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**YOUTH UNEMPLOYMENT AND THE CRISIS
LESSONS FROM THE OECD'S JOBS FOR YOUTH
REVIEWS**

ANNE SONNET
Senior economist
Directorate for Employment, Labour and Social Affairs,
OECD

JOB*S* for YOUTH

Review of 16 OECD countries (2006-2010)

- 9 EU countries: Belgium, Denmark, France, Greece, Netherlands, Poland, Slovak Republic, Spain and UK
- 7 non-EU countries: Australia, Canada, Japan, Korea, Norway, New Zealand, US
- « Youth » spans the age-group 15/16 - 29

Main Outputs

- 16 country reports
- Synthesis report

www.oecd.org/employment/youth

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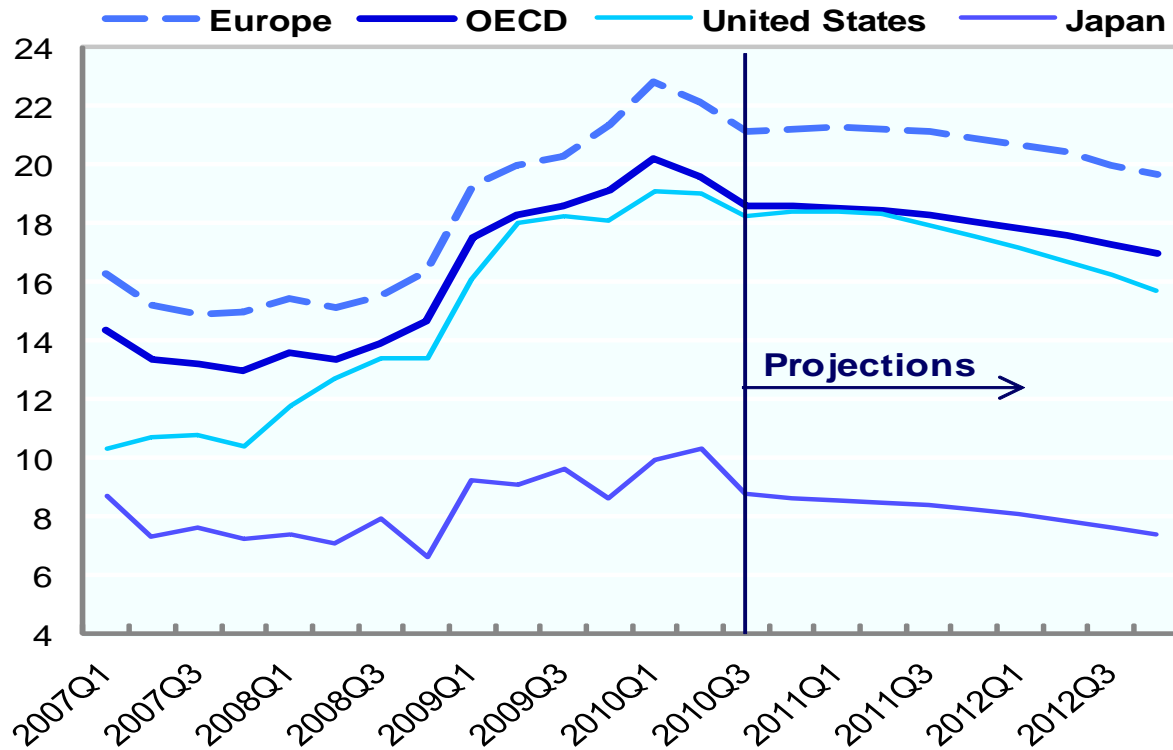
Impact of the crisis

- The global crisis has hit youth hard and the short-term outlook is gloomy.
- Youth unemployment rate will remain relatively high in many OECD countries as recovery is relatively sluggish.
- A growing risk of long-term « scarring » effects for the most disadvantaged youth

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Impact of the crisis

Youth unemployment rates may start falling only in 2012



*Projections of youth unemployment rates for the 2011 and 2012 are based on the latest published OECD projections of the total unemployment rate.
 Source: National labour force surveys and OECD (2010), Economic Outlook, No. 88.

