

JOBS FOR YOUTH

Addressing Policy Challenges in OECD Countries

Policy Forum and Ministerial Meeting, Oslo, 20-21 September 2010

ISSUES FOR DISCUSSION



POLICY FORUM

Monday 20 September 2010

The role of education, labour market and social policies to boost job opportunities for youth

The Policy Forum provides an opportunity for an open discussion on good practices among representatives of public authorities, social partners, academics, civil society and youth. The participants to the Policy Forum are invited to discuss the issues in three interrelated sessions, namely:

Session 1. How to sustain youth employment in a weak labour market?

When job offers are scarce and competition among job-seekers fierce, breaking the vicious circle for youth of “no job – no experience; no experience – no job” is a daunting task. In addition, youth lacking an upper secondary qualification or a qualification relevant to labour market needs tend to find themselves placed at the back of the hiring queue. To be better prepared for the recovery, low-skilled youth should have the opportunity to participate in training programmes focusing on new skills for the future (such as green jobs) so as to boost their employability. Also temporary measures such as public-sector jobs could help them acquire skills transferable to subsequently created jobs in the private sector. But the more promising avenue is to promote more extensively apprenticeships contracts for low-skilled youth where they can acquire at the same time a qualification and work experience.

Session 2. What works in OECD countries for disadvantaged youth?

Standard active labour market programmes are unlikely to work for the most disadvantaged youths who usually cumulate risk factors (low education, ethnic minority background, drug use, mental illness, etc.). For this group, more in-depth strategies are needed. Delivering on a sustained basis during at least one year a mix of adult mentoring, work experience and remedial education is key to reconnect disadvantaged youth with learning and work. Models for these initiatives could be based on a boarding-school-type environment such as in the long-standing Job Corps programme funded by the US federal government. Another, less costly, possibility could be to provide more second-chance schools at the local level. In Europe for example, these schools are funded in partnership with the European Social Fund and local public and private actors. It is also important for deprived youth to broaden the activation package to help them to overcome the problems they face during the school-to-work transition (health, housing, mobility, qualifications) in exchange for their active participation in a personalised employment/training/social programme. Finally, to avoid that disengaged youth are out of reach from activation strategies, youth-friendly one-stop shops could be made available at the local level.

Session 3. Governments cannot do everything: supports and incentives for employers and unions to invest in youth

Too-high labour costs and too strict employment protection tend to penalize youth employment in many countries. The *OECD Jobs for Youth review* shows that the school-to-work transition is relatively smooth in low-regulated labour markets for many youth, where “first jobs”, even non-standard ones, generally act rapidly as a stepping stone to a career. Another finding is that in more regulated labour markets, a dual training system is an important ingredient to secure a successful school-to-work transition for most youth, and in particular for low-skilled youth. Apprenticeship contracts yield multiple dividends of which: lower labour costs and a training commitment from the employer. In any case, the social partners have a crucial role to play in helping to improve youth labour market outcomes. Employers have launched foundations to stimulate innovative practices in hiring and training youth cumulating many disadvantages. Unions have promoted effective mentoring programmes for youth from ethnic minorities. Providing enough work-study places in firms for apprentices but also for students with mandatory internship during their studies is challenging when the labour demand remains weak but is key to better prepare youth for the recovery.

MINISTERIAL MEETING Tuesday 21 September 2010

Jobs for Youth: Addressing Policy Challenges in OECD Countries

This note suggests some questions to help guide the discussion among ministers and high-level representatives in the ministerial meeting.

The global economic crisis has hit youth very hard. In the OECD area, the youth (15-24) unemployment rate has been multiplied by 1.4 from the second quarter of 2008 to the second quarter of 2010 to reach 19% (Figure 1). If the global economy appears to have turned the corner following the worst recession in the post-war period, all indicators still point to a slow and hesitant recovery. The youth unemployment rate is expected to remain high in 2010 and 2011 and at best to stabilise at a much higher level than before the crisis (Figure 2).

Improving the performance of youth in the labour market is a pressing challenge in OECD countries. Youth is a key asset for any society and especially so in those facing a rapid ageing of their labour force. It is crucial to strengthen policies aimed at helping young people accomplish a successful transition from school to work and lay the foundation for a good career. Governments in OECD countries are concerned about how well prepared young people are by the education system for the labour market and how friendly the current social and labour market institutions are for youth. Key stakeholders are convinced of the need to develop better co-ordinated education, labour market and social institutions that are likely to maximise youth opportunities.

As a key part of the implementation of the Reassessed OECD Jobs Strategy endorsed by OECD ministers in 2006, the OECD has undertaken over the past four years a thematic review of *Jobs for Youth* in 16 OECD countries. The country reports review the national policies to facilitate the transition from school to work and improve the employment prospects of youth. The synthesis report prepared for this ministerial meeting highlights the main lessons from the in-depth thematic review and presents the key youth measures implemented in the OECD area since the onset of the economic crisis.

