

**United Nations Department of Economic and Social Affairs
Division for Social Policy and Development
Social Integration Branch**

**Panel discussion on the emerging issues:
“Youth: poverty and unemployment”**

**50th session of the Commission for Social Development
United Nations Headquarters, New York, 6 February 2012**

Background note – based on the Note by the Secretariat

Context

The 50th session of the Commission for Social Development will be convened at the United Nations Headquarters in New York from 1 to 10 February 2012, and will address the priority theme of “Poverty eradication.” The panel discussion on the session’s emerging issues, “Youth: poverty and unemployment,” will take place on Monday, 6 February from 10.00 am to 1.00 pm and will focus on social and economic policies to foster decent work opportunities for young people.

Background

Young people, particularly those who are socially disadvantaged, are disproportionately affected by unemployment and overrepresented in the informal economy and among the working poor. Since early labour market experiences shape future employment opportunities and wages, such decent work deficits – both in terms of the number and quality of jobs available to youth – can have long-lasting consequences on poverty, and affect the well-being of current and future generations of young people. Youth unemployment, underemployment and vulnerable employment also pose high costs to society in terms of loss of human and productive potential, increased welfare payments and decreased fiscal revenues.

Youth employment growth has not been strong enough to absorb the growing cohorts of young workers, and the crisis has exacerbated the situation. In the aftermath of the financial crisis, the global youth unemployment rate rose from 11.8 to 12.7 per cent between 2008 and 2009 – representing 75.8 million unemployed youth at its height – marking the largest annual increase over the 20 years of available global estimates. In 2010, the global youth unemployment rate of 12.6 per cent was almost three times as high as the adult unemployment rate (4.8 per cent). Many countries have also witnessed a surge in the number of discouraged young workers, who are not counted among the unemployed because they are not actively seeking employment. This represents a severe waste of human potential and can have drastic repercussions, both for the young people affected, in terms of marginalization and exclusion, and for societies at large.

The impact of the crisis on youth unemployment has been starker in developed countries, which account for 10 per cent of the global youth labour force, but for 72 per cent of the total increase in youth unemployment from 2007 to 2010. In the developed world, the youth employment challenge requires providing work opportunities for young people entering the labour market.

In countries with high levels of poverty and inadequate social protection systems, the majority of workers cannot afford to stay unemployed. In developing countries, which are home to 87 per cent of the world's youth, the majority of young people have to work, but struggle to earn income through own-account work or engagement in activities in the informal economy, where salaries are lower and working conditions are poorer than in the formal economy and where social protection is largely absent. The challenge in these countries requires not only generating additional employment opportunities, but also improving the quality and productivity of employment available to young people.

Young workers are disproportionately susceptible to poverty: working poverty rates for youth exceeded the corresponding adult rates in 51 out of 52 developing countries for which data were available. Youth are not only disadvantaged in terms of job placement and wages, but also in finding productive work that provides sufficient income to escape poverty. High labour force participation rates, even among the poor, indicate that many young people are not in the labour market out of personal choice, but because they must help support their families. They also reflect lost opportunities for youth who may otherwise have attended school and acquired skills that would have raised their future productivity and earnings. Many young working poor, the majority of whom are in the agricultural sector, even lack primary level education.

The move by a growing number of countries towards fiscal austerity and the ensuing reduction in social spending, job cuts and calls for greater labour market flexibility at a time when youth and other vulnerable groups of workers have the greatest need for support and security, will contribute to increased labour market volatility, joblessness and working poverty. Historical analysis of fiscal consolidation programmes shows that cutting a budget deficit by 1 per cent of GDP typically reduces demand by 1 per cent, reduces GDP by about 0.5 per cent within two years, and raises the unemployment rate by 0.3 percentage points. Such cuts bring about long-term declines in wage incomes, while declines in profits are relatively smaller and more short-lived.

Policies aimed at tackling the structural causes of the lack of employment opportunities for young people have usually focused on increasing their employability, by improving access to, and the quality of, formal education, the availability of apprenticeships and other vocational programmes, and by reducing the mismatch between skills acquired and those needed in the labour market. During the crisis, the implementation of job-search assistance programmes and temporary extensions of social safety nets has also proven vital to preventing poverty among unemployed youth. Some countries have also implemented self-employment measures, providing business start-up credit and microfinance, as well as entrepreneurship training. These policy measures have been more effective in combination, particularly as part of an integrated policy framework to promote economic and employment recovery, and when implemented during the early stages of joblessness. However, they have often failed to target the more disadvantaged, including youth suffering from poverty, particularly in rural areas, as well as the long-term unemployed and those at risk of exclusion.

Youth employment strategies have not succeeded in producing the number of jobs needed and in improving the quality of work prospects. Governments must do more to bring down the structural barriers to the proper insertion of youth in the labour market and resist the temptation to dilute labour standards and lower youth wages in order to increase income and

job security for youths and to reduce their vulnerability. Governments must also do more to find and motivate those young people who have given up hope of a productive future.

Tackling youth poverty additionally means addressing the challenges facing the informal economy, from the perspective of fostering long-term, competitive productive capacity, and improving the income security and working conditions of informal workers by, among other things, expanding the coverage of social protection. Enhancing the ability of small- and medium-sized enterprises to generate decent work by improving access to credit and technical assistance, investing in infrastructure, and streamlining procedures for business formation and regulatory oversight so as to enable these enterprises to become part of the formal economy, will also go a long way towards reducing decent work deficits and poverty among youth.

Panelists:

H.E. Mr. László Andor
European Commissioner for Employment, Social Affairs and Inclusion
European Commission

Mr. David Blanchflower
Professor of Economics
Dartmouth College

Ms. Inés van de Kerchove Baraibar
Coordinator, "Uruguay Works" Programme

Mr. Gianni Rosas
Programme Coordinator
Youth Employment Programme (YEP)
International Labour Organization (ILO)

The panel will be moderated by a Vice-Chairperson of the Bureau of the Commission for Social Development, Mr. Mohamed Elbahi, Counsellor, Permanent Mission of the Republic of the Sudan to the United Nations.