

# Research Report

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## Group of Twenty

## Measures to cope with and prevent future increases in youth unemployment



# MUNISH



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<b>Forum</b>	Group of Twenty
<b>Issue:</b>	Measures to cope with and prevent future increases in youth unemployment
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## Introduction

There are 1.2 billion young people today in the world (ILO, web report.2013), that is people between the ages of 15 and 24. Worldwide young people are the largest expanding demographic, expanding at an ever increasing rate. 90% of today's youth's live in less economically developed or developing countries. These countries are currently experiencing a "youth bulge" in the population, whereas the developed countries with 10% of the world's youth population are experiencing an ageing phenomenon in their populations. The worldwide increase in youth population has led (and will in the future lead) to an ever increase demand for employment for young people. Though unfortunately due major recent events and factors such as the global financial crisis of 2008 the supply of employment of young people worldwide has stagnated, even decreased. With many of the world's largest economies (in the G20) being dragged into recession many employers have gone bankrupt or force to release employees in order to cut costs, plunging millions into unemployment. The young and inexperienced workers have suffered relentlessly. In the G20, six member states in particular high levels of youth unemployment rates which range above (on average) 20%, Spain has the highest youth unemployment rate at over 50%. The causes for high and increasing levels of youth unemployment differ worldwide, but can be addressed and stopped by the reaching of compromise between major economic powers worldwide. On a basis of prioritizing the youth as the focus group, international consensus can develop measures to cope, prevent and decrease the chance of further future increases in youth unemployment. In reports, discussions, and ideas that have resulted from previous G20 meetings and international labour forums solutions to the problem have been proposed. They each identify several specific problems, which need to be addressed such as long-term structural unemployment, labour market policy and social justice. This report will cover the material background information, specific case study information, previous attempts to solve the issue, and suggested methods to solve the issue.



## Definition of Key Terms

### Youth

People of a working age, between the ages of 15-24 worldwide.

### The International Labour Organisation (ILO)

The International Labour Organisation, a United-Nations Organization (UNO) that deals with labour issues worldwide; such as working/labour standards, wages, working conditions, employment rates etc.

### Structural Unemployment

Unemployment resulting from changes in the structure of the economy; for example the introduction of the “technology age” where computers and machines have taken over many of the old jobs that people once had.

### More Economically Developed Countries (MEDCs)

Otherwise commonly referred to as “developed economies” are the richer faction of countries in the G20, such as the EU countries, United States of America, Republic of Korea, Japan, and Australia.

### Less Economically Developed Countries (LEDCs)

Otherwise referred to as “developing economies” are the emerging economies in the G20, (commonly have a higher economic growth rate than developed economies) such as Brazil, Argentina, Indonesia, People’s Republic of China, and India

### NEET

NEET stands for Not in Employment, Education or Training. Referrers to people in economies, those these people might be inactive for other reasons than dropping out of school.



