Global issues: Youth employment remains a policy challenge

In 2018, the global labour force comprised 3.5 billion people—3.3 billion of whom were employed. Participation in the global labour force\(^1\) has been steadily declining since the 1990s. This partly reflects higher life expectancy and greater retirement opportunities. Among young people (aged 15–24), the decline in labour force participation has been even more pronounced, largely owing to extended education and an associated postponement of labour market entry, plus some decline in the share of younger people holding part-time employment positions while studying. The world gross enrolment ratio in secondary education increased from 55 per cent in 1993 to 77 per cent in 2017. For tertiary education, the ratio rose from 14 per cent to 38 per cent over the same period\(^2\). Of concern is the extent to which declining participation reflects withdrawal of young “discouraged workers” from the workforce, due to the inability or perceived inability to find an appropriate job. The ECOSOC Youth Forum will take place on 8-9 April, providing a platform for young leaders from around the world to discuss this and other challenges facing today’s youth.

Globally, 21.2 per cent of young people were not in employment, education or training (NEET) last year (figure 1). In other words, over one-fifth of all young individuals worldwide were neither acquiring skills through education or work experience in 2018. Progress during the past ten years has been negligible: in 2008 the NEET rate was 22 per cent. While youth NEETs may be engaged in other productive activities and experiences, such as volunteer work or unpaid trainee work, for many NEETs future employment prospects may be negatively impacted, and the risk of economic and social exclusion is higher. This has long-term implications for the income prospects of affected individuals, and over time, a high rate of NEET also acts as an obstacle to sustained economic growth.\(^3\)

Young workers face significant challenges in finding decent jobs. Since the global economic crisis in 2009, the number of young people in employment has contracted by more than 15 per cent (figure 2), in contrast to the number of employed adults, which has grown uninterruptedly. Young people are roughly twice as likely to be unemployed compared to adults, with the global youth unemployment rate estimated at 11.8 per cent, and this situation is not expected to change substantially in the near term.\(^4\)

Being in employment does not always guarantee a decent living and youth continue to exhibit larger working poverty rates than adults. Among young workers in low- and middle-income countries, more than one in three were living in extreme or moderate poverty in 2018. Many youths in developed countries are also living in poverty despite having a job. In 2015, 12.5 per cent of young workers in the EU-28 were at risk of poverty.\(^5\) In countries such as Greece and Spain, about 20 per cent of youths were at-risk-of-poverty. This reflects, among other things, higher rates of informality among young workers. More than three-quarters of working youth are in informal jobs (58 per cent for employed adults). The rates are extremely high in low-income countries (over

---

\(^1\) Share of persons employed or actively seeking employment in the population aged 15 and above.


\(^3\) International Labour Organization, *World Employment and Social Outlook: Trends 2019*.

\(^4\) Ibid.

\(^5\) Measured as earning less than 60 per cent of the median income.
Adult (25+) experience greatly on initial experiences, including how quickly and how well-equipped they are with education, skills and professional experience determines their success. Future labour market situations must be continuously revisited.

In developing countries were found to have skills that do not match job requirements for today’s youth workforce. Skills mismatch still plagues many developing countries. At any rate, adapting to new jobs and to new technologies are changing the world of work for young people. Some are taking up jobs that could barely be imagined when their parents started working. For example, new labour market entrants may find themselves working alongside robots in construction, manufacturing and hospitality, for a new visa category and expects to host 340,000 semi-skilled foreign workers in 2018.

For instance, youth employment is growing fast in services, such as financial intermediation. However, health and social work still constitute a sizable portion of international migration: 21.2 per cent of international migrants worldwide in 2015 were aged 15–29 — more than half were aged 15–24. Youth with full-time or voluntary part-time jobs display more desire to migrate abroad permanently, especially if they possess tertiary education and/or live in countries with increasingly educated young people and a depressed labour market.

New technologies are changing the world of work for young people. Some are taking up jobs that could barely be imagined when their parents started working. For example, new labour market entrants may find themselves working alongside robots in some countries. Changes in sectoral labour demand often propel young people to acquire higher levels of technical and soft skills. For instance, youth employment is growing fast in services, such as financial intermediation. However, health and social work still employ a large quantity of young people in both developed and developing countries. At any rate, adapting to new jobs and to continuous changes in the requirements of jobs are present-day realities for today’s youth workforce. Skills mismatch still plagues many countries to the point that, in 2012–2013, over half of youth in 28 developing countries were found to have skills that do not match job requirements. Education and skills development systems, especially approaches to lifelong learning, must be continuously revisited.

