

World Bank Youth Employment workshop: OECD Jobs for Youth review

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Review and its process

- Launched in 2006
- 16 countries are being reviewed: Australia, Belgium, Canada, Korea, Denmark, France, Greece, Japan, Netherlands, Norway, Poland, Slovak Republic, New Zealand, Spain, United Kingdom and United States
- Process: questionnaires, replies, fact-finding mission, writing up, seminar, publication
- Synthesis report (expected 2009)
- High level policy forum (2010)

Outline of the Presentation

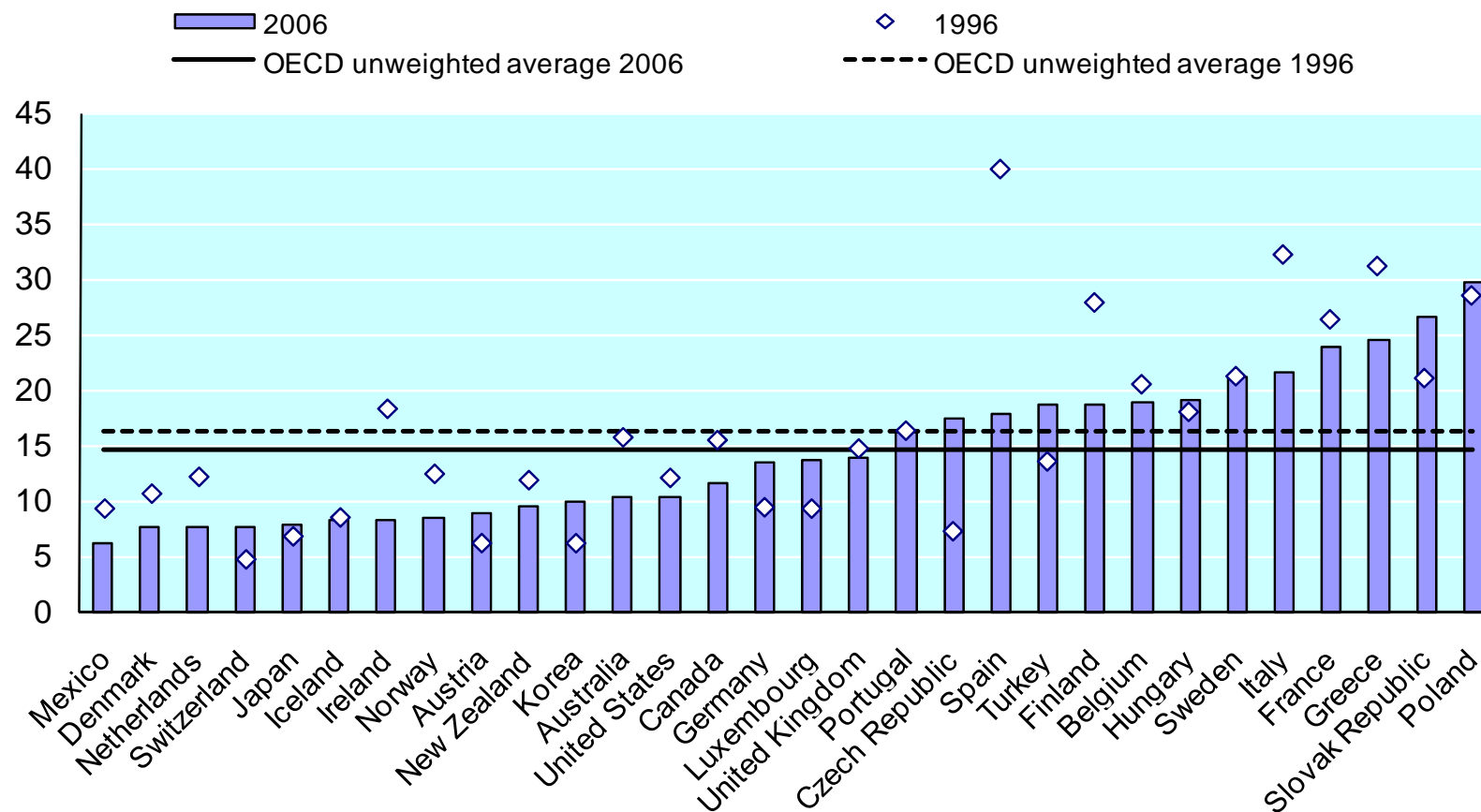
- ❑ Some stylised facts
- ❑ Length and nature of school to work transitions
- ❑ Youth entry Jobs: Stepping stones or traps
- ❑ Policy areas for action
- ❑ Policy innovations emerged from the review so far
- ❑ Bottomlines