## General Overview

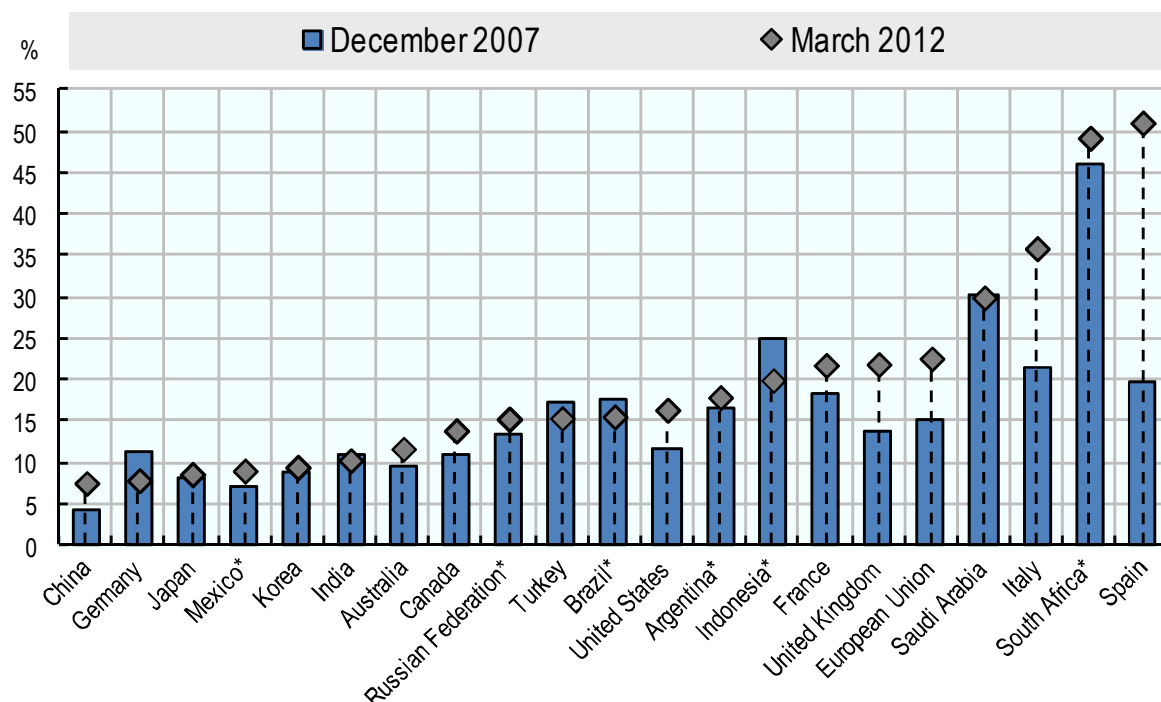
### Introduction

Youth unemployment has become a significant problem in the G20 countries. A report by the ILO (ILO, web report. 2013) has determined that in 17 of the 20 countries combined the youth unemployment rates sum up to 17.7 million. Young people of a working age (ages 15-25) are now less likely to find themselves in work than ever before. In most developed G20 countries the rate of youth unemployment has steadily risen over the last 20 years, though since recent events such as the 2008 global financial crisis these rates have soared.

### Background information

Youth unemployment is not a recent occurring phenomenon, it is rather part of a “global jobs crisis” that is and has been occurring globally for years. It is the scale of which, which in recent years has exploded, that is the main problem. Between the years 2000-2011 the ILO and World Bank estimate that the number of young people becoming employed enlarged by 16 million, however the number of youths of a working age worldwide had increased at an even more rapid pace; decreasing the youth’s share of the labour force in all G20 countries from 52,9% to 48,7% (ILO, World Bank, report. Np. 2012). To summarize even before the global financial crisis there was an in-adequate supply of employment opportunities available for people aged 15-25. With the global financial crisis occurring forcing closure, bankruptcy, and cuts in employees staff at companies, corporation or government institutions the amount of young people in jobs radically decreased. Figure 1 below indicates the contrast of youth unemployment levels before the financial crisis (the economic boom times) and in the aftermath recovery stages, in all G20 member states.





**Figure 1: Youth Unemployment levels in G20 countries before/after 2008 financial crisis**

## Causes

Reasons for youth unemployment differ per country or region, though in most G20 countries the causes have to be determined to be quite similar. The causes of youth unemployment are often parallel to those of general unemployment;

