

Setting objectives for achieving better youth employment outcomes

Organisation for Economic Co-Operation and Development

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Introduction: Improving youth employment outcomes is vital for growth and social cohesion

1. The G20 has committed to taking action to “support development and Inclusive Growth, and help to reduce inequality and poverty” in the context of lifting G20 GDP (Brisbane Summit). Improving the labour market outcomes of youth is crucial to achieve this objective as young people are most at risk of being permanently scarred by prolonged periods of unemployment or employment in poor-quality jobs. This undermines future growth prospects and lowers well-being. However, despite the priority given by the G20 to improving the employment situation of young people, a substantial proportion of youth are either unemployed or trapped in poor quality jobs in most G20 economies.

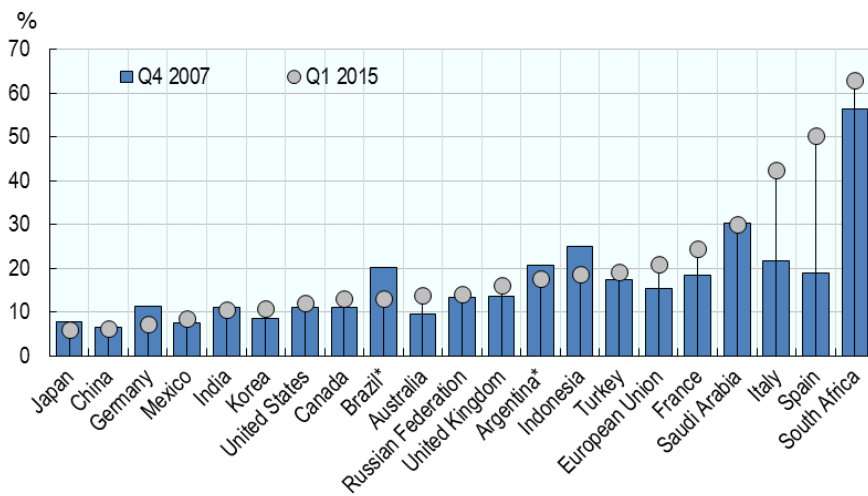
2. The Turkish Presidency of the G20 has proposed to establish a set of collective, measurable commitments to improve the employment prospects of young people. More concrete commitments to take action could galvanise policy-makers to implement the necessary measures to give young people a better start in the labour market. Ensuring that all young people achieve their full potential will contribute to stronger growth and greater social cohesion. Therefore, the purpose of this note is to highlight the key obstacles that young people face to obtaining high-quality jobs and to propose a number of concrete policy objectives that G20 economies could adopt to tackle these obstacles.

Key employment barriers: weak growth, weak job-creation incentives and poor skills

3. The global financial crisis has left a terrible legacy of high youth unemployment in several G20 countries (Figure 1) and made it harder for youth to move out of poor quality jobs (Figure2). This prolonged period of high youth unemployment and under-employment could have substantial negative long-term repercussions for growth and social cohesion. If young people leave school and experience early and prolonged spells of unemployment or underemployment, they may be scarred for life, facing a permanent disadvantage in the labour market which brings significant personal, social and economic costs. Available estimates suggest that early youth unemployment has serious negative effects on earnings and employment opportunities even 20 years later. Prolonged periods of joblessness for young people may also lead to risky behaviour, higher criminality, lower trust in others and in the society, and a lack of civic engagement with negative consequences for social inclusion in the future (Carcillo et al., 2015).

4. Thus, restoring growth is a key requirement for tackling high youth unemployment. However, stronger growth may not be sufficient to help all youth, and the least skilled in particular may not be able to access employment opportunities. Rapid technological change and globalisation are changing skill demands and putting a premium on high-end skills. Not all young people manage to acquire the skills required by employers either because they dropped out of school early or because they did not learn the right skills at school. Many young people also lack access to high quality education. Thus, action must be taken to address skills mismatches: i) improve access to quality education; ii) prevent early school leaving; and iii) increase educational choice through a strengthened system of vocational education and training to bring it more in line with labour market needs.