Stylised Facts*

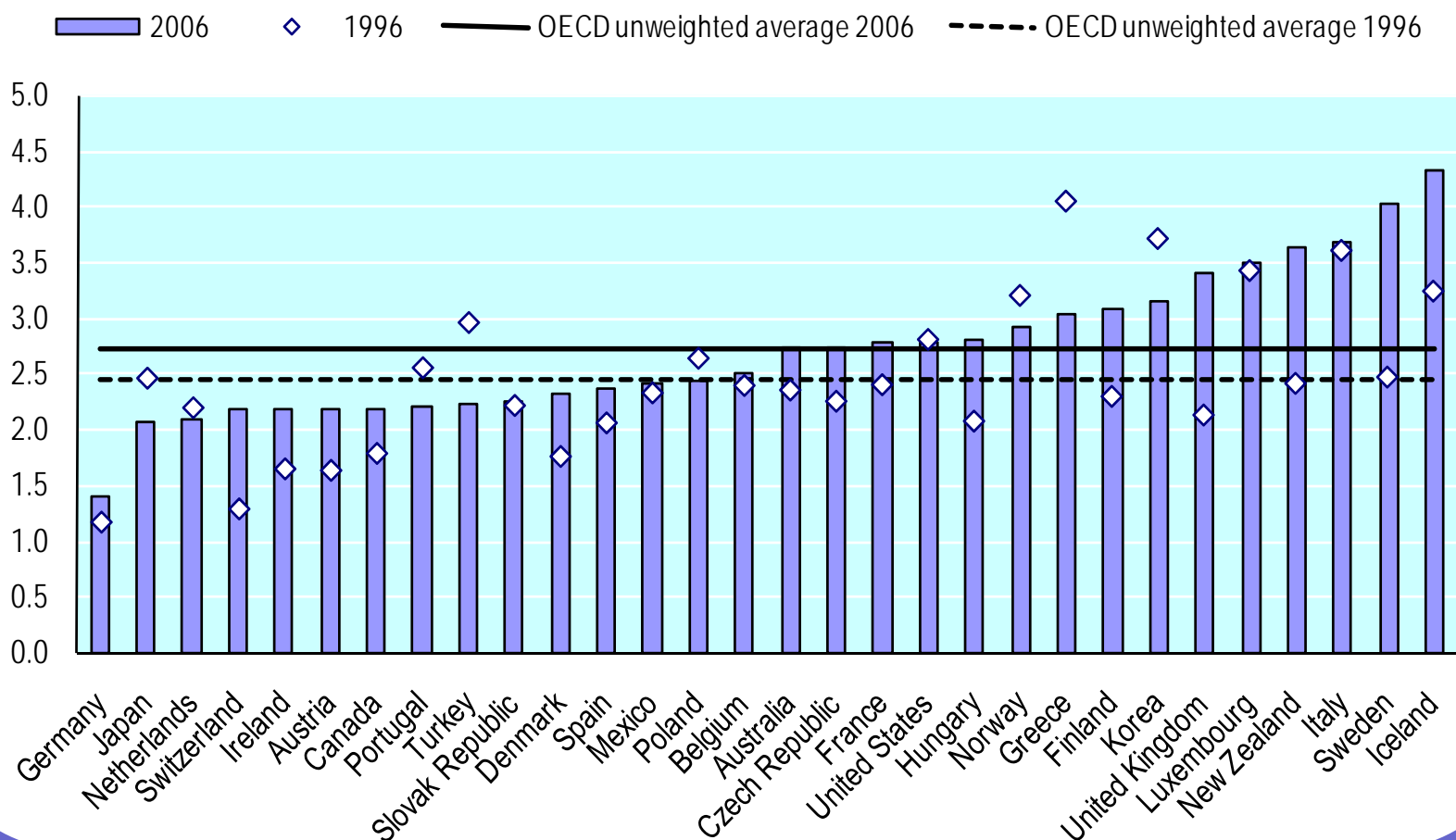
□ Overall, a mixed picture

- Youth unemployment rates have dropped slightly over period 1996-2006*
- Ratio of youth/adult UNRs has risen somewhat*
- Stable youth employment rates*
- Youth joblessness (proxied by NEET rate) has dropped slightly over the period 1996-2005*