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- In general, youth face a much higher risk of unemployment than adults
- On average in the OECD , the ratio of youth to adult unemployment rates was 2.6 in 2010-Q3



Non-seasonally adjusted data

Source: OECD (2010), Off to a Good Start? Jobs for Youth

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Structural challenges

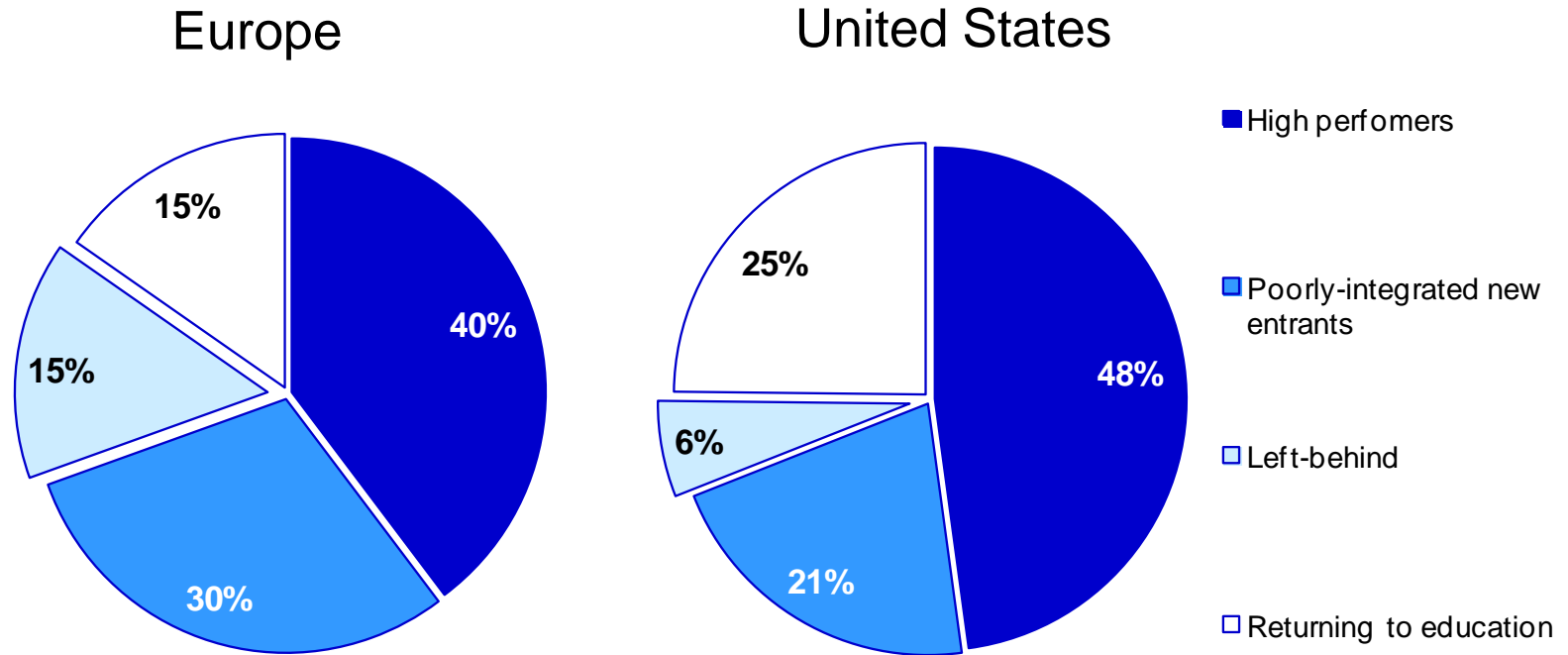
- Prior to the crisis, significant improvements in the youth labour market...
- ...but persisting problems of labour market integration for some disadvantaged youth.
- Two groups have particular difficulties in getting a firm foothold in the labour market
 - 1) “Youth left behind”
 - 2) “Poorly integrated new entrants”