Figure 1. **Youth unemployment remains high in several G20 countries^{a,b}**
 Youth unemployment as a % of the youth labour force (persons aged 15-24)



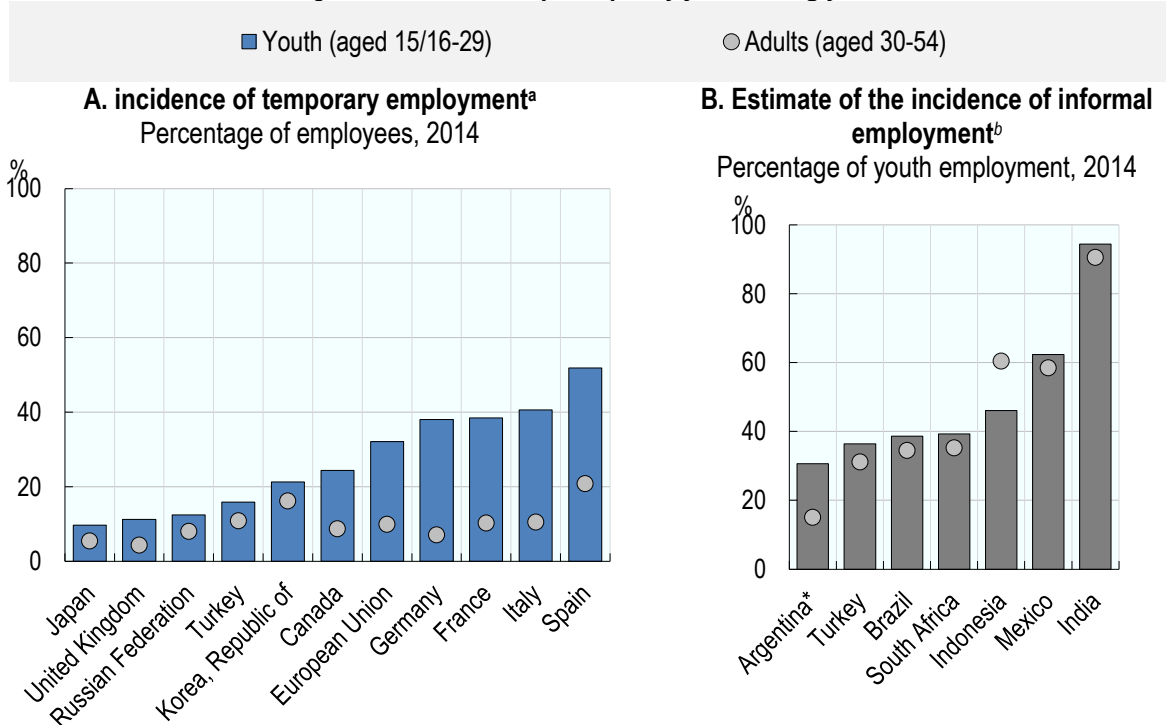
*: Selected urban areas.

a) Instead of Q4 2007: 2005 for China; 2007/08 for India; Q3 2007 for Indonesia and Saudi Arabia; and Q1 2008 for Argentina and South Africa.

b) Instead of Q1 2015: 2010 for China; 2011/12 for India; Q3 2014 for Indonesia; Q3 2014 for the Russian Federation; Q4 2014 for Argentina, Brazil, Saudi Arabia, South Africa, Turkey and the United Kingdom.

Source: ILO and OECD estimates based on national labour force surveys.

Figure 2. **Incidence of poor quality jobs among youth**



*: Selected urban areas.

a) Not all temporary jobs are precarious or of low quality. For instance, they may include apprenticeships and other forms of workplace learning programmes which give young people valuable skills.