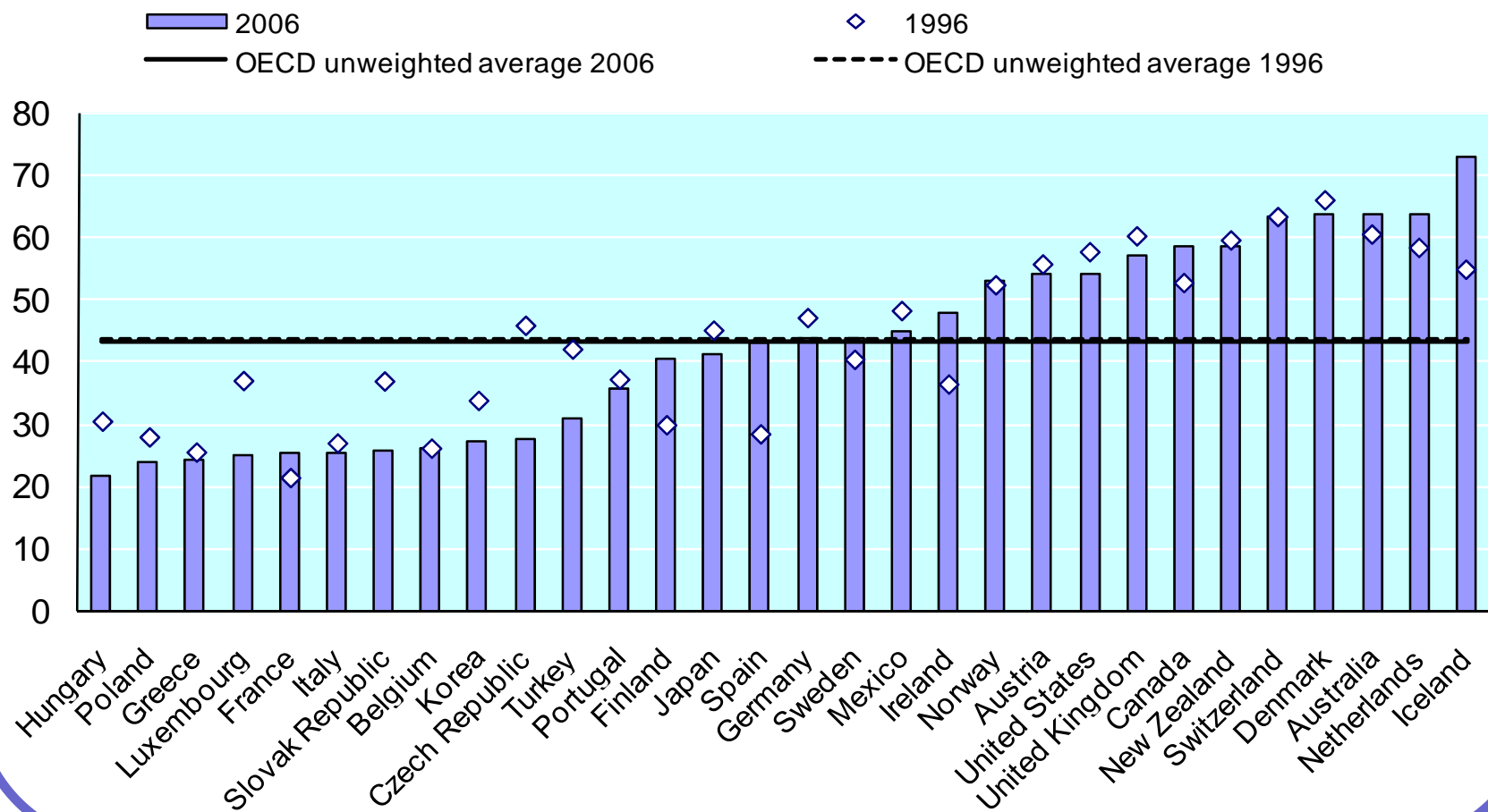
Stylised facts: youth unemployment rates*