Today’s youth is the cornerstone of tomorrow’s society. How well-equipped they are with education, skills and professional experience determines their success. Future labour market situations hinge greatly on initial experiences, including how quickly and how fully young people are able to access the labour market, and on skills and competencies acquired through education and training. But the 15–24 age group is particularly vulnerable in labour markets around the world. Promoting youth capacity building and labour force participation with decent jobs, as well as swift school-to-work transitions remain crucial, especially in ageing societies. A labour market that is not fully youth-inclusive can negatively impact society in many different ways, making strategies for youth employment a central piece of sustainable development.

### Developed economies

#### North America: Central banks pause interest rate rises despite tight labour markets

Despite a recent slowdown in economic growth, headline unemployment rates in North America stand at exceptionally low levels. In the United States, just 3.8 per cent of the active workforce was unemployed in February 2019, whereas in Canada the unemployment rate stood at 5.8 per cent — among the lowest unemployment rates recorded in the last 40–50 years in both countries. Broader measures of labour underutilization and labour market slack have also fallen to historical lows.

These positive headline figures, however, mask several deeper labour market issues. In Canada, recent job gains have been dominated by less-secure self-employed positions, rather than full-time jobs. In both countries, youth unemployment rates are roughly double the headline rate, and have been on the rise in the United States in recent months. In the United States, the labour force participation rate has declined from an average of 66 per cent prior to the global financial crisis, to about 63 per cent. This decline has been largely driven by demographic developments, particularly lower participation among young people related to an expansion of higher education, as well as early withdrawal from the labour force of workers over the age of 55. Regional and sectoral disparities in labour market conditions are also present in both countries.

While labour market conditions have clearly tightened, with firms reporting difficulties in finding qualified workers in several sectors, surveys point to slower job creation over the coming months in both countries. Coupled with muted inflationary pressures, this has prompted both the Federal Reserve and Bank of Canada to put interest rate rises on hold.

#### Japan: Shortage of young workforce gives rise to a relaxation of immigration policies

Japan officially opens its door to lower-skilled foreign workers as the revised provisions of the Immigration Control and Refugee Recognition Act take effect on 1 April. Previous immigration rules have only allowed for high-skilled foreign workers with relevant academic qualifications to reside in Japan for employment. The relaxation of immigration policies is part of ongoing institutional reforms to cope with growing labour shortages. Amid a declining population, the number of young job seekers is rapidly falling short of the levels required to replace retiring workers. The Government has designated 14 sectors, including agriculture, nursing care, construction, manufacturing and hospitality, for a new visa category and expects to host 340,000 semi-skilled foreign workers in 2018.

---


---

Source: International Labour Office, Trends Econometric Models (ilo.org/wesodata)
Europe: Unemployment continues to decline, but youth unemployment remains high

In Europe (EU-28), the unemployment rate stood at 6.5 per cent in January, continuing a multi-year downward trend and down from 7.2 per cent in January 2018. This constitutes the lowest rate of unemployment since the start of the monthly EU employment report in January 2000. The Czech Republic (2.1 per cent) and Germany (3.2 per cent) registered the lowest unemployment rates, while the highest unemployment rates occurred in Greece (18.5 per cent in November 2018), Spain (14.1 per cent) and Italy (10.5 per cent). On a year-on-year basis the most pronounced declines in the unemployment rate occurred in Cyprus, Greece and Spain. Young people are more than twice as likely to be unemployed in the EU than adults. Youth unemployment stood at 14.9 per cent in January, although with a decline from 15.8 per cent in the previous year. Youth unemployment rates are lowest in Germany (6.0 per cent), the Czech Republic (6.1 per cent) and the Netherlands (6.5 per cent), and exceptionally high in Greece (39.1 per cent in November 2018), Italy (33.0 per cent) and Spain (32.6 per cent).

The EU members that joined the Union since 2004 maintained favourable labour market situations over the course of 2018, with steady job creation, record low unemployment rates, and high vacancy rates reaching 25 per cent in some cases. Noticeable progress has also been accomplished in reducing youth unemployment that reached extremely high levels in the aftermath of the 2009 crisis, in part through active interventionist policies, with a large share of spending directed to activation policies such as training and employer-matching. However, youth unemployment rates remain above the headline rates and the outflow of younger people to more prosperous EU countries is likely to continue despite strong real wage growth in the region.