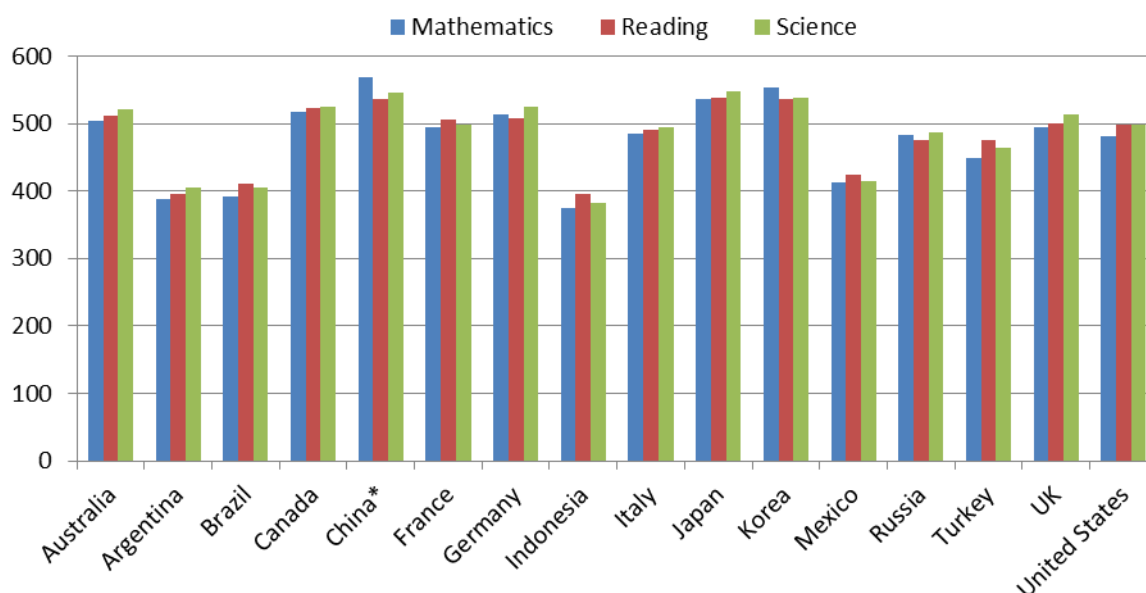
b) Informality is estimated by using employed persons not covered by social security as a proxy.

Source: ILO and OECD estimates based on national labour force surveys.

5. Quality education constitutes the basis for individuals to succeed in life. Early childhood education and basic literacy is the foundation on which individuals can later build. This is a precondition to the further development of their skills, adaption to lifelong learning and improvement their employability, necessary to obtain a quality job. As OECD’s PISA scores (Figure 3) underline, there is ample potential in all G20 countries to improve these basic literacy skills in reading, writing and mathematics.

6. Employers may be reluctant to hire young people because of lack of experience or they may only wish to hire them on a temporary contract or informally (Figure 2). Not only do these arrangements mean greater labour market precariousness for young people but they may also harm their long-term career prospects because of an under-investment in their human capital.¹ For example, an OECD study has shown that workers in temporary jobs receive less training than their peers in permanent jobs (OECD, 2014).