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- **Youth left behind:** Youth in this group cumulate disadvantages (no diploma; from immigrant/minority background; living in deprived areas etc.) and are at high risk of dropping out of the labour market
Main policy option: Help them to obtain a recognised qualification or diploma
- **Poorly-integrated new entrants:** Youth who often have diplomas but frequently go back-and-forth between employment, unemployment and inactivity, even during periods of strong economic growth
Main policy option: Adjustments to the way the labour market functions in general

The two at-risk groups were larger in Europe than in the United States prior to the crisis

Percentages of US school leavers of 1997 and European school leavers of 1994



Youth left-behind: share of youth who spend the majority of their time in inactivity or unemployment over the 60 months following school leaving.

Poorly –integrated new entrants: share of youth who frequently move between employment, unemployment and inactivity over the 60 months following school leaving.

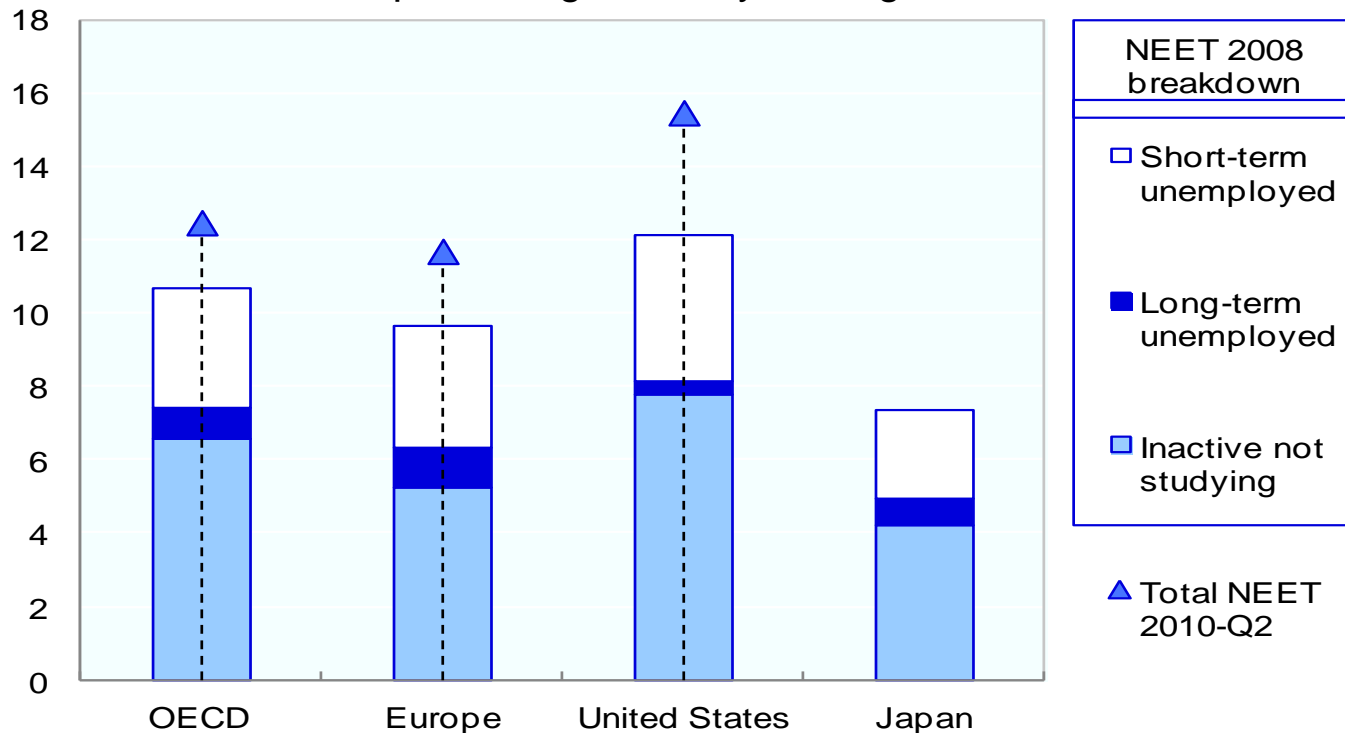
Alternative measure for youth left-behind:

- Youth in NEET group (neither in employment, nor in education or training)
- Advantages:
 - Cohort data not needed
 - Data collected regularly with breakdowns by age, educational attainment
 - Changes over time easier, quicker to obtain
- Drawbacks:
 - Does not account for persistence

The share of NEET youth rose both in Europe and the United States between 2008 and 2010

NEET aged 15-24, 2008 and 2010-Q2

As a percentage of the youth aged 15-24



Non-seasonally adjusted data

OECD: 26 countries. Europe: 20 OECD and EU countries.

No data available for Japan in 2010

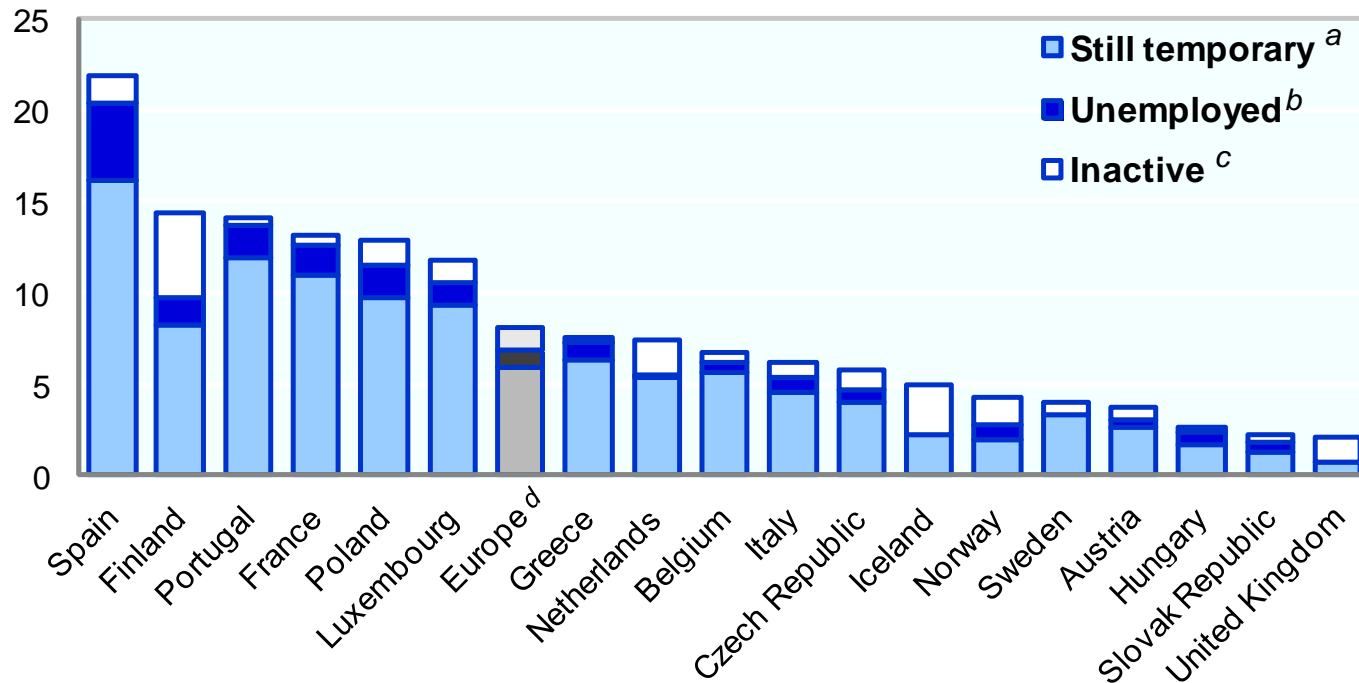
Alternative measure for “poorly integrated new entrants”

