

# Research Report

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Group of Twenty

Measures to combat the global youth unemployment crisis



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<b>Forum</b>	Group of Twenty
<b>Issue:</b>	Measures to combat the global youth unemployment crisis
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## Introduction

Youth unemployment is commonly seen as an issue of stature for all economies around the globe, irrespective of the stage of development of the nation. The United Nations has defined this indicator as being the percentage of unemployed individuals aged between 15 to 24 years. There are four different methods used to measure youth unemployment in a nation. These methods are as follows: (1) the ratio of unemployed youth compared to unemployed adults on a worldwide scale; (2) youth unemployment rate on its own as a percentage of the whole youth labor force; (3) taking all of the youth population and finding the percentage of those that are unemployed; (4) taking individuals that are unemployed and measuring the amount of that total that falls under the category of youth.

On an international scale, economic growth has been slowing down, yet at the same time, the global 'youth' population continues to expand rapidly. Due to this inevitable factor it is clear that pressure for employment amongst youth and the youth labor market is going to increase. This could result in higher numbers of unemployed youth, unless preventive measures are implemented.

In light of this growing problem action has been taken by the United Nations. In September of the year 2000 the Millennium Development Goals (MDGs) were established, number 8 relating to the issues of youth unemployment: "In cooperation with developing countries, develop and implement strategies for decent and productive work for youth." To follow through towards solving this issue, the Secretary-General of the United Nations proposed a long-term solution for this issue, which was to establish a Youth Unemployment Network. This was to be led by the International Labor Organization – which specializes in giving fair and equal work to all people – and the World Bank. This is a high-level policy network on youth unemployment.



## Definition of Key Terms

### Economically Active

An individual can be deemed economically active if he/she is currently employed or actively seeking employment. This job does not have to be paying; others such as internships also qualify a person as being economically active.

### Labor Market

The labor market is a market where workers find a paying job, employers find employees, and the pay of these employees is determined. The labor market can range from being national to international. The labor market depends upon interaction between employers and individuals who are seeking work in order to exchange information about the pay of the work, the conditions that the employee exposed to, and the level of the opposition.

### Key Indicators of the Labor Market (KILM)

The key indicators of the labor market are tools that give information on the labor market. The key indicators have become property of the International Labor Organization (ILO) and are accessed on a daily basis by researchers on a global scale. Refer to appendix I for the key indicators of the labor market.

### Labor Force

The labor force is the amount of employers and employees alike in a firm. This term can also refer to the amount of individuals in an economy who are either currently employed or are seeking a job.

### Intergenerational Integration

Intergenerational describes anything affecting or relating to individuals from several generations. Therefore, the term intergenerational integration refers to using people from different generations and bringing them to a common working place. This occurs in the hope of achieving a more varied work environment where members can help each other in various ways.

## Youth Unemployment

Youth unemployment refers to youth - defined by the United Nations as an individual between the age of 15 – 25 - that do not have a job but are actively seeking an employer.

## Youth Unemployment Rate

The youth unemployment rate is commonly defined as the amount of youth that is unemployed divided by the youth labor force. The use of the term unemployment rate is most likely the best known and most used labor market indicator. It is simply used to indicate the performance of the current labor market.

## Structural Unemployment

Structural unemployment is unemployment caused by a change normally as a result of demand patterns, where a specific kind of worker is not longer required, or is required less, within an economy. However, it can also be brought about by the obsolescence of technology, and can even require workers to be retrained and large investments in new capital equipment.

## General Overview

A measure to combat the youth unemployment crisis is an international issue that should be addressed by any and all economies. In the year of 2008, as the economic crisis worsened exponentially, the amount of unemployed individuals increased exponentially. As a result of this, there was an incredible impact on the stability of the work force, mainly because many employers were on the verge of declaring bankruptcy. The first major economies that suffered from such an impact were the European Union (EU) and the United States of America (USA). However, it is important to note that youth unemployment is currently most visible in Southern European nations (Spain, Greece, Italy, Portugal). In some extreme cases it has been recorded that there is a 50% youth unemployment rate in these Southern European states, as shown in Appendices I.

## Factors Affecting Youth Unemployment

As aforementioned, there is a clear distinction between youth unemployment rates and adult unemployment rates; the youth unemployment rate is higher. There are several reasons as to why the youth unemployment rates are this high; it is important to note that

youth unemployment trends are super-cyclical and therefore fluctuate more violently than those of adult unemployment rates. Firstly, young people are always the most affected when there is an economic turndown. This is simply due to the fact that they tend to be the workers with the least experience, their work place has most likely invested a lot less training time with them, and they are probably working on a short-term contract which indefinitely gives them very little seniority and very little power.

Secondly, many young people are very attached to their families and thus, despite potentially having the option to move to a country that has more employment possibilities, they will be held back. However unlikely this reason may be, it is not one that should be ignored. Lastly, young people also tend to have fewer financial obligations (family support, etc.) and this allows them to take employment less seriously.