Figure3. PISA mean scores



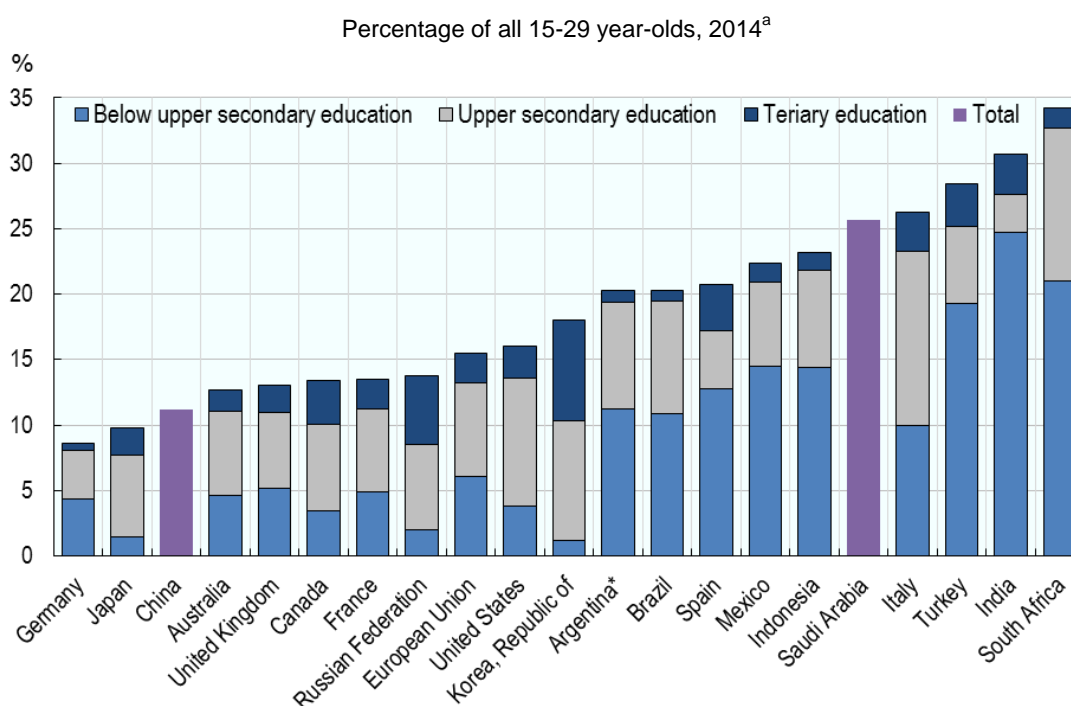
* China: selected urban areas

7. The group of youth most at risk of failing to gain a solid foothold in the labour market or condemned to working in poor quality jobs are those who are *Neither in Employment nor in Education and Training* (the so-called NEET) in advanced economies and those with low education or skills in the informal economy in most emerging G20 economies. They are not in school and so are not picking up skills that may give them both a better chance of finding a job as well as progressing up the career ladder. Nor are they in employment, or are in low-productivity informal employment, and so are not picking up useful skills that will help them to progress.

¹ Not all temporary jobs are precarious or imply a low risk of receiving training. For example, in Germany, many young people with temporary contract are apprentices with good long-term employment prospects.

8. Not all NEETs face a high risk of prolonged periods of involuntary joblessness and poor careers prospects more generally. Most of those who have post-secondary education might experience relatively short transitional periods of unemployment or inactivity after their studies but they will eventually find their way in the labour market. For those who do not have upper secondary or post-secondary education, however, the chances of prolonged spells out of work or only finding employment in poor quality jobs are high. This group accounts for a substantial proportion of all NEETs in all G20 economies as well as a sizeable proportion of all young people (Figure 4). For the advanced G20 economies (and in the Russian Federation), young NEETs with only a high-school education or less account for between 7.5 and 23% of all young people aged 15-29. In the G20 emerging economies (excluding the Russian Federation), this proportion for young NEETs with less than a high-school education is between 19 and 25%. Altogether, there are currently around just under 150 million young low-skilled NEETs in G20 economies.

Figure 4. A high proportion of all youth not working or studying (NEET) are poorly educated



*: Selected urban areas.

a. No breakdown by education level is available for China and Saudi Arabia in the published estimates but could be potentially calculated from the underlying data.

b. 2010 for China; 2011/12 for India; and 2013 for Brazil, the Republic of Korea, the Russian Federation and the United States.

Source: OECD estimates based on OECD Education Database, census data for China and labour force surveys for the European countries, Argentina, India, Indonesia, Saudi Arabia and South Africa.

Suggested G20 targets on youth labour market outcomes

9. Progress on the situation of young people requires adopting and implementing a comprehensive strategy which tackles multiple challenges by: strengthening the demand for labour by restoring job-rich and quality employment; improving the relevance and quality of education and skills development; and smoothing transitions into work, including through effective labour market intermediation and activation strategies.

10. The Turkish Presidency has expressed interest in establishing a quantifiable target for improving youth labour market outcomes. A common global commitment could consist of **reducing the share of**

young people who are the most at risk of being left behind in the labour market. A possible target could be to reduce this share by, for example, 15% by 2025. Two key groups of young people (aged 15-29) who are most at risk of labour marginalisation can be identified²:

- Low-skilled youth who are NEET; and
- Low-skilled youth in informal employment.

11. Low skilled youth could be defined as those lacking an upper secondary qualification. This is the most widespread definition of school drop outs. In addition, this would be a reasonable target for both emerging and advanced G20 economies as upper secondary education qualifications are regarded as essential to access and thrive in today’s labour markets. Further details on the definitions and coverage of the indicators required to operationalise these targets are given in Annex 1.