Economies in transition

CIS: Outward migration affects countries’ demographic profiles

Among the Commonwealth of Independent States (CIS) economies, the unemployment rate in the Russian Federation remained relatively stable in 2018, although it edged up to 4.9 per cent in January 2019 from a record low of 4.5 per cent in September. However, the youth unemployment rate is estimated to be much higher, at around 16 per cent, warranting active social policies. A similar situation is observed in Ukraine, with youth unemployment exceeding 23 per cent in late 2018, in part contributing to the labour migration, particularly to Poland. For many smaller CIS economies, including in the Caucasus and Central Asia, an accurate assessment of the labour market situation is problematic due to the large share of the informal economy, especially in rural areas. Low youth unemployment at around 4 per cent has been reported in Kazakhstan—as the rapid expansion of the economy in 2017–2018 generated new jobs, alongside the implementation of numerous vocational education and training programmes. Most other Central Asian countries are struggling with double-digit youth unemployment; but labour market pressures have been partially alleviated by outward migration, mostly to the Russian Federation. Migrants are, however, largely engaged in seasonal and low-wage activities. The scaling up of vocational training and youth policies should gradually improve the situation.

In South-Eastern Europe, unemployment remained on a declining trend in 2018, decreasing to below 20 per cent in North Macedonia (where it exceeded 30 per cent in 2012). The assessment of youth unemployment in the region is complicated by the large informal sector (which employs over 30 per cent of youth), but on average, the rate is estimated to approach 50 per cent. The gradual technological upgrade of the region’s industrial sector is exposing the mismatch between the existing educational system and skill requirements by companies. Lack of domestic opportunities is causing outward migration of the younger generation, largely to the EU, affecting dependency ratios and the sustainability of pension systems.

Developing economies

Africa: The daunting challenge of creating jobs for the youth

Africa has the youngest population in the world. Countries such as Angola, Mozambique, Niger and Uganda have a median age for their population below 18 years, and the reduction in infant mortality coupled with slowing, but still high fertility rates has translated into a significant “youth bulge” across the continent. It is estimated that about 10-12 million people in the continent are joining the labour force each year, a figure projected to rise further in the next decade. This potentially entails enormous economic benefits. Yet, translating this “youth bulge” into a “demographic dividend” critically depends on the capacity to generate productive jobs, even more so considering that dependency ratios remain elevated, especially in sub-Saharan Africa. But African countries are facing enormous difficulties to create jobs. Youth unemployment and underemployment rates remain very high, and a large share of youth end up self-employed, in vulnerable occupations, or in the informal sector. Also, a large proportion of university graduates are finding it difficult to find jobs, as they lack employable skills or face skill mismatches with labour market requirements.

For example, youth unemployment rates in North Africa are above 25 per cent in countries such as Egypt, Tunisia and Algeria. Meanwhile, sub-Saharan Africa displays the highest youth working poverty rates in the world, at about 70 per cent. Amid subdued economic growth, youth unemployment has risen visibly in several large economies. In Nigeria, youth unemployment surged from less than 15 per cent in 2015 to above 35 per cent in 2018, with more than 55 per cent of young people unemployed or underemployed. In South Africa, high youth unemployment has been a persistent problem for decades—remaining stubbornly high at about 40 per cent in 2018. While economic conditions in Africa are expected to gradually improve in the near term, this is clearly insufficient to absorb a fast-growing labour force. Against this backdrop, the creation of decent jobs for youth is the most crucial challenge in order to raise living standards in the continent.
**East Asia: Manufacturing employment weakens amid persistent trade tensions**

While headline employment figures have remained relatively solid, weakening global demand amid high trade tensions, is posing a risk to job growth in East Asia. In recent months, countries with large export-oriented sectors, including China, the Republic of Korea, Taiwan Province of China, and Viet Nam have seen a contraction in manufacturing employment, amid a decline in production and new export orders. Should the ongoing trade disputes remain unresolved over a prolonged period, business confidence is likely to deteriorate further, with a more visible impact on overall labour market conditions in the region.

Notwithstanding the increase in external headwinds, many East Asian economies continue to face deeper structural problems in their domestic labour markets. In 2018, vulnerable employment accounted for around half of total employment in Cambodia, Indonesia, Myanmar and Thailand. The situation is more acute in several Pacific Island countries, such as Papua New Guinea and Vanuatu, where close to three quarters of workers are in vulnerable jobs. Amid insufficient job creation, high youth unemployment is also a growing concern for many countries, including Indonesia, the Philippines and Republic of Korea. These challenges not only constrain productivity growth, but also weigh on the region’s progress in tackling inequality and reducing poverty rates.

