

Executive summary

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GLOBAL EMPLOYMENT TRENDS FOR YOUTH 2013



A generation at risk

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1. Introduction

1.1 Overview

It is not easy to be young in the labour market today.

The weakening of the global recovery in 2012 and 2013 has further aggravated the youth jobs crisis and the queues for available jobs have become longer and longer for some unfortunate young jobseekers. So long, in fact, that many youth are giving up on the job search. The prolonged jobs crisis also forces the current generation of youth to be less selective about the type of job they are prepared to accept, a tendency that was already evident before the crisis. Increasing numbers of youth are now turning to available part-time jobs or find themselves stuck in temporary employment. Secure jobs, which were once the norm for previous generations – at least in the advanced economies – have become less easily accessible for today's youth.

The global youth unemployment rate, estimated at 12.6 per cent in 2013, is close to its crisis peak. 73 million young people are estimated to be unemployed in 2013.¹ At the same time, informal employment among young people remains pervasive and transitions to decent work are slow and difficult.

The economic and social costs of unemployment, long-term unemployment, discouragement and widespread low-quality jobs for young people continue to rise and undermine economies' growth potential.

Skills mismatch is adding to the youth employment crisis.

Skills mismatch on youth labour markets has become a persistent and growing trend. Overeducation and over-skilling coexist with undereducation and under-skilling, and increasingly with skills obsolescence brought about by long-term unemployment.

Such a mismatch makes solutions to the youth employment crisis more difficult to find and more time consuming to implement. Moreover, to the extent that young people in employment are actually overqualified for the job they are doing, society is losing their valuable skills and forfeiting stronger productivity growth that would have been achieved had these young people been employed at their appropriate level of qualification.

In developing regions where 90 per cent of the global youth population lives, stable, quality employment is especially lacking.

Developing regions face major challenges regarding the quality of available work for young people. This report confirms that in developing economies where labour market institutions, including social protection, are weak, large numbers of young people continue to face a future of irregular employment and informality. Young workers often receive below average wages and are engaged in work for which they are either overqualified or underqualified. As much as two-thirds of the young population is

¹ Unless otherwise specified, figures in this chapter refer to youth aged 15-24.

underutilized in some developing economies, meaning they are unemployed, in irregular employment, most likely in the informal sector, or neither in the labour force nor in education or training.

In advanced economies long-term unemployment has arrived as an unexpected tax on the current generation of youth.

Youth unemployment and its scarring effects are particularly prevalent in three regions: Developed Economies and European Union, the Middle East and North Africa. In these regions youth unemployment rates have continued to soar since 2008. Youth unemployment increased by as much as 24.9 per cent in the Developed Economies and European Union between 2008 and 2012, and the youth unemployment rate was at a decades-long high of 18.1 per cent in 2012. On current projections, the youth unemployment rate in the Developed Economies and European Union will not drop below 17 per cent before 2016.

As was discussed in the 2010 edition of *Global Employment Trends for Youth*, there is a price to be paid for entering the labour market during hard economic times. Much has been learned about “scarring” in terms of future earning power and labour market transition paths (ILO, 2010a). Perhaps the most important scarring is in terms of the current youth generation’s distrust in the socio-economic and political systems. Some of this distrust has been expressed in political protests such as anti-austerity movements in Greece and Spain.

Creative and wide-ranging policy solutions are needed.

Improving youth labour market outcomes requires an in-depth understanding of employment and labour market issues that are country specific. Analysis of youth labour markets, with particular emphasis on the issues that characterize youth transitions to decent work, is crucial for determining country-specific needs and for shaping policies and programmatic interventions.

A global movement framed by the ILO’s Call for Action (as outlined in Chapter 6) is required to break the vicious circle that keeps so many millions of youth out of education and stuck in non-productive employment and poverty.

1.2 Organization of the report

This issue of *Global Employment Trends for Youth* provides an update on youth labour markets around the world, focusing both on the continuing labour market crisis and on structural issues in youth labour markets.²

Chapter 2 sets the stage with an overview of youth labour markets at the global and regional levels. Chapter 3 focuses on the skills mismatch in advanced economies. The chapter examines recent trends and identifies groups that are more vulnerable to mismatch, which include youth in general and young women in particular. Chapter 4

² Previous editions of the *Global Employment Trends for Youth* (2004, 2006, 2008, 2010, 2011 and 2012) are available from the ILO’s website at www.ilo.org/trends.

turns attention to the situation facing youth in developing regions where labour is abundant, capital is scarce and a stark duality exists between the shrinking but still dominant traditional economy and the “modern” economy. The chapter proposes a model for greater disaggregation of traditional indicators, using data from the results of the school-to-work transition surveys undertaken as part of the Work4Youth partnership between the International Labour Office and The MasterCard Foundation.