12. The potential benefits of achieving either of these targets would be substantial. Achieving the first target would mean helping more than 20 million low-skilled young NEETs in all G20 economies to find work or stay on longer in education. Achieving the second target would mean helping 10 million young informal workers with low skills in G20 emerging economies to move to formal employment. Achieving both targets would require action to both increase skills of young people and provide them with better access to quality jobs.

13. This global commitment could be buttressed by complementary indicators that could be more specific to each country in terms of improving the skills of young people and the quality of jobs that they are able to obtain. A set of possible commitments is contained in Table 1, along with the indicators that could be used to monitor progress in achieving them. Countries could adopt a set of these commitments that are specific to their needs and challenges, in addition to the global commitment of reducing the share of young people most at risk of being left behind in the labour market. A more detailed rationale for each commitment and the definition for the related indicators are given in Annex 2.

14. Based on the choices of countries, G20 Labour and Employment Ministers would decide and announce their commitments at the Labour and Employment Ministerial meeting in September. They would then recommend to the Leaders that they adopt the combined commitments as a collective target at the Summit in November 2015.

Table 1. **Possible G20 targets to improve youth labour market outcomes**

Objective	Indicator for measuring progress
A. Global commitment to tackle the risk of labour market exclusion	
1. Reducing the share of young people most at risk of being left behind in the labour market	Reduce share of all young people who are low-skilled and Not in Employment, Education or Training (NEET) or in informal employment.
B. Possible commitments to improve education and skills of youth	
2. Ensuring basic skills for all	Reduce share of youth with a low level of proficiency in numeracy or literacy.
3. Ensuring school completion	Increase share of youth aged 20-24 years with at least an upper-secondary level of education.
4. Providing greater choice in educational pathways	Increase share of upper-secondary students participating in Technical Vocational Education and

² See Annex 1 for the age-group and other definitions and measurement issues.

Objective	Indicator for measuring progress
	Training (TVET).
5. Promoting higher education	Increase share of youth aged 25-29 years with a tertiary level of education.
6. Bringing closer together the worlds of education and work	<ul style="list-style-type: none"> a) Increase share of young people participating in workplace learning. b) Increase share of young workers whose education level matches the level required for their job.
C. Possible commitments to improve youth employment	
7. Strengthening job opportunities	Increase share of young people aged 25-29 who are in employment.
8. Tackling unemployment	Reduce share of youth in the labour force who are unemployed.
9. Avoiding prolonged periods out of work	Reduce share of unemployed youth who have been out of work and looking for a job for one year or more.
10. Improving job quality	<ul style="list-style-type: none"> a) Reduce share of employed youth in temporary employment (which do not involve a formal workplace learning component). b) Reduce share of employed youth in informal employment. c) Reduce share of employed youth in vulnerable forms of employment (own-account workers and contributing family members). d) Reduce share of employed youth working less than full-time involuntarily. e) Reduce share of young workers earning less than 2/3 of median earnings.

References

Carcillo, S., Fernandez, R., Königs, S. Minea, A. (2015), "NEET Youth in the Aftermath of the Crisis: Challenges and Policies", OECD Social, Employment and Migration Working Papers, No. 164, OECD Publishing.

ILO (2015), *World Employment and Social Outlook: Trends*, ILO Publishing, Geneva

OECD (2014), *Employment Outlook*, OECD Publishing, Paris

ANNEX 1

SETTING YOUTH EMPLOYMENT TARGETS IN G20 COUNTRIES: MEASUREMENT ISSUES

In the paper above a common global commitment is put forward which consists of **reducing the share of young people who are the most at risk of being left behind in the labour market**. A possible target could be to reduce this share by, for example, 15% by 2025. Two key groups of young people (aged 15-29) who are most at risk of labour marginalisation are identified:

- Low-skilled youth who are NEET; and
- Low-skilled youth in informal employment.

The purpose of this Annex is to provide further information about the definitions of these two target groups and the feasibility of measuring them in a comparable way across all G20 countries.

