure 4). The corresponding NEET rate was close to the OECD average in Europe, much lower in Japan (7.4%) and much higher in the United States (12.1%). Everywhere it included a majority of inactive youth who were not in education. Recent quarterly data up to the second quarter of 2010 suggest that during the past two years, the NEET proportion among the population aged 15-24 increased by almost 2 percentage points in the OECD and in Europe and much more in the United States (3.4 percentage points).

## **B. WHO IS MORE AT RISK OF POOR EMPLOYMENT OUTCOMES?**

In the decade prior to the financial crisis, a period when the global economy was relatively strong, youth labour market conditions improved. But not everything was rosy. In most countries, only a fraction of youth settled quickly into career employment after leaving education. Many young people experienced a longer and bumpier transition from school to work. In particular, two groups faced persistent difficulties in getting a stable job after leaving school, and the size of these groups has increased during the crisis.

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*The first group in difficulty: “left behind youth”*

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Some youth simply do not make it in the labour market. They often lack a diploma, come from an immigrant/minority background and/or live in disadvantaged/rural/remote areas.

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*The second group in difficulty, “poorly-integrated new entrants”*

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This group faces significant barriers to find stable employment. They often have qualifications, but not the adequate skills to secure a stable job and they frequently go back and forth between temporary jobs, unemployment and/or inactivity, even during periods of strong economic growth.

In Europe in 2005-07, at least one in five young people aged 15-29 were at risk of experiencing poor employment prospects: 55% of them were left behind and 45% were poorly integrated in the sense of without a stable job after having started two years earlier on a temporary contract (Figure 5).

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*Recognised skills and an inclusive labour market are key to helping these two groups*

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Early intervention is key to helping youth at risk of being left behind; it should commence with pre-school education followed by sustained support throughout compulsory education and beyond to encourage them to obtain an upper secondary qualification. This qualification is considered as the minimum requirement to be able to succeed in finding and keeping a job as well as to learn on and off the job.

But labour markets should also become more inclusive to offer job opportunities to school leavers but also to ensure that short-term entry jobs act as a stepping stone to more stable jobs and not as a dead-end for young workers. This is particularly difficult in countries such as France, Italy, Japan and Spain where labour markets segmentation is perpetuated through overly-strict regulations on permanent contracts.

## **C. WHAT GOVERNMENTS AND OTHER STAKEHOLDERS SHOULD DO?**

This report urges governments, with the involvement of business and unions, to continue to focus on cost-effective measures for youth in the recovery.

First, job-search assistance programmes are found to be the most cost-effective for young people who are assessed as ready to work and many OECD countries hired new staff in the crisis to better assist young job-seekers. For example, Japan double the number of Job Supporters for high-school or university/college graduates in 2009.

Second, temporary extensions of the safety net are vital to prevent poverty among unemployed youth. For example, the United States provided in the Recovery Act of 2009 federal funding to states to expand eligibility of unemployment benefit for the jobless with short work histories, including youth.

Third, apprenticeship and other dual vocational education and training (VET) programmes appear to be efficient school-to-work pathways, particularly for secondary students. These programmes are well entrenched in the so-called apprenticeship countries (Austria, Germany and Switzerland) and explain in great part their success in keeping youth unemployment low. But enhancing existing (VET) and apprenticeship programmes and securing access of VET students and apprentices to good jobs is key in other countries. Australia, for example, launched in 2009 an initiative to "Secure Australian Apprenticeships".

But for the most disadvantaged youth, who generally cumulate several social risk factors, more in-depth strategies are needed. Countries should not wait until a problem in the school-to-work transition occurs, but should tackle as early as possible the handicaps some children, particularly those from low-income families and disadvantaged backgrounds, face in the education system. But for school drop-outs, remedial help is needed. The focus should be on acquiring skills that the job markets of today need such as proficiency with computer and basic technical qualifications. While back-to-the-classroom strategies might prove counterproductive for them, training programmes taught outside traditional schools, combined with regular exposure to work experience and adult mentoring, are often better strategies for these disconnected young people.

Governments cannot do everything alone, however, and well co-ordinated supports and incentives have to come from all key stakeholders, including employers, trade unions, NGOs, and naturally from youth themselves. The active involvement of employers is particularly crucial in the current context when many of them are still wary about the future and uncertain about hiring new workers. In this context, subsidies could encourage employers to hire low-skilled unemployed youth, like in the Win-Win plan launched in 2010 in Belgium. However, in order to avoid the well-known dead-weight effects entrenched in these subsidies (i.e. hirings that would have taken place without subsidies), these subsidies need to be adequately targeted, on priority on SMES and on apprenticeship contracts.

Facilitating the school-to-work transition and improving labour market prospects for all youth should remain at the top of the political agenda in all OECD countries. Getting off to a good start is crucial for all youth and a particular attention should be devoted to youth facing difficulties in getting a stable job after leaving school. If this is not done, there is a high risk of increasing the hard-core group of youth left behind who would be likely to suffer long-term "scarring" in terms of their future employment and earnings prospects. In a context of ageing populations, OECD economies and societies cannot afford the large economic and social costs that such outcome would entail.

Note: OECD and Europe stand for the unweighted average of respectively 33 countries and 20 OECD/EU countries, except when otherwise specified.

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## Figures

- Figure 1. Youth unemployment rates up to the third quarter 2010
- Figure 2 Youth and adult unemployment rates in 2008-10
- Figure 3 Projected youth unemployment rates
- Figure 4 Youth NEET in 2008-10

- Figure 5 Estimated size of youth at risk in Europe

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