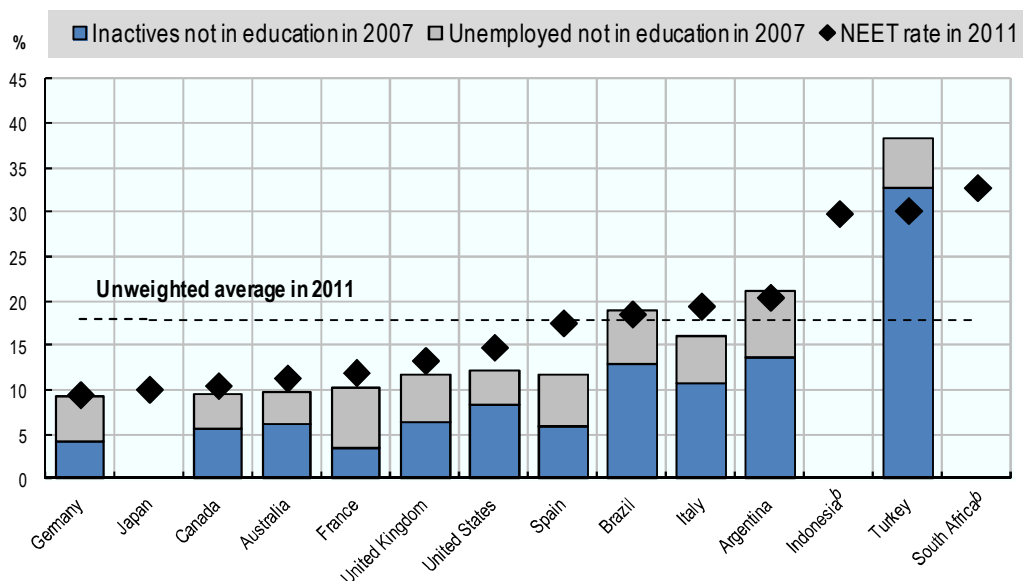
1. **Lack of Qualifications:** Youth's who lack educational or work skills are more likely to become unemployed (structural unemployment). A study in the United Kingdom by the "Centre for Cities" concludes that there is a correlation between poor school final exam results in languages and mathematics and youth unemployment. Many young people lack the skills and training to impress potential employers.
2. **Real wage unemployment:** It is often said that unemployment is caused by inflexibilities in the labour market. In most of the developed G20 countries a minimum wage exists, this rate differs at the age of the employee (in this case the youth). Minimum wage for youths aged 15-18 may be significantly lower than that of those aged 21+. In recent years due to a fall in real wages across the board, in many countries, (specifically European members of G20) the growth of the rate of minimum wage has stagnated or



been repressed. All of this has increased the opportunity for real wage unemployment.

3. Cyclical unemployment: This has been determined as the biggest cause for unemployment of young people worldwide, and is otherwise known as “demand-deficit unemployment”. Often young workers are more likely to experience unemployment during a recession, due to their minimal experience they are easiest to remove, or reject for a job at an employer.
4. Geographical unemployment: Youth unemployment is focused specifically in certain areas, for example: in the inner cities is an area where there is a combination of low expectations and low achievement amongst youths, therefore contributing to structural unemployment in that specific location.
5. Frictional Unemployment: those who leave (or have not received) their primary or secondary education will generally have a hard time to find a source of employment.
6. NEET: “ Not in Employment, Education or Training”. Is a term used by census researchers in the United Kingdom to assess the number of inactive people in the country. Unemployment accounts for a numerous quantity of NEET youths in the G20 economies. Rates differ across individual countries/economies such as in Germany the rate is 10%, but in Indonesia, South Africa and Turkey the rate exceeds 30% (OECD, report, web. May 2012).

*Percentage of youth aged 15-24*



**Figure 2: NEET rate in selected G20 countries (OECD, report,web. May 2012)**

### Contrast between developed and developing economies

Youth unemployment in the G20 currently totals to 17 million people. The current situation differs per country, though there is a clear difference of circumstances between developed and developing economies, (ILO, report,web. 8 May 2013).

In particular the developed economies (EU countries, USA, Canada, Australia, Japan) youth unemployment is at an average rate of 18.1%, expected to remain above the 17% margin until 2015. Between 2008-2012 there was a 25% increase in the number of young people becoming unemployed in these countries overall. The affects of youth unemployment in these countries has led general delusion of socio-economic/political systems in these countries, a scarring effect on the current generation of youths. Factors such as cyclical unemployment, lack of qualitifcations, real-wage unemployment and geographical unemployment have determined the increase of the number of young people to have become unemployed. The youth unemployment crisis overall in these particular economies has lead to lowering job quality and longer job-seeking periods/time for youths.

In developing economies (Indonesia, India, Brazil, Turkey, South Africa) the situation is not so similar but is determined by factors that differ per region. Recent economic growth in South-East Asia has seen an emerging positive work opportunities for youths; countries such as Indonesia have seen an increase in the number of youths that have joined the labour market (2011-2012), resulting in lowering youth unemployment figures ranging 9.3% to 9.5%. Though in Indonesia the NEET rate exceeds 30%, contributing to the overall number of unemployed. In South America (Brazil, Argentina) the rate of NEET is a factor that contributes to large-scale youth unemployment. For young people in this region the ILO estimate is high with a rate of 19.8%. Leaving a large amount of the population inactive from the labour market, contributing to the overall rate of unemployment in the region. In developing economies the overall level of unemployment by observation seems lower than in developed economies, though looking at other facts this is an easy made misconception. Factors such as poverty plays a crucial role in level of employed/unemployed in developing countries, searching for work is struggle in itself, as work becomes a necessity to survive day to day for people. Overall the quality of work, wages and rights in these economies are lower than in developed economies.