Definitions

Youth

Youth are defined by the United Nations as individuals aged 15-24 and this definition should be retained for the purpose of international comparability and because it is the age group for the youth employment indicators proposed for the Sustainable Development Goals. In addition, and in order to capture the labour market realities of young people who, in many countries, are increasingly delaying their entry into employment either because of longer periods in education or because of greater difficulties in finding jobs, the age cohort 25-29 could also be considered as an additional age-group to be tracked. Ultimately, this is a decision for the Employment Working Group to make in terms of the relevant group to target.

Low skills

Low skilled youth could be defined as those lacking an upper secondary qualification. This is the most widespread definition of school drop outs. In addition, this would be a reasonable target for both emerging and advanced G20 economies as upper secondary education qualifications are regarded as essential to access and thrive in today's labour markets.

NEETs

Individuals are defined as being NEET if they are **neither in employment nor in education or training**. This only requires data on whether individuals are working or not and whether they are studying or not. This information is generally available in labour force surveys and censuses. The standard internationally-recognised definition of employed would be used to classify a person being in employment (i.e. worked at least one hour in the reference week). There is no standard definition of what constitutes studying or participating in an education or training course. Nevertheless, questions on participation in study are commonly asked in national labour force surveys and censuses. National differences in the way these questions are phrased are unlikely to affect significantly the comparability of the NEET estimates.

Informal employment

According to the *Guidelines concerning a statistical definition of informal employment*, adopted by the Seventieth International Conference of Labour Statisticians (ICLS) in 2003, the definition of the informal economy includes workers in informal sector units and workers with informal jobs outside of the

informal economy.³ Since the adoption of the new guidelines, the ILO has been providing technical assistance to countries in order to support them in the introduction of the new statistical measures in their national labour force survey questionnaires. Currently, the ILOSTAT database contains information on these statistical measures from 67 countries. The incidence of informal employment among young workers is particularly relevant for emerging G20 countries with a relatively large informal sector as it is an indicator of labour under-utilization and quality of employment. There is ample evidence of the higher incidence of informality among young people than among adults.

Availability and cost for the collection of the required data

NEETs

Data on NEETs are available for all G20 countries (see Figure 4 above). For all countries, with the exception of China and Saudi Arabia, the data are either regularly collected by the OECD and the ILO or can be calculated based on the detailed results of regular national labour force surveys which are made available to the OECD and the ILO. For China, the data are derived from the published results of the 2010 census but it was not possible to breakdown the total NEET figure by educational level, although this could be calculated in theory using (unpublished) census data. It would also be possible to generate more up-to-date estimates of the number of NEETs in urban areas in China using China's Urban Labour Force Survey. Similarly, for Saudi Arabia, it was not possible to classify NEETs by educational level based on the published results from the regular Saudi Labour force survey but this could be done with support from the statistical authorities using the underlying data generated by this survey.⁴ Thus, ***it is feasible to collect data on the NEET rates on a regular basis at no additional cost for all G20 countries*** with the partial exceptions of Saudi Arabia and China.

The share of all low-skilled youth (aged 15-29)⁵ who are NEETs (i.e. the NEET rate) ranges from just under 8% in Germany to close to 25% in India. In all countries, low-skilled NEETs account for a substantial proportion of all NEETs. Therefore, ***focusing on low-skilled NEETs is a relevant target group for all G20 countries.***

Informal employment

The share of young workers who are low skilled and engaged in the informal economy is proposed as target together with that of low-skilled NEETs. Data on informal employment – defined on the basis of the internationally-agreed definition – is regularly collected and disseminated by countries where informality accounts for a considerable share of total employment. Currently, ILOSTAT database contains sex-disaggregated information on the incidence of informal employment as a share of total employment in 67 countries.⁶ This information can be cross-tabulated by the national statistical offices with that related to age groups and levels of education, which is also available.

Another option that would provide a numerical estimate of informality among young people who are low skilled is to use affiliation to social security as a proxy. This does not provide a full picture of informal employment as set out in the definition of the ICLS but is easier to calculate and data is available for all G20 emerging economies, except for Saudi Arabia. The information can be generated on a regular

³ For more detailed information, see also the *Resolution concerning statistics of employment in the informal sector*, adopted by the Fifteenth International Conference of Labour Statisticians (January 1993) and the ILO manual *Measuring informality: A statistical manual on the informal sector and informal employment*.