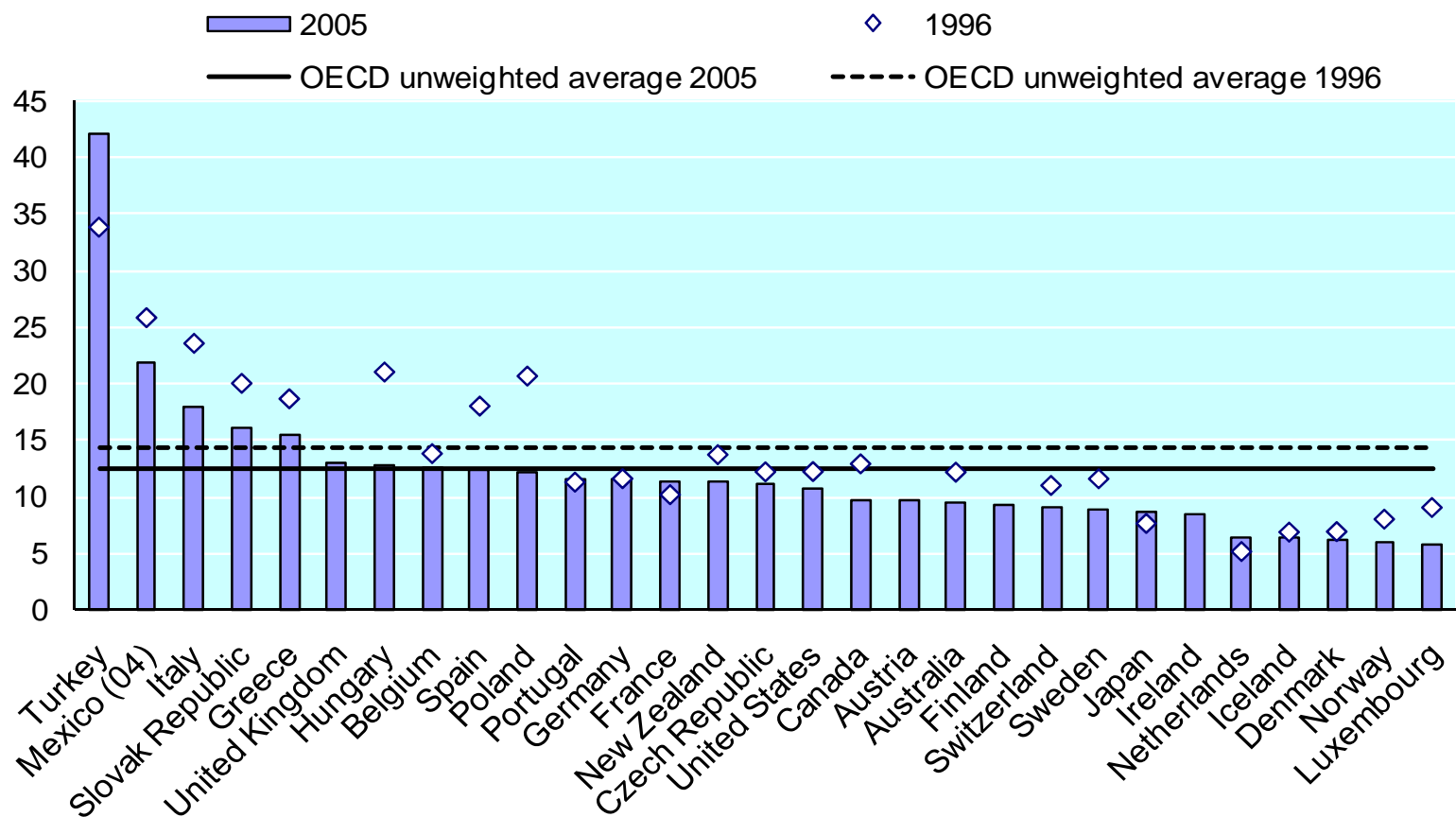
Stylised facts: ratio of the youth to adult unemployment rates*



Stylised facts: youth employment rates*



Stylised facts: share of youth neither in education nor in employment (NEET)*



Length and nature of school-to-work transitions

- ❑ Youth LM characterised by high turnover but relatively shorter spells of UN – “job-shopping” is very common
- ❑ School to work transitions have become more complex making measurement difficult.
 - ❑ Cross sectional data produce very long estimates (1-2 years) but are misleading in countries where pathways are complex;
 - ❑ Longitudinal data allow to disentangle these different pathways and produce more credible results but are not always available;
 - ❑ EMO 2008 will look at this issue

Youth Entry Jobs: part-time, low pay and overeducation

- Share of youth on part-time jobs has increased in many countries
- A mixed picture on youth wages:
 - Only in Ireland, Portugal and Spain has the incidence of low pay fallen over the past 5 years
 - Many youth exit low pay permanently as labour market experience accumulates
 - In some countries, a small group of youth experiences recurrent spells of low pay (ex: Spain) and some remain trapped in low pay for a considerable period of time (ex: Greece, US, UK)
- Some youth are overeducated for the job they hold
 - Overeducation is more common in part-time and temporary jobs

Length and nature of school-to-work transitions (cont.)