The G20 appointed a special “Task Force on Employment” (G20civil, web. 2013) after the 2011 summit in Cannes where the issue of Youth Unemployment was discussed. From the 2011 summit the G20 concluded a number of various different actions needed to be undertaken to address the issue, such as commissioning the ILO and OECD to conduct research reports on the issue, cooperation with NGO’s and UNO’s to introduce reformative policies to solve the issue, promoting the improvement of the “school-to-work” transition to ensure the youth are better prepared to enter the labour market.

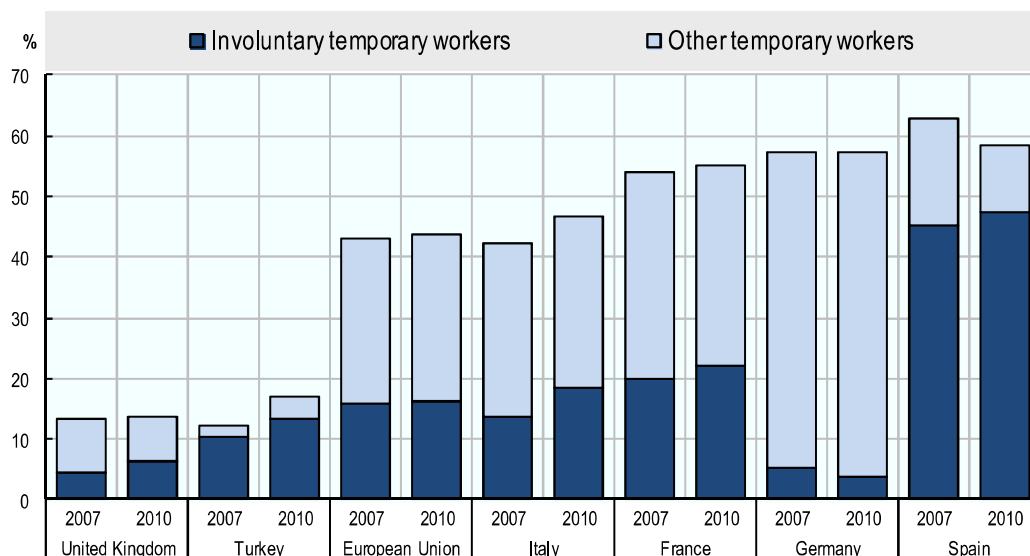
### Quality of Youth employment

“Youth are increasingly employed in non-standard jobs” (ILO, Global employment trends for Youth 2013, report Web. 2013), this entails that a large portion of youths are employed in part-time and temporary employment jobs. Non-standard jobs are beneficial to those who wish to combine their work with other activities such as study or care work. The amount of non-standard jobs is determined by the employer/company that has to regulate their workforce size in order to keep/meet a balanced budget. Non-standard jobs are commonly offered to an employee on grounds of temporary employment, especially when future plans are being developed. For some this is ideal, though for many this creates a problematic situation wherein they might find themselves out of work when their temporary employment contract with their employer ends. Since the global financial crisis the rate of non-standard, part-time and temporary jobs rates amongst young people has increased, and in some countries it is the only best/viable option left for young people. People who cannot find a job that guarantees permanent/long-term employment have no other choice and involuntarily take a job with part-time or temporary contract. The level of youth in temporary work was already historically speaking high in most G20 countries before the global financial crisis, with time the common trend is that the rate is increasing in most countries. In countries such as Argentina young people are twice as likely to end up in temporary/ part-time employment than their parents. Per country the rates of young people in non-standard jobs differs. Though outside of the European countries the circumstance/definitions of temporary or part-time work are different. For example in the United States the widespread use of the employment-at-will norm allows either the employer or employee to terminate the contract at any given point in time, therefore the distinction between full-time/permanent and part-time/temporary work does not exist. In Australia temporary/part-time employment is taken up by “casual workers” who take this up in their own free will.