⁴ Even for China and Saudi Arabia, it is possible to derive estimates of the low-skilled share of NEETs based on information about the educational level of youth in general.

⁵ The calculations were originally done for the age group 15-29 and not yet been done for the 15-24 age group.

⁶ Saudi Arabia is the only G20 emerging economy for which data is unavailable.

basis through micro-data from labour force surveys (see Figure 3 above). For China, data could in theory be obtained from the Urban Labour Force Survey.⁷

In sum, ***minimal efforts would be required by the national statistical offices to cross-tabulate the available data on status in employment, age and educational level in order to generate information on informal employment among young people who are low skilled in G20 emerging economies***, except for Saudi Arabia. The application of the criterion “social-security affiliation” could generate estimates of informality among young people who are low skilled in all G20 emerging economies, except for Saudi Arabia.

Source and comparability of the data

With the exception of China, the source for the data on NEETs and youth informality is national labour force surveys. For China, the source of the data is the census but an alternative source could be China’s Urban Labour Force Survey. These surveys use standard international definitions to define employment status. Educational attainment data used to classify NEETs and young workers in the informal economy as low-skilled or not is generally available according to the International Standard Classification of Education (ISCED).

With respect to the NEETs and as discussed above, there is no standard international definition of study status. Nevertheless, ***the comparability of the underlying data can be rated as good*** and they give an accurate picture of differences across G20 economies in the share of youth who are low-skilled NEETs. All data is regularly collected by the OECD and ILO, except for China and Saudi Arabia where a special request would be required in the case of China to obtain the census data on NEET status by level of education and to obtain the same data from the Saudi Labour Force Survey.

For informal employment, the application of the definition of the ICLS would provide a thorough picture of the incidence of informality among young workers who are low skilled. All data is collected by the national statistical offices of G20 emerging economies, except for Saudi Arabia. ***The comparability of the underlying data can be rated as good***. The use of the proxy “social-security affiliation” would provide an estimate of informality and quality of jobs in all G20 economies, except for Saudi Arabia, although with some small differences in the definition of informal employment. For example, the self-employed are classified as working informally if they do not pay social security contributions in Brazil, China, India, Indonesia and Turkey, and if their business is not registered in Argentina, Mexico and South Africa. ***The comparability of the underlying data can be rated as fair***.

Conclusions

Good comparable data are available for all G20 economies for the setting and monitoring of a collective commitment on reducing the share of youth who are low-skilled NEETs. This is a relevant indicator of labour market distress for youth for all G20 countries. However, it does not capture the quality of jobs held by young people who are working and, thus, the target of low-skilled youth in informal employment is also relevant.

⁷ The China’s Urban Labour Force Survey is not conducted with the same periodicity as the labour force surveys of other countries and does not cover rural areas.

ANNEX 2

POSSIBLE GLOBAL AND COMPLEMENTARY G20 COMMITMENTS TO IMPROVE YOUTH LABOUR MARKET OUTCOMES

Global G20 commitment

An overall commitment for all G20 countries could be to reduce the risk of young people being left behind in the labour market. This could be formulated as follows:

1. Reducing the share of young people most at risk of being left behind in the labour market

- ✓ **Rationale:** Young people with few educational qualifications who are out of work and no longer studying are most at risk of facing lasting barriers to finding work other than in poor-quality jobs.
- ✓ **Definition:** Two possible groups of vulnerable youth can be identified with the target defined as: *i)* the share of and Not in Employment or in Education and Training (NEET); or *ii)* the proportion of all employed 15-24 years-olds who are low-skilled and working in informal jobs.
- ✓ **Possible Target:** Reduce by 15% over the next 10 years (to be decided).

Other possible G20 commitments

Other possible commitments to improve education and skills of youth and the quality of their jobs could include the following:

Improving the skills of youth

2. Ensuring basic skills for all:

- ✓ **Rationale:** Information-processing skills, such as literacy and numeracy, are essential for successful transitions to the labour market and career progression as well as for further participation in training. Because of their transversal nature, they also facilitate re-training and enhance labour market flexibility which is more and more crucial in the face of rapidly changing skill requirements.
- ✓ **Definition:** The share of youth scoring below proficiency level 2 in reading and mathematics in the Programme for International Student Assessment (PISA) or equivalent survey.