**South Asia: Youth unemployment remains high**

Between 2008–2018, most South Asian countries recorded an increase in the youth unemployment rate, despite robust economic growth. The Islamic Republic of Iran recorded the highest youth unemployment rate. The rate reached nearly 30 per cent in 2018, including a sharp rise of 5 percentage points following the oil price drop of 2014–2015. In India, the youth unemployment rate also remains elevated, at an almost constant value of around 10 per cent over the last 20 years. At the same time India is the largest, and fastest growing economy in the region with average annual GDP growth of 7.3 per cent in 2008–2018. Across the region, obstacles to reducing youth unemployment include demographic dynamics, labour market structure, as well as a broadly defined lack of skills and sufficient job opportunities. In the last 20 years, South Asia’s youth population has increased by 20 per cent, although it has stabilized in recent years. On top of demographic pressures, youth have tended to leave the agricultural sector, which offers low compensation and little opportunities, and often struggle to find jobs in other sectors, adding to the pool of unemployed. In 2017, 42 per cent of the South Asian population worked in agriculture—10 percentage points down from a decade ago. In addition, the quality of youth employment remains a concern. The International Labour Organization reported that 54 per cent of working youth in South Asia lived in poverty (living on less than $3.10/day), including 20 per cent in extreme poverty (living on less than $1.90 per day).  

**Latin America and the Caribbean: Labour markets improved slightly in 2018, but structural problems persist**

The International Labour Organization’s recently released 2018 Labour Overview of Latin America and the Caribbean documents a mild improvement in several key indicators over the past year. The average unemployment rate in the region is estimated to have fallen from 8.1 per cent in 2017 to 7.8 per cent in 2018, mostly owing to a mild labour market recovery in Brazil. The labour force participation rates for women and youth increased slightly, while average real and minimum wages continued to rise.

However, these recent gains cannot hide the fact that the region still faces deep-rooted structural labour market challenges. Despite gradually narrowing in recent decades, gender gaps remain substantial. The average labour force participation rate for women stands at only 50 per cent, more than 20 percentage points lower than that for men. At the same time, unemployment among women (10 per cent in 2018) is significantly higher than among men (7.3 per cent) and the average wage gap is still close to 20 per cent.

The share of informal employment in total employment rose during the region’s recent economic downturn, from an estimated 44.3 per cent in 2014 to 47.2 per cent in 2017. Women, less educated workers, as well as the youngest and oldest workers are disproportionately affected by informal employment. Among youth aged 15–24, the share of informal employment stood at 62.6 per cent for the region and exceeded 80 per cent in several countries, including Guatemala, Honduras and Nicaragua. Lack of decent jobs and economic opportunities for young people is one of the main factors driving the migration from Central America.

**Western Asia: Employment opportunities remain scarce for more educated youth**

Participation in tertiary education, of both men and women, has been growing in the region’s two largest economies, Saudi Arabia and Turkey. In 1997, the gross enrolment ratio for tertiary education stood at 17 per cent in Saudi Arabia and at 24 per cent in Turkey. The ratio reached 69 per cent in Saudi Arabia in 2017, while it rose to 104 per cent by 2016 in Turkey. However, employment opportunities are scarce for the increasingly educated youth, particularly for university-educated women. As of the third quarter of 2018, the Saudi unemployment rate stood at 12.8 per cent (30.9 per cent for female, 7.5 per cent for male) while the youth unemployment rate stood at 38.5 per cent (68.1 per cent for female, 30.3 per cent for male). Among them, 64 per cent of female job seekers and 40 per cent of male job seekers are university-educated. As the Turkish economy slides into recession, the unemployment rate has risen rapidly to 13.5 per cent (15.4 per cent for female, 12.5 per cent for male) in December 2018 from the recent low of 9.6 per cent (12.3 per cent for female, 8.3 per cent for male) in April in the same year. During the same period, the unemployment rate for university-educated youth has jumped to 35.3 per cent (42 per cent for female, 27.3 per cent for male) from 24.8 per cent (29.8 per cent for female, 18.1 per cent for male).

---

7 Ibid.

8 With a significant number of over-aged students, the number of students in a specific education grade can exceed the corresponding school-age population.