### Percentage of employed youth

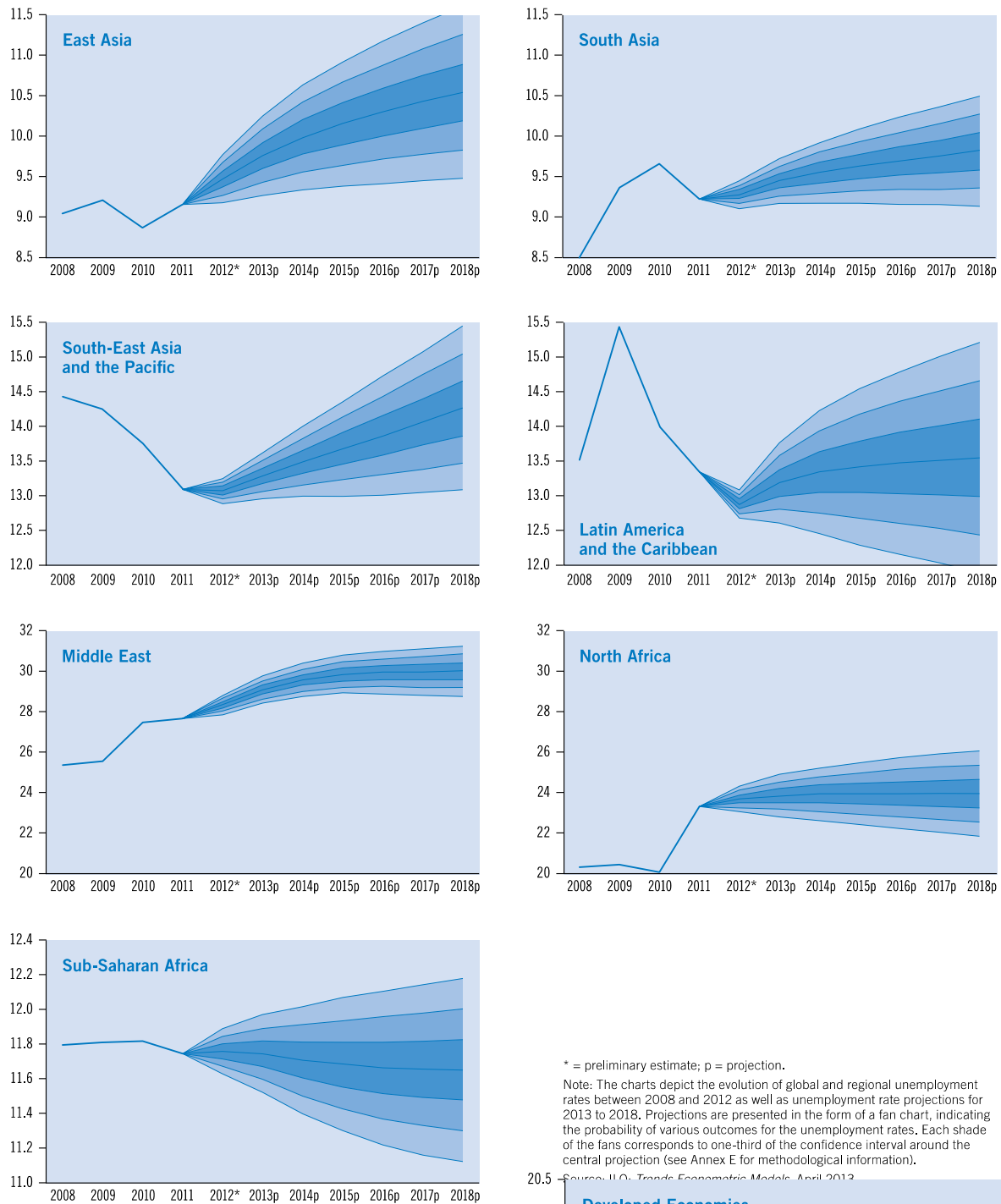


**Figure 3: Rate of Youth in non-standard jobs in OECD G20 countries (OECD, *The Challenge of promoting youth unemployment in the G20 countries*, report Web. May 2012)**