3. Ensuring school completion:

- ✓ **Rationale:** the completion of upper secondary education is the very minimum level required to enter and progress in the labour market. Reaching this milestone is essential for the acquisition of both basic general skills – such as numeracy and literacy. It is also the only way to acquire any job-specific skills as VET is often only available at the upper secondary level. In most countries, upper secondary schooling also delivers the first recognised school credential, a key signal to employers of the skills possessed by candidates for recruitment.
- ✓ **Definition:** The share of youth aged 20-24 years with at least an upper secondary level of education.

4. Providing greater choice in educational pathways:

- ✓ **Rationale:** learning can happen in many different contexts and some youth learn better in some contexts than in others. The availability of multiple learning pathways helps keep a maximum share of youth engaged in education by providing a variety of learning methods and subjects. High quality Technical Vocational Education and Training is particularly useful to help engage youth who perform better in hands-on learning environments while providing job-specific skills that help smooth access to the labour market.
- ✓ **Definition:** The share of upper secondary students participating in Technical Vocational Education and Training (TVET).

5. Promoting higher education:

- ✓ **Rationale:** the number of years spent in education has a positive impact on both labour market participation and wages. Tertiary graduates earn more and are more likely to work than their less educated counterparts. They are also better prepared to weather economic crisis as they have acquired a broad range of skills that make upskilling or re-training possible and easier. At the country level, a larger share of tertiary graduates is essential to move up the value chain and focus on high-value added production which relies heavily on research and innovation.
- ✓ **Definition:** The share of youth aged 25-29 years with a tertiary level of education.

6. Bringing closer together the world of education and work:

- ✓ **Rationale:** not only do youth need a recognised qualification to enter the labour market, they also need soft skills that are more easily learnt at work than in the classroom. Work experience during one's studies is the ideal way to develop these skills.
- ✓ **Definition:** The share of young people participating in workplace learning; and the share of young workers whose education level matches the level required by the job.

Improving youth employment:

7. Strengthening job opportunities

- ✓ **Rationale:** work is the best way out of poverty and marginalisation. In addition, being in employment allows further learning – through employer-provided training but also learning by doing and from peers or supervisors which are fundamental in avoiding skill depreciation and obsolescence, climbing the career ladder and facilitating job moves.
- ✓ **Definition:** The share of young people aged 25-29 who are in employment.

8. Tackling unemployment

- ✓ **Rationale:** unemployment should be avoided for all age groups as it has important implications for the individual's standards of living, contributes to skill depreciation and obsolescence and is often seen as a negative signal by prospective employers. For youth, particularly those who have just left education, it also represents a missed opportunity to accumulate key job-specific skills that are seldom developed within the education system.
- ✓ **Definition:** The share of youth in the labour force who are unemployed.

9. Avoiding prolonged periods out of work

- ✓ **Rationale:** long periods of unemployment are particularly damaging as they are more likely to lead to skills depreciation and discouragement, and ultimately to exit from the labour force. In addition, starting one's work life with a prolonged period of unemployment could have long lasting negative consequences on employment and wage outcomes. The risks of discouragement and scarring are particularly high for youth who left the education system and started looking for work during the recent recession.
- ✓ **Definition:** The share of unemployed youth who have been out of work and looking for a job for one year or more.

10. Improving job-quality:

- ✓ **Rationale:** Not all youth in employment benefit from good career pathways and satisfactory working conditions. While irregular employment can be an entry port into the labour market and stepping stone towards better quality and stable jobs, this is not the case across the board. In general, young people – particularly the low-skilled – tend to be over-represented in irregular employment.
- ✓ **Definition:** A number of indicators of job quality could be considered to cover the different circumstances of each G20 country: *a)* the share of employed youth in temporary employment not involving a formal workplace learning component; *b)* the share of employed youth in informal employment; *c)* the share of employed youth in vulnerable forms of employment (own-account workers and contributing family members); *d)* the share of employed youth working less than full-time involuntarily; and *e)* the share of young workers earning less than 2/3 of median earnings.