Chapter 5 continues the examination of youth labour markets in developing economies, using the newly available micro-data, but focusing on the topic of labour market transitions. New data on paths and duration of transition offer a unique insight into how young people transition from the end of schooling (or first entry into economic activity) to a stable job in the labour market or alternatively, remain stuck in less productive and less beneficial categories of economic activity such as unemployment or self-defined non-satisfactory self-employment. Chapter 6 closes with an overview of policy options, which build on the findings in this report as well as recent recommendations made by the ILO in various international meetings.

1.3 Main findings

This is a dense report, packed with data and information. The following summary aims at assisting readers to grasp the main findings and updates in youth labour market trends.

1.3.1 Global trends (Chapter 2)

The global youth unemployment rate, which had decreased from 12.7 per cent in 2009 to 12.3 per cent in 2011, increased again to 12.4 per cent in 2012, and has continued to grow to 12.6 per cent in 2013. This is 1.1 percentage points above the pre-crisis level in 2007 (11.5 per cent).

By 2018 the global youth unemployment rate is projected to rise to 12.8 per cent, with growing regional disparities, as expected improvements in advanced economies will be offset by increases in youth unemployment in other regions, mainly in Asia.

Global youth unemployment is estimated to stand at 73.4 million in 2013, an increase of 3.5 million since 2007 and 0.8 million above the level in 2011. Rising youth unemployment and falling labour force participation contributed to a decrease in the global youth employment-to-population ratio to 42.3 per cent in 2013, compared with 44.8 per cent in 2007. Part of this decrease is due to rising enrolment in education. The global youth employment-to-population ratio is projected to be 41.4 per cent in 2018.

Globally, the ratio of youth to adult unemployment rates hardly changed in recent years, and stands at 2.7 in 2013. Young people therefore continue to be almost three times more likely than adults to be unemployed, and the upward trend in global unemployment continues to hit them strongly.

The global employment-to-population ratio declined by 1 percentage point between 2007 and 2012. This was due to falling labour force participation and rising unemployment, while changes in the demographic structure helped to raise the

employment-to-population ratio. The contribution of youth unemployment to the decline in the employment-to-population ratio was particularly pronounced in the Developed Economies and European Union and in East Asia.

1.3.2 Trends in advanced economies (Chapter 2)

Since 2009, little progress has been made in reducing youth unemployment in the Developed Economies and European Union as a whole. The youth unemployment rate in 2012 is estimated at 18.1 per cent, the same rate as in 2010 and the highest level in this region in the past two decades. If the 3.1 per cent discouragement rate is taken into account, the discouragement-adjusted youth unemployment rate becomes 21.2 per cent. The youth unemployment rate is projected to remain above 17 per cent until 2015, and decrease to 15.9 per cent by 2018.

Between 2008 and 2012, the number of unemployed young people increased by more than 2 million in advanced economies, growing by almost 25 per cent. In the second quarter of 2012 the youth unemployment rate exceeded 15 per cent in two thirds of advanced countries. However, there are significant variations across countries and some countries are showing positive results. The youth unemployment rate was below 10 per cent in six countries in the Developed Economies and the European Union in the second quarter of 2012, and in three countries, youth unemployment rates are currently below the level in the same quarter of 2008 (Germany, Israel and Switzerland).

From 2008 to 2010, the proportion of young people not in employment, education or training in the youth population, the “NEET” rate, increased by 2.1 percentage points to reach 15.8 per cent as an average of OECD countries. This means one in six young people were without a job and not in education or training.

The youth unemployment crisis in advanced economies is also reflected in longer job search periods and lower job quality. In the majority of OECD countries, one-third or more of young jobseekers are unemployed for at least 6 months.

In Europe, an increasing proportion of employed youth are involved in non-standard jobs, including temporary employment and part-time work, and evidence shows that a significant part of the increase is involuntary rather than by choice. Youth part-time employment as a share of total youth employment in Europe was 25.0 per cent in 2011. Another 40.5 per cent of employed youth in the region worked on temporary contracts.

