

**OECD High Level Forum on Jobs for Youth
Addressing Policy Challenges in OECD Countries: The Business Perspective**

BIAC Discussion Note

Oslo, Norway
20-21 September

Introduction

BIAC welcomes the results of the OECD project on *Jobs for Youth* and the opportunity to participate to the High Level Forum to discuss the outcome of this important OECD Study as provided in the Synthesis Report.

BIAC generally supports the findings of the Synthesis Report, and is pleased to continue to work with the OECD on the important issue employing youth.

The following BIAC Discussion Note outlines business perspectives on the challenges facing youth employment in the recovery from the economic crisis in the following sections:

- The Importance of Youth Labour
- Youth Unemployment and the Impact of the Recent Economic Crisis
- Importance of Education and Vocational Training and Reducing Skills Mismatch
- The Role of Business

The Importance of Youth Labour

Youth are the future of our societies and a critical resource for innovative productive economies. Young people bring fresh perspective and expertise to the workforce, which stimulate and shape development of our societies and contribute to growing economies.

Governments have a responsibility to ensure that young people leave school equipped to make a successful transition from school to work, and to assist those disadvantaged youth who face the greatest barriers to enter or reenter the work force.

However, addressing youth employment requires the co-operation and commitment of all stakeholders, and business is committed to working with youth, governments, schools, trade unions and other relevant stakeholders to improve the opportunities for young people in the labour market.

Among the main obstacles cited by BIAC Member Organisations to improving youth employment rates include weak economic recovery, lack of qualification, skills mismatch, rigid labour markets, high minimum wages, and ineffective social policy in OECD economies, and a lack of sufficient apprenticeship/work experience opportunities for youth.

In recent G20 Labour Ministerial process, one of the key messages communicated by United States business was the critical importance of improving the work readiness of young people through better education and training in schools and in partnership with business. This is message universally supported by the OECD business community.

Likewise local market conditions matter. Each youth labour market is different. Regardless of economic circumstances there is no one size-fits-all approach able to comprehensively respond to the diverse location and socio economic situation of young people.

A successful approach to employing youth must take into account the national and local context of communities and must include the range of interdependent policies necessary to creating sustainable employment opportunities. Labour market policies must be pragmatic and linked with education, training, economic and social policy, to effectively activate all youth into productive jobs.

Business has a key role in this process and is committed to engagement and action to support youth employment and their transition from school to work.

Youth Unemployment and the Impact of the Recent Economic Crisis

While rates may vary by country, youth unemployment challenges are a universal phenomenon for all OECD countries – exacerbated by the recent economic crisis. In high growth periods prior to the crisis, youth unemployment rates decreased in a number of OECD countries, however this progress has generally been lost in the crisis, and is further hampered by persistent high unemployment given the weak economic recovery. High youth unemployment has the potential of having significant negative social and economic consequences.

This is a most worrisome situation for our societies and necessitates that governments intensify efforts to target young people in the recovery process of the crisis-ridden economy through programs which provide well designed incentives for youth to study, train and work, in order that they do not become detached from the labour market.

Importantly, there must be jobs available in order to employ youth. As governments continue to face enormous challenges to act under increasingly tight budget constraints, they must step up their commitment to structural reform across key policy areas in an integrated

fashion in order to stimulate sustainable enterprise activity, which is necessary for the return to sustainable job creation. Regulatory frameworks, which promote competition, innovation, trade and investment, remain a top priority and should be seen as a necessary part of the strategy for youth employment.

SMEs are also an important source of jobs for young people, and government frameworks across all policy areas must facilitate their capacity to provide jobs.

BIAC Members have noted that it will only be after stronger sustainable economic growth and a more positive economic outlook is realised, that companies will have greater confidence to recruit more skilled and unskilled young workers.

Achievement of stronger growth in the OECD area is thus fundamental to youth employment, and structural reforms across policy areas will contribute to a sustainable recovery and job creation.

Importance of Education and Vocational Training and Reducing Skills Mismatch

Education and training are the main factors in improving job readiness and employability of young people at all skill levels.

Governments must invest in education and not reduce funding, despite current fiscal constraints by implementing reforms for more efficient and quality education systems. This will involve cost-saving in certain parts of education systems and further investment in other parts.

Today's school curricula need to focus on "21st Century Skills. Skills such as critical thinking, teamwork, interpersonal social skills, interdisciplinary skills (such as financial and environmental literacy), and entrepreneurship are increasingly important for young people to adapt to changing labour market needs including in emerging innovative sectors. Improving the international recognition of qualifications and boosting skills in foreign languages will be important for increasing mobility where career paths are global.

Initial education including emphasis on the importance of lifelong learning, provides the foundation for learning and adaptability throughout life. Focus on improving early childhood learning is important in this respect, in order to help limit dropout at later stages and support is needed to ensure that more people complete secondary education. Where young people have dropped out of school, systems should provide opportunities for a second chance to fulfil qualification and degree requirements.

Governments also need to create more access to VET systems and facilitate transfer between VET systems and higher education. There should be more VET options in schools, including higher levels of qualifications, allowing for movement between VET and tertiary education. Developing a positive perception of VET programmes should also be a priority in this area.

Companies provide training programmes for youth, internships and apprenticeships. They are active in communities and work with schools to provide positive environments that cultivate values for learning, develop work ethic, and entrepreneurship skills which contribute to enhanced opportunities for youth in the labour market.