This ministerial meeting is an opportunity for ministers and high-level representatives to deepen the fruitful discussions started one year ago in September 2009 at the OECD Employment and Labour Ministerial Meeting “Tackling the Jobs Crisis: The labour Market and Social Policy Response”, where the theme “Helping Youth to Get a Firm Foothold in the Labour Market” was already debated. Ministers and high-level representatives are invited to pursue their discussions on how best to boost youth measures in the context of the recovery phase and beyond.

Ministers and high-level representatives are invited to discuss the issues in three interrelated sessions, namely:

- **Session 1.** Helping youth get a firm foothold in the labour market: what works and for whom?
- **Session 2.** Minimising the negative long-term consequences (the so-called “scarring” effects) of the jobs crisis on youth: what are the short-term and longer-term policy options?
- **Session 3.** Implementing the necessary structural reforms to promote more and better jobs for youth: what are the priorities?

The sessions are discussed in more details in the following pages.

Session 1. Helping Youth Get a Firm Foothold in the Labour Market: What Works and for Whom?

Even in good times, the youth unemployment rate is on average two-three times higher than the adult unemployment rate in the OECD area. The OECD *Jobs for Youth* review estimates that about 30-40 of school-leavers at the secondary level in the OECD are at risk of poor labour market outcomes during their first years in the labour market, either because they cumulate multiple disadvantages - of which predominantly a lack of education -, or because they face barriers to find stable employment. In many OECD countries, youths are one of the target groups of active labour market programmes, *i.e.* job-search assistance, employment or training programmes. This is particularly the case in Europe where on average in the mid-2000s youth aged 15-24 represented 27% of all participants in active measure while totalling only 11% of total employment.

There is a general agreement that to be effective, active measures should be based on activation/mutual-obligations strategies, whereby in return for income support and (re-)employment measures, young recipients are required to participate actively in these measures with the threat of moderate benefit sanctions in case of refusal. Denmark is a pioneering country in youth activation as it has been implementing with success this strategy since the mid-1990s.

Most governments are confronted with two main problems in implementing effective youth activation strategies. First, many school-leavers and young workers do not qualify for income support and, therefore, cannot be effectively activated. In many OECD countries, access to active measures is limited to recipients of unemployment benefits. Second, youth most at risk of long-term joblessness are difficult to reach. This is particularly the case for the so-called NEET (neither in education, nor in employment or training) group. **The first challenge for public authorities is thus to put in place effective safety nets for youth, with the aim of reaching at-risk groups.**

The second challenge is to offer youth active measures that work for them. Profiling and targeting are essential because young people are far from being a homogeneous group. For example, immediate job-search assistance programmes are evaluated to be cost-effective for young job-seekers who are job-ready. But for disadvantaged youth, there is a need for a comprehensive package integrating early action, job-search assistance, adult mentoring, remedial education and work experience (Session 2 of the Policy Forum).

The third challenge is to improve the delivery of programmes. In general in OECD countries, young job-seekers register to the same employment agency and social assistance agency as adult and older workers. Only a few countries have “youth agencies”, either to support youth specifically in their study and career orientation (*e.g.* Connexions for youth aged 13-19 in the United Kingdom and youth guidance centres for youth aged less than 25 in Denmark) or to help disadvantaged out-of-school youth (*e.g.* *Missions locales* for the group aged 16-25 in France). A key issue is to avoid delays in establishing contacts and long waiting lists to be enrolled in programmes. It could be particularly prejudicial for disconnected youth to have to wait too long to

participate in remedial education programmes. More generally, a poor delivery of programmes, even for well-designed programmes, can be demobilising and hamper the activation strategy. This challenge is particularly difficult to meet at present, when youth unemployment is high and in a number of countries still increasing.

QUESTIONS FOR DISCUSSION

- How best to profile and target young job-seekers to help them effectively to find a job? How to reach the hard-core group of youth currently not registered for any income or support service?
- What “package” is likely to work best for disadvantaged youth? Is there a need for more in-depth measures than standard active measures?
- How can policy-makers best ensure an effective delivery of youth measures?

Session 2. Minimising the “Scarring” Effects of the Jobs Crisis on Youth: What Are the Short-term and Longer-term Policy Options?

After the severe downturn of 2008-09, the global economy is recovering. But economic growth remains rather modest and many countries are still facing strong headwinds coming both from the severity of unemployment and the need to embark on fiscal consolidation. Young people have been particularly hard-hit by the recession and youth unemployment is likely to remain high well into the recovery. Prolonged unemployment and inactivity spells may permanently lower their employability, particularly for low-skilled youth.

The transition from school to work is particularly difficult for the new generation of entrants in the labour market. But even for those youth already in the labour market but holding temporary jobs, the short-term outlook is grim; many of them have lost their temporary job and may find it particularly difficult to get another one. Even more importantly, low-skilled youth who, even before the crisis erupted, already experienced multiple barriers in fully integrating the labour market, are currently at a high risk of inactivity and exclusion.

This danger of a “lost generation” has motivated many countries to intensify early intervention for new entrants and temporarily provide public-sector job creation schemes targeted to the hardest-to-place young job-seekers. **The key policy challenge in the short term is to ensure that youth remain connected to the labour market.** To prevent a failing transition from school to work from having long-lasting scarring effects on youth, it is indeed very important to support school-leavers’ job search or, if that proves to be difficult, to help them strengthen their skills so as to enhance their chances of finding a job when the economic recovery strengthens. The Nordic countries have consolidated their existing Youth Guarantees and France introduced in April 2009 an emergency plan with substantial subsidies for apprenticeship contracts, particularly for school drop-outs in SMEs.