### *Youth Unemployment Trends*

Almost every country in the world suffers from youth unemployment, some more than others. It can be seen more clearly in major economies undergoing an economic crisis, such as those in North America and Europe. It is important to note that economies in South Asia do not have such a large unemployment rate, simply due to the fact that they are only beginning to flourish and reach their full potential.

### **The Three Main Causes**

At the end of the day, the cause of youth unemployment can be narrowed down to three key factors: inflexible labor markets; increased educational expectations; temporary contracts.

'Inflexible labor markets' refers to the differences between adults and youth. In many nations temporary workers – who commonly tend to be the youth – do not have as many rights as their older counterparts who have permanent contracts. The youth do not have the same job experience or job security that comes with working for a long period of time. Furthermore, it is important to note that commonly the youth have a smaller social network. In other words, young people do not have the contacts that you build over time through working in a firm and enabling you to create good relations that could have an impact in your future career. In many professions, such as politics, the only way to get far is by knowing people and having good relations; these cannot be obtained without experience.

Increased educational expectations refer to the fact that youth, in today's world, are expected to have more education in order to compete for work. This is a phenomenon that has been named credential inflation or academic inflation. To measure whether youth applicants are

good potential employees, employers use credentials. In addition to this, employers have also used this as a screening method so as to ensure that youth meet the requirements needed for the task. This has led to youth having to spend more time in school for the profession they wish to pursue and this ultimately causes an equivalent rise in average age when full-time employment begins.

Temporary contracts, as mentioned earlier, are commonly the contracts that young people are employed under. This makes them easier to be laid-off and youth, for this reason, are not normally eligible for redundancy payments because they only worked for the company under a short period of time. In addition to this, young employees find temporary forms of work (internships, seasonal jobs, contract work, graduate research assistantship) which are put into play to allow young people to build experience, although this is in many cases ignored by the employer.

### **Economic Impact of Youth Unemployment**

The economic impact that youth unemployment can have is huge. There are two perspectives from which this can be viewed. Macroeconomics and Microeconomics implications of this issue provide much more insight.

#### *Macroeconomic implications*

There are many LEDCs that have a very high youth unemployment rate; this brings a number of implications for a national fiscus. These governments commonly tend to provide 'Study Loans' to help and encourage young people to go to university. Once these students have graduated from their studies they are expected to repay a specified percentage of the money that was lent to them over the course of their study – this is not feasible without the individual having a source of income, and this is where the problem lies. Seeing as how more and more individuals are unable to pay their debts, the governments need to find money to continue to help put students through school. Consequently, money that would have otherwise been used to finance development projects or other important initiatives to stimulate economic growth are used to close this gap.

Furthermore, from youth unemployment arises the issue that an economy is generating tax revenues that are not even close to tapping their true potential. As a result governments are forced to borrow money and/or lower the efficiency of delivery of goods to the public. This inevitably leads to slow economic development.

### *Microeconomic Implications*

Labor economists have agreed that if at an early stage of a worker's career by being unemployed, his/her salary is penalized; this sometimes lasts their entire lifetime; labor economists refer this to as "Scarring". Young people who have been victims of an unemployment spell will always enter the labor force with a more diminished amount of stock of human capital, as oppose to other identical individuals that were not victims of youth unemployment. Fortunately, the unemployment spell effect on the potential salary of an individual decreases through time; of course, this is subject to the human capital shock by the victims of the spell.

The vulnerability of households is also increased by the effects of youth unemployment. This issue arises from the fact that unemployed youth become very dependent on their family. While these people remain unemployed and do not bring in any income, although the rest of their lives continues. This ultimately results in a lot of pressure being placed on households; families are forced to sell their assets and/or borrow money and this only increases the vulnerability of households. To comply with consumption needs during times of unemployment, many families lower their savings and sell possessions.

## **Major Parties Involved and Their Views**

### **International Labor Organization (ILO)**

The International Labor Organization (ILO) has played a huge role in attempting to solve the issue of youth unemployment. Their goal, with regard to youth unemployment, is to find a way to cater for the development of rising economic capacities and the chances provided for social inclusion; they are looking for economic growth and decent work for all. The ILO strongly believe that the negative effects of unemployment are things that should be learned from, and that from there, a solution to this issue can be found.

They believe that this generation of youth can be referred to as a 'lost generation', due to the currently staggering rates of youth unemployment. The heart of the issue is, in the eyes of the ILO, inequality. The ILO believe that more intergenerational integration should take place, and that equal rights should be established for men and women alike.

## Organization for Economic Cooperation and Development (OECD)

The Organization for Economic Cooperation and Development is an organization that focuses on promoting, stimulating, and maintaining stability with regard to a nation's economy. Through doing this, they are attempting to avoid another major economic crisis. The OECD accomplishes this by tackling the economic, social and governance challenges of any and all economies that are internationally recognized.