1.3.3 Trends in developing regions (Chapter 2)

Regional youth unemployment rates show large variations. In 2012, youth unemployment rates were highest in the Middle East and North Africa, at 28.3 per cent and 23.7 per cent, respectively, and lowest in East Asia (9.5 per cent) and South Asia (9.3 per cent). Between 2011 and 2012, regional youth unemployment rates increased in all regions except in Central and South-Eastern Europe (non-EU) and Commonwealth of Independent States (CIS), Latin America and the Caribbean, and South-East Asia and the Pacific. Encouraging trends of youth unemployment are observed in, for example, Azerbaijan, Indonesia and the Philippines.

From 2012 to 2018, the youth employment-to-population ratio is projected to decrease in all regions except in the Developed Economies and European Union. The largest decrease is projected in the Asian regions, ranging from 1.1 percentage points in South Asia to 2.5 percentage points in East Asia.

In countries and regions with high poverty levels and high shares of vulnerable employment, the youth employment challenge is as much a problem of poor employment quality as one of unemployment. For instance, South Asia and Sub-Saharan Africa present relatively low regional youth unemployment rates, but this is linked to high levels of poverty, which means that working is a necessity for many young people. In India, there is evidence that youth unemployment rates are higher for families with incomes over the US\$1.25 poverty rate than for those with incomes under this poverty line.

The NEET rate for young people is high in some developing regions where figures are available. For instance, in Latin America and the Caribbean this rate was estimated at 19.8 per cent in 2008.

1.3.4 The skills mismatch challenge (Chapter 3)

This report examines two types of skills mismatch, using levels of educational attainment as a proxy for skills. The first type consists of mismatch between the supply and demand of skills, and is based on a comparison of the educational attainments of the employed and the unemployed. The second type concerns mismatch between the skills that young people possess and those required by their jobs.

In advanced economies, the evidence shows there is a higher risk of mismatch for those at the bottom of the educational pyramid, which is reflected in relatively high unemployment rates for the low-skilled in comparison with the high-skilled. This type of mismatch increased from 2010 to 2011, signalling a deterioration of the labour market position of low-skilled youth.

With respect to the second type of mismatch, the evidence from advanced economies shows that young people (aged 15–29) are far more exposed to overeducation than workers aged 30 and above, and are also less likely to be undereducated. Overeducation of youth in advanced economies increased by 1.5 percentage points in the period 2002 to 2010, reflecting in part increases in educational attainment. However, the strong increase in overeducation in the past two years (by 1.4 percentage points) suggests another consequence of the economic crisis: youth with higher levels of education are increasingly taking up jobs that they are overqualified to do. The growing phenomenon of overeducation therefore implies a crowding out of youth at the bottom of the educational pyramid. The less-educated youth find themselves at the back of the queue even for those jobs for which they are best qualified. Apart from youth, labour market groups that often face an elevated mismatch risk include women, the disabled and migrants.

1.3.5 School-to-work transition surveys (Chapters 4 and 5)

Labour markets for young people in developing economies are very different from those in developed economies. The irregular nature of employment among youth and the tendency for youth to leave education early in developing economies are the labour market characteristics that contrast most directly with those of youth in developed economies. Compared with advanced economies, these countries face the additional challenges of underemployment and working poverty, with young people making up the bulk of the workers in the informal economy in both rural and urban areas.

Youth unemployment is a serious issue in low-income economies. When using a relaxed definition of unemployment (where active job search is not a criterion for inclusion), the unemployment rate doubles in many low-income economies. In fact, when this definition is applied, the average relaxed unemployed rate in least-developed economies often comes out even higher than that of the high-income economies. Moreover, the unemployed young people in low-income economies do not benefit from the social protection systems that are available to their counterparts in developed economies.

Low-quality employment dominates in the ten developing economies examined in Chapter 4. Looking at averages across the ten countries, as many as eight out of ten young workers are in informal employment, six out of ten lack a stable employment contract and one-third are underqualified for the work that they do, with consequences for both the productivity of the enterprise and the security of the workers themselves. The high levels of underutilization of young labour in developing economies are a hindrance to development. As many as 60 per cent of young persons in developing regions are either without work, not studying or engaged in irregular employment. In other words, nearly two-thirds of youth in developing economies are not achieving their full economic potential.

New data presented in Chapter 5 provide a unique portrait of how young people move from the end of schooling (or entry to first economic activity) to a stable job or alternatively, remain stuck in categories of economic activity marked by informality, uncertainty and working poverty. In the ten developing countries analysed, young males are more likely than young females to complete the transition to stable and/or satisfactory employment. Household wealth, greater investment in education and urban origins are also seen to offer advantages in the labour market transition of youth. “Shopping around” among labour market experiences is not the norm in developing economies. When few labour market opportunities exist, young people tend to stick with the job that they have, regardless of its quality.