- Share of youth on temporary jobs has increased in most countries
- Stepping-stones or traps?
 - For most, they are stepping-stones
 - But some get trapped and size of trapped group differs significantly across countries (Southern Europe has largest traps)
 - Transition rate from temporary to permanent work fell over the period 1996-2001 in many EU countries

Policy areas for action: evidence from the first round of Jobs for Youth reviews

- A. The education system: ensure that youth have adequate skills
- B. Study and work: make the transition from school to work less abrupt
- C. Demand side barriers: entry wages, labour market segmentation
- D. Supply side policies: addressing possible benefit dependency with a “mutual obligations” approach, intervene early, formulate comprehensive activation strategies for unemployed youth

Recent policy innovations

A. Raising the School-leaving Age

- Median school-leaving age in OECD countries is 16, but a few have it at 18
- Both Netherlands and the UK have announced plans to raise the school-leaving age to 18
 - From school year 2007-2008, Dutch youth are obliged to attend education full-time from 16-18 unless they attend a starting qualification.
 - In the UK, all youth will be required to remain in education or training until 17 from 2013 on and until 18 from 2015 on.

Recent policy innovations (cont.)

- Is raising the school-leaving age a cost-effective strategy?
- US and NZ failures point to importance of enforcement and wider learning choice
- What kinds of education/training offers can be given to keep 16-18 year-olds motivated and keen to learn?
- Is this a more cost-effective intervention than targeted early childhood interventions sustained through compulsory education?

Recent policy innovations (cont.)

B. Strengthening the apprenticeship system

- Dual systems have long-standing track record in giving youth a good start but coming under strains:
 - Apprenticeships too costly and inflexible
 - Employers reluctant to offer enough places

- Australian Apprenticeships in 2006
 - Emphasis on flexibility – part-time and school-based apprenticeships encouraged
 - Progression is competency-based rather than time-based
 - Incentives for employers and young people in skill-shortage occupations
 - Open to people aged 30 and over too

Recent policy innovations (cont.)

B. Strengthening the apprenticeship system (cont.)

- Apprenticeships in Ireland
 - FAS spends $\frac{1}{3}$ of its training budget on apprentices
 - 50% of young males who leave secondary education and do not go on to tertiary now enter an apprenticeship
 - Demand-driven, with employers playing leading role
- Remaining questions about strengthening apprenticeships:
 - How to expand the coverage from traditional trades/industries to services?
 - Related: how to get more women into apprenticeships?
 - How to ensure greater access to apprenticeships by at-risk youths?

Recent policy innovations (cont.)

C. Measures for most at-risk youth

- For most disadvantaged youths, need more radical measures
 - US Job Corps
 - French Défense 2ème Chance

- Residential (“boarding-school”) option seems an important component in success
 - Jobs Corps has both a residential and a non-residential element
 - Evaluations suggest that former works best by getting disadvantaged youth away from their locality and peers

- Other important ingredients for success:
 - Remedial education leading to a qualification; work experience
 - Adult mentors

Recent policy innovations (cont.)

C. Measures for most at-risk youth

- Very expensive in budgetary terms:
 - Can cost €20-30K per person
 - But some evaluations show high social payoffs in terms of reduced crime, drug abuse as well as better LM outcomes
 - Note the disagreement surrounding the most recent experimental evaluation of Job Corps: no longer shows a positive benefit/cost ratio for teenagers, but does so for young adults

Recent policy innovations (cont.)

D. Apply “mutual obligations/activation” policies to the young unemployed

- Needs a mix of carrots and sticks
- “carrots” have to be effective ALMPs; “sticks” involve threat of moderate benefit sanctions

- UK’s NDYP is a good example of a comprehensive strategy embodying these principles
 - But only the subsidised full-time job option works
 - Hard to help the most disadvantaged youths
 - Currently being reformed (earlier intervention, longer gateway, tailor-made support)

Bottomlines

- Mixed picture in terms of youth LM outcomes over the past decade.
- Greater use of temporary jobs as a stepping-stone but hard-core group of youth get trapped in them or in NEET.
- Some attempts to strengthen apprenticeship and mutual obligations/activation policies for youth seem promising but much more needs to be done to determine what works and what does not, in terms of better school-to-work transitions.
- Biggest concern is for the “hard-core” of disadvantaged youth
 - Not much seems to “work”
 - Early and sustained interventions; and residential programme

Some useful references

- Glenda Quintini and Sébastien Martin, “Starting Well or Losing their Way? The Position of Youth in the Labour Market in OECD Countries”, OECD SEM Working Paper No. 39: <http://www.oecd.org/dataoecd/0/30/37805131.pdf>
- Glenda Quintini, John P. Martin and Sébastien Martin, “The Changing Nature of the School-to-Work Transition Process in OECD Countries”, IZA Discussion Paper No. 2582: <http://ftp.iza.org/dp2582.pdf>

Some useful references (cont.)

- ▣ Three youth reviews recently published – Belgium, Slovak Republic and Spain.
- ▣ Korea to come on 20 December
- ▣ Netherlands, New Zealand, Canada, United Kingdom in the pipeline – first half of 2008