- Distinction between temporary and permanent contracts is needed
- Based on panel surveys
- Proxy: from SILC survey in Europe
Young workers aged 15-29 on temporary employment in 2005 were poorly integrated two years after, Europe, 2005-07
- The group of “poorly integrated new entrants” is more important in countries where there are many labour market demand obstacles for “outsiders”

In 2005-07, 8% of youth in Europe aged 15-29 having left education and found a temporary job were not in a stable job two years after

Young workers aged 15-29 on temporary employment in 2005 were poorly integrated two years after, Europe, 2005-07

As a percentage of the youth aged 15-29 having left education



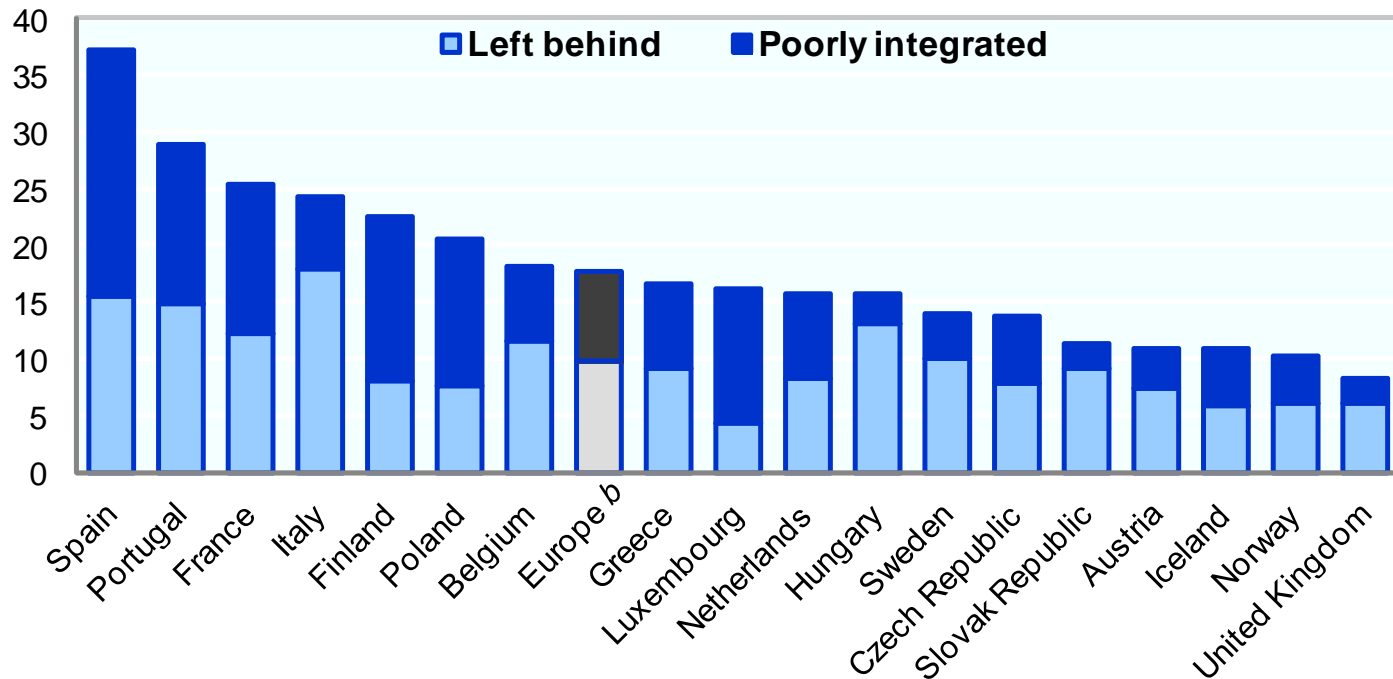
b) Unweighted average of countries shown.