## European Union (EU)

Since early in 2013 the unemployment across all member states of the European Union (EU), which are members of the 'Euro zone' (members of the European Union that use the Euro as their currency), have reached extremely high levels: 12.2% of youth are unemployed. This number has been rising exponentially since late 2011, around the time when the global recession hit the continent. Although it is important to note that nations such as the Netherlands live in prosperity and almost all of their inhabitants satisfy their needs, the southern European economies (Portugal, Spain, and Greece) are undergoing an economic contraction with the need to deal with austerity measures imposed by the EU, the European Central Bank (ECB), and the International Monetary Fund (IMF). The total number of unemployed youth in the 'Euro Zone' is 19.2 million, as oppose to that of the EU that as a whole is 26.7 million unemployed youth.

## United States of America

The United States of America has also experienced a great increase in youth unemployment. The current youth unemployment rate in the United States is 15.8% (African-Americans have 23.8%, Hispanics have 16.6% unemployment rate amongst youth). The federal and state government is deprived of 8.9 Billion US Dollars annually in lost taxes. If we decide to count the individuals that are not being educated and not in the labor force, the number of lost money to the government is 25 Billion US Dollars in a year.

## Timeline of Events

Date	Description of event
August 12 <sup>th</sup> , 2014	The International Labor Organization stated in their bi-monthly report that the economy of the international community is suffering deeply from youth unemployment. As a result of this report the United Nations sprang into action and established that there should be



	“Concerted and targeted measures to tackle the issue of youth unemployment”.
2007 & 2008	The worlds most developed economies sank into a global crisis; the main reason for this recession was the staggering youth unemployment rates.
August 12 <sup>th</sup> , 2010	The International Labor Organization once again sent out their bi-annual report that clearly stated that youth unemployment has reached a new record. As a result the unemployment rate amongst youth has risen from 11.9% to 13 %; it was predicted to rise to 13.1% worldwide by 2010, which it superseded.

## UN involvement, Relevant Resolutions, Treaties and Events

Naturally, the United Nations has worked to solve the issue of youth unemployment. There has been one resolution that was presented to the Economic and Social Council, passing and being implemented as a backbone for all member states to follow to attempt to solve the issue of global youth unemployment. In addition to this, there has been an initiative on youth unemployment. Both are listed below:

- United Nations Initiative on Youth Employment, March 2003 (**GB.286/ESP/5**)
- Promoting Youth Employment, 26 July 2006 (**A/RES/57/304**)

## Evaluation of Previous Attempts to Resolve the Issue

The International Labor Organization and the United Nations have been working extensively on this issue for nearly a decade. The ILO has conducted comprehensive research on the issue over a long period of time; from this they have advised all member states of the General Assembly on what steps should be taken to overcome the issue of youth unemployment. In the 39<sup>th</sup> plenary meeting of the General Assembly in the United Nations, a resolution was created and from there presented to the Economic and Social Council (ECOSOC) for them to approve and from there hopefully overcome the issue of youth unemployment.

There have of course been other solutions. The United States has proposed solutions to tackle the issue at hand, one of which is to restore a nation's economic vitality and

continue to work more intensely on keeping youth in school. But there have been more targeted solutions; below are two that have shown improvement around the world.

The creation of a 'Youth Guarantee'; this has put into play to ensure rights for youth all around the world. The mission statement for this program that "all young people under the age of 25 years receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of becoming unemployed or leaving formal education". This has shown to be a very successful program, especially in European countries such as Greece or Spain.

The United States of America has worked on resolving the youth unemployment crisis through requiring that middle school and high school programs greatly strengthen their work place ties. In other words, allow students more opportunities to internships, vocational training, and so on and so forth.

## Possible Solutions

As a committee in the United Nations we must first take into account that there obviously will not be a "one size fits all" solution. Realistic action must be taken within the Group of Twenty to help all nations develop their economies. There have been, as previously stated, responses to the issue at hand.

A solution that can be applied to almost any situation is education; many countries have shown that an increase in education establishments and quality have helped to create opportunities in the labor market. Despite the fact that this is being implemented there remain two key factors that are not being met: inappropriate matching of university degrees with a certain profession and overall lack of employment in a nation's economy. There are too many students graduating with scientific degrees or education, but there are not enough jobs being created to suit the needs of the global economy.

From this we can say that a main solution that should be considered is the use of Work-Based Education (WBE). WBE is a frequently used solution for the issue of youth unemployment; it gives all students an estimate of how easy/hard it is to get accepted to most organizations/companies in the current economy and explains the expectations of a real-world environment. Without any working experience the current generation becomes weak and vulnerable. They are almost always thought of as having little to no experience, and neither the physical nor emotional maturity needed for certain tasks.

All attempts to solve the issue should be brought to the committee room. To reduce the youth unemployment rates there are several policies and measures that can be adopted that will benefit the international community. At the end of the day it is the responsibility of the government to invest in education and training for youth in any and all professions that they may wish to pursue. Such investments could be career guidance, job search assistance programs, etc.

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## Appendix or Appendices

- I. [http://www.ilo.org/empelm/what/WCMS\\_114240/lang--en/index.htm](http://www.ilo.org/empelm/what/WCMS_114240/lang--en/index.htm) - This is a link to the key indicators of the labor market.