QUESTIONS FOR DISCUSSION

- What are the most effective instruments for enhancing the chances of current unemployed youth to find a job rapidly in the recovery phase?
- How best to design and implement temporary measures to help the youth groups hit hardest by the current crisis (*e.g.* male young blue-collar workers in the construction sector or youth in non-regular contracts)?
- How to boost job opportunities in the recovery phase to prevent scarring effects of the recession to take hold among at-risk youth?

Session 3. Implementing the Necessary Structural Reforms to Promote More and Better Jobs for Youth: What Are the Priorities?

Continuing to tackle effectively the underlying structural factors affecting the school-to-work transition and penalising youth on the labour market is important to promote more and better jobs for youth.

A first priority should be that the education system better prepares youth to work. Further efforts should be made in many countries to ensure that no youth enters the labour market without a recognised and valued qualification. A close co-operation between education, labour market and social institutions could help school drop-outs to reconnect with education. Other OECD countries could learn in particular from the Dutch experience: young people lacking basic vocational education between 18 and 27 who apply for social-assistance benefits are strongly incited to opt for dual training to get the equivalent of an upper secondary vocational diploma. Experience shows that in an economic downturn, young people are more likely to stay on education or undertake studies rather than look for work. Governments should seek to capitalise on this trend to reduce the school drop-out phenomenon and enhance the motivation of youth to keep learning. The *OECD Jobs for Youth review* clearly shows that more youth face a difficult school-to-work transition in countries where the traditional model of “school first, then work” is dominant than in countries where the model combines study and work. Policies can play an important role in encouraging on-the-job internships during initial education and flexible working-time arrangements.

A second priority could be to reconsider some of the labour market policy and institutional settings that tend to penalise youth employment. A first challenge is to reduce the cost of hiring low-skilled youth. Countries have embarked on different policies that are sometimes combined. Eight of the 21 countries with a minimum wage opted for an age-related sub-minimum wage. Many countries with high social security contributions decided to reduce the contributions paid by employers for low-pay workers, including youth. Another option adopted in several countries is to promote more apprenticeship contracts for low-skilled youth, where a wage below the minimum wage is accompanied by a requirement on the employer to provide the apprentice with on-the-job training. A second challenge is to secure the school-to-work transition and prevent young entrants from shuttling back-and-forth between temporary jobs and unemployment. In some countries such as Spain and Japan, where labour market duality is perpetuated through too-strict regulations on regular contracts, entry-jobs for many youth are not capable of acting as stepping stones to a career (Session 3 of the Policy Forum).

A third priority, more forward-looking, could be to identify how to better equip youth for the skills in emerging jobs. Growth and competitiveness increasingly depend on the capacity of countries to anticipate the evolution of labour demand and promote skill acquisition for new emerging jobs. In particular, growth could be negatively affected by the rising social costs associated with poor employment prospects for youth not well equipped with the right skills for the new jobs.

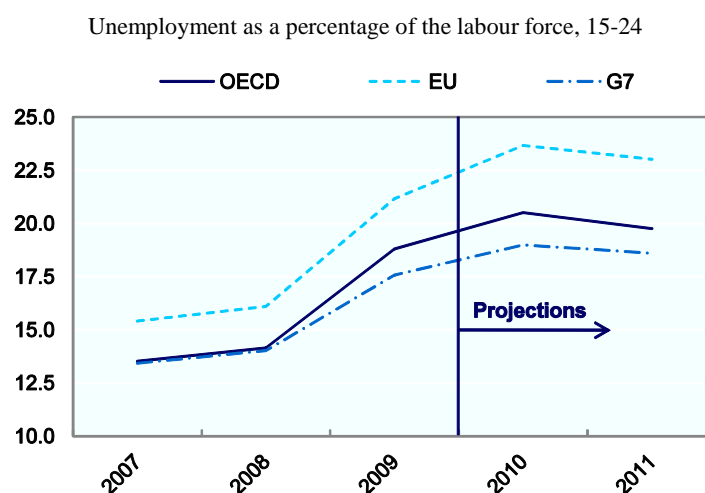
QUESTIONS FOR DISCUSSION

- How to capitalise on the retention trend in initial education created by a weak labour demand?
- How to ensure that new job opportunities created in the recovery act as a stepping stone for more youth?
- What steps can be taken to foster young people to acquire the appropriate skills for emerging jobs?

Figure 1. **Significant deterioration of the youth unemployment rate in 2008-10**

Note: Non-seasonally adjusted data. Data for Greece, Italy, Japan, New Zealand, Norway, Turkey and United Kingdom refer to the first quarters 2008 and 2010; data for Switzerland refer to the second quarters 2007 and 2009.

Source: National labour force surveys.

Figure 2. **Youth unemployment should remain high in 2010 and 2011**

Source: Estimations based on National labour force surveys, and *OECD Economic Outlook*, April 2010.