1.3.6 Policies to promote decent work for youth (Chapter 6)

Five key policy areas that can be adapted to national and local circumstances were identified by the representatives of governments, employers and workers of the 185 ILO Member States at the International Labour Conference (ILC) in June 2012 and are

included in the Resolution “The youth employment crisis: A call for action”.³ The policy areas include: i) employment and economic policies to increase aggregate demand and improve access to finance; ii) education and training to ease the school-to-work transition and to prevent labour market mismatches; iii) labour market policies to target employment of disadvantaged youth; iv) entrepreneurship and self-employment to assist potential young entrepreneurs; and v) labour rights that are based on international labour standards to ensure that young people receive equal treatment. These main policy areas and examples of good practices with details on specific interventions are discussed in Chapter 6 in view of the analysis in this report and the discussions in meetings such as the G20 Summits (see box 1).

Box 1. Youth employment: A G20 priority

The alarming situation of young people in the labour markets of most G20 countries has been the subject of the discussion and deliberations of the G20 Summits. At the London Summit on Growth, Stability and Jobs (April 2009), the Leaders adopted a Global Plan for Recovery and Reform and committed to “support those affected by the crisis by creating employment opportunities”. They also called upon the ILO to work with other relevant organizations and to “assess the actions taken and those required for the future”. This was followed by the Pittsburgh Summit where Leaders committed to put quality jobs at the heart of the recovery process, decided to convene the first Meeting of Labour and Employment Ministers, and requested the ILO to prepare the G20 Training Strategy (see box 10).

The second Meeting of Labour and Employment Ministers (Paris, September 2011) discussed the main youth employment challenges in G20 countries and highlighted the role of policies to increase both quantity and quality of jobs for young people (OECD and ILO, 2011). The Ministers’ policy recommendations were endorsed by the Leaders in Cannes (November 2011). These revolved around improving active employment policies – particularly for young people and other vulnerable groups – establishing social protection floors, promoting international labour standards and strengthening the coherence of economic and social policies. The Summit also established an Employment Task Force, with an immediate priority for 2012 of youth employment.

The Employment Task Force was convened under the Mexican Presidency with a request for support from the ILO and other partners in reviewing youth employment policies and programmes, particularly apprenticeships and other measures to ease the school-to-work transition. The main conclusions of the Employment Task Force on the strategies for youth employment in G20 countries were endorsed by the Ministers of Labour and Employment (Guadalajara, May 2012) and by the Leaders’ Summit (Los Cabos, June 2012). Conclusions include (i) strengthening quality apprenticeship systems and other school-to-work transition programmes in collaboration with the social partners; (ii) providing career guidance and facilitating acquisition of work-experience with a view to promoting decent work; (iii)

³ The full text of the 2012 Resolution “The youth employment crisis: A call for action” can be found on the ILO website at http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm.

supporting the provision of youth entrepreneurship measures; (iv) exploring voluntary technical cooperation programmes, bilaterally or together with international organizations, as a means to share “best practices” in addressing youth employment; (v) requesting the ILO, OECD and other international organizations to work with national institutions in order to better understand the situation of young people in G20 countries and implement national youth employment initiatives with the support of the social partners. The Leaders extended the mandate of the Employment Task Force for another year under the Russian Presidency.

The social partners have actively contributed to the G20 priority on youth employment. The Business organizations (B20) and the Trade Union organizations (L20) of the G20 countries urged the Leaders to address the employment situation in general and of young people in particular in order to prevent “the risk of a growing share of the population losing faith in the global economy”. They also drew the attention of the Leaders in Cannes to the key elements that could make nationally-defined social protection floors relevant in all countries, the need of implementing fundamental principles and rights at work, and the importance of promoting coherence of actions in the multilateral system.

Young people’s concerns about the lack of decent jobs for them and their peers were voiced by representatives of young people selected by each country of the G20. In May 2012 the representatives of young people met at the Y20 Summit (Puebla, Mexico) and developed a set of conclusions to call the attention of G20 leaders to global priorities (including global stability and financial inclusion, international trade, sustainable development and green growth, food security and the future of the G20). A specific set of conclusions revolved around the creation of quality jobs for young people.

Source: Based on information posted on ILO’s G20 website, www.ilo.org/g20.