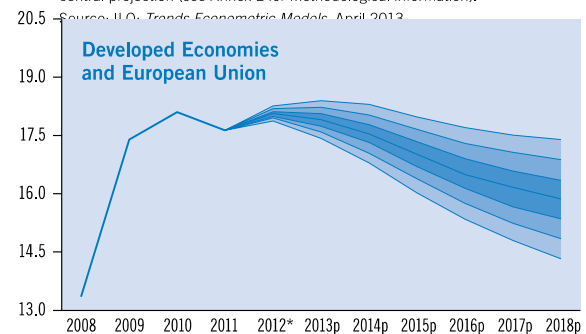
### Future Projections

Since the financial crisis of 2008 global levels of youth unemployment have been on the increase. An ILO report projects that the level of unemployed young people will continue to increase in the coming years. Globally the level of unemployed in 2012 stood at 12,3%, in 2013 the projection stood at 12,6%, for 2014 the projection stands to a further increase to 12,7% (ILO "global force at risk, report, web. January 2013). The ILO also projects that the number of unemployed in the future will differ per region. Though the predictions tell an upward trend in most regions.





**Figure 4: Prediction of Youth unemployment rates in % (2008-2018) (ILO "global force at risk,p.16-18, report, web. January 2013)**



## Major Parties Involved and Their Views

### The International Labour Organisation (ILO)

The ILO filed two reports on behalf of the G20 Employment task force to address the issue of youth unemployment at a global scale. Based upon the research conducted the ILO concludes that 1. International cooperation between members to address the problem of youth unemployment 2. Governments should introduce youth employment schemes/plans to their central economic policies, to ensure the issue gets addressed 3. In the individual member states new youth-friendly policies can only be achieved via full cooperation between private sector, government, community and individuals. Therefore overall reformative, even radical legislation forcing a change in the labour markets is necessary.

### Organisation for Economic Co-operation and Development (OECD)

The OECD, based on research conducted for the G20 Task force on employment concludes that the main cause of youth unemployment is cyclical unemployment and NEET. Via implementing reformative policies, in cooperation with all major employing sectors in the society (such as the ILO advises) will the new reformative policies be able to have an effect. The OECD suggests that the key area to focus the reformative policy on is education, “Policies for better School-to-work transitions” (OECD, p. 4-6, report, web May 2012).

## UN involvement, Relevant Resolutions, Treaties and Events

The G20 and the United Nations have taken to discussing the issue of rising youth unemployment. The G20 appointed a “Task force on Employment” (G20civil, web. 2013) after the 2011 joint-group summit in Cannes, France. The task force aimed to researching the issue extensively in the following years, and work on producing binding, reforming policies worldwide to address the issue. United Nations organizations such as the ILO have conducted extensive research and have given advice on the issue to the G20. At the 39<sup>th</sup> Plenary meeting of the UN in 2006, a resolution was presented to the Economic and Social Council to promote Youth Unemployment worldwide.

- G20 Task Force on Employment (June 2011)
- ILO research report “Global Employment Outlook: Bleak Labour Market Prospects for the Youth” (September 2012)



- UN Economic and Social Council resolution on Youth employment promotion, (Ref. E/2006/26)

## Possible Solutions

There are a range of policies that can be adopted to tackle youth unemployment from continuing, and becoming a larger hazard in the future. These start mainly with a basic investment in education & training of youths in any professions, with particular focus to the quality of their education, implementing labour market measures that allow the youth to gain access to more permanent and worthwhile jobs, and lastly improving youth's access to scheme that combine work and education.

Specific areas to focus:

- International cooperation (international conventions) on enacting youth-friendly (as suggested by the ILO and OECD) policies, to enhance their effectiveness, it is best to ensure that these policies can be applied across borders,
- More investment in education/training programs for youths in school, so that they have a wider set of relevant skills available to them when they enter the labour market, (ensuring that they will less likely become NEET's)
- Introduce the new youth employment schemes with emphasized cooperation between the public and private sectors of the economy. To ensure that these youth-friendly schemes can be introduced, any laws hindering these schemes should be reconsidered.

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