Source: Estimations based on EU-SILC.

In Europe, on average in 2005-07, 18% of youth aged 15-29 who have left education were at risk of poor labour market outcomes

Estimated size of the at-risk group: left behind and poorly integrated after a temporary job, 2005-07

As a percentage of the youth aged 15-29 having left education



b) Unweighted average of countries shown.

Source: Estimations based on EU-SILC and European Union labour force survey .

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Risk of « scarring » effects for the most disadvantaged youth

Main findings of a preliminary analysis of the long-term effects of the **unemployment rate** at labour market entry **UR** on **annual earnings (AE)** in France, Germany, Italy, Spain, the UK and the US:

Scarpetta, Quintini and Manfredi (forthcoming)

UK: 1 % point increase in **UR** reduces **AE** by almost 8%. This effect declines over time to just 2% ten years after entry and disappears thereafter.

US: 1 % point increase in **UR** reduces **AE** by 2-3% and it dissipates within ten years of labour market entry.

France and Spain: 1 % point increase in **UR** reduces **AE** by 2-3% on earnings but this effect persists up to 15 years after labour market entry.

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Key short-term challenges in the jobs crisis

- Prevent the current generation of school leavers from becoming a **“scarred generation”**
- Ensure young people are **ready and equipped for work** when recovery gathers pace
- Make active labour market measures **more cost-effective** and apply **“mutual obligations”**
- Strengthen **safety net and the employment and training pathways** for unemployed youth and young workers

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Key short-term policy tools

- Move towards **early and targeted intervention** to help youth to remain in contact with the labour market
- Assist unemployed youth in their **job search** with appropriate measures
- Temporarily extend **UI coverage for unemployed youth** and help **laid-off apprentices** to complete their training
- Couple eligibility to **UI/SA** with a rigorous “**mutual obligations**” approach for the most disadvantaged

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Going forward, a number of structural problems should be tackled

- *Ensure that everyone leaving the education system has the skills needed on the labour market*

(e.g. basic “qualification guarantee” up to a given age, strengthen apprenticeship targeted at low-skilled youth and young immigrants and promote second-chance learning opportunities for school drop-outs)

- *Make the transition from school to work less abrupt*

(e.g. more opportunities to work while studying and compulsory internships at university)

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Going forward, a number of structural problems should be tackled

- *Addressing labour demand barriers for youth*
 - ✓ Tackle discrimination at hiring (e.g. mentorship for graduates with an immigrant background)
 - ✓ Reduce the cost of employing low-skilled youth, through youth sub-minimum wages and/or lower social security contributions at low wages
 - ✓ Continue efforts to reduce labour-market duality
 - With particular focus on reducing the gap in employment protection between temporary and permanent contracts

The multiple dividends of sound apprenticeship systems

- Apprenticeship training and other dual vocational education programmes are **efficient school-to-work pathways**, particularly for secondary students.
- They yield multiple dividends:
 - lowering labour costs for the employer (**cost effect**) combined with a training commitment from the employer which yields a valued qualification on the labour market (**skill effect**)
 - securing the transition towards employment for the apprentice (**stepping-stone effect**) with a small wage progressing with age and duration of contract (**income effect**)

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Summing up

- Most OECD countries have acted swiftly during the crisis by **scaling up resources for youth programmes**
- Strong need **to keep the momentum**, even in the early phases of the recovery and provide adequate resources for cost-effective youth measures.
- Actions are needed to prevent **most school-leavers** from being trapped in long spells of unemployment. But the target group for intensive assistance should be the **hard-core group** of youth cumulating disadvantages and at high risk of long-term unemployment and inactivity.
- It is therefore crucial that governments tackle the **structural barriers** this hard-core group faces in **education** and in the **labour market**.