Business has been working to provide internships and apprenticeships in the context of the economic crisis. For example in the Netherlands, social partners do their best to ensure every school-leaver who is unemployed for 3 months will get an internship in a company. In Denmark, business organisations are encouraging companies to take on apprentices including to offer a monetary incentive of 50,000kr for every new placement under a new scheme implemented in 2009 and financed by the Employers' Apprenticeship Compensation (AER) fund. Skoda Auto took the initiative to establish their own schools and apprenticeship facilities in the Czech Republic. German business has also emphasised the combination of learning and practice – as reflected in the German apprenticeships system. Such elements should be strengthened overall, including the importance of having more practical application taught in schools. BIAAC Members have also commented that despite ongoing efforts to create apprenticeships, there remains more to be done to improve the apprenticeship “image” overall.

Education and training of young people can be made more effective with the support of dialogue and partnerships between employers, academic institutions, and governments, and business dialogue with schools and guidance to curricula development can help to address and reduce the problems of skills mismatch including by actively dispatching professionals to schools and VET programs.

The Role of Business in Job Creation for Youth

Business is committed to close cooperation and partnership with governments and schools to engage youth and improve their prospects for a productive career in the labour market. In the most fundamental sense the first role of business is to create jobs.

Structural barriers to job creation require the attention of governments for immediate reform, especially in this current recession. Job creation for youth in the private sector can be supported by a number of key policy actions:

- ***Reduce labour market rigidities:*** Structural reform of labour market rigidities including overly stringent employment protection legislation must continue. More flexibility in labour markets will increase capacity to hire and retain employees including youth.
- ***Ensure flexibility in approaches to work:*** Temporary and part time work, including as youth continue their studies, can be an important stepping stone for youth into permanent employment, or in the development of skills for a developing career. Such contracts should also be effectively linked with social benefit systems.
- ***Ensure minimum wages do not create barriers to youth employment:*** Minimum wage polices designed for youth can facilitate hiring of young people, in particular for low skill jobs.

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- **Reduce non-wage labour costs:** Reduction of non-wage labour costs, through for example, reduction of some social security contributions and fiscal cost, can have immediate effects, and will also improve companies' ability to hire once the crisis has abated.
 - **Focus on youth in ALMPs:** ALMPs effectively linked with social protection systems, training opportunities, and employment services should also be tailored for youth, and assist in keeping them attached to the labour market. Often businesses can provide work and training to youth in the context, and should be engaged in the dialogue with governments in the design of ALMPs to increase their effectiveness.

An example of business action through tripartite co-operation in the recent crisis includes the 2010 joint statement of the Nippon Keidanren (Japan Business Federation and Rengo (Japan Trade Union Confederation) on employment stabilisation measures for youth. The Joint Statement calls on business to hire as many school leavers as possible; enhance the transparency of the hiring process and to base hiring decisions on individual merit; to take steps regarding avoiding impact of social norms on business job offer withdrawals; to cooperate with "job card systems", and to dispatch technical instructors to public vocational training programmes.

Conclusion

BIAC emphasises the importance of multi-stakeholder dialogue and co-operation, particularly for youth employment. The OECD Jobs for Youth Study shows, that while much action has been taken, there is a need for governments and business alike to continue investment in improving the prospects for youth and to support their transition from school to productive employment.

BIAC encourages OECD to undertake further analysis to monitor developments regarding youth employment including stocktaking of initiatives underway that may contribute to identifying best practices. BIAC also encourages OECD analysis on skills matching with labour market needs through the proposed "OECD Skills Strategy".

BIAC looks forward to continued work with OECD to develop effective policy approaches for youth employment.

Business Recommendations for an Effective Youth Employment Strategy

The following list summarises the policy recommendations suggested by business in the preceding BIAC Discussion Note on Jobs for Youth: Addressing Policy Challenges in OECD Countries: The Business Perspective.

1. Ensure frameworks for productive sustainable employment of youth

There must be jobs available in order to employ youth. In the recovery from the economic crisis, governments will continue to face enormous challenges to act under increasingly tight budget constraints. In this climate, governments' commitment to structural reform is critical to stimulate sustainable enterprise activity and which is necessary for the return to sustainable job creation. Regulatory frameworks which promote competition, trade and investment remain a top priority and should be seen as a necessary part of the strategy for youth employment.

2. Reduce structural barriers to employment for youth

Reduce labour market rigidities: Structural reform of labour market rigidities including overly stringent employment protection legislation must continue. More flexibility in labour markets will increase capacity to hire and retain employees including youth.

Ensure flexibility in approaches to work: Temporary and part time work, including as youth continue their studies, can be an important stepping stone for youth into permanent employment, or in the development of skills for a developing career. Such contracts should also be effectively linked with social benefit systems

Ensure minimum wages do not create barriers to youth employment: Minimum wage polices designed for youth can facilitate hiring of young people, in particular for low skill jobs.

Reduce non-wage labour costs: Reduction of non-wage labour costs, through for example, reduction of some social security contributions and fiscal cost, can have immediate effects, and will also improve companies' incentives to hire once the crisis has abated.

3. Implement active labour market policy (ALMPs) to move young people into employment

Focus on youth in ALMPs: ALMPs effectively linked with social protection systems, including the opportunity to develop skills and competencies, and employment services should also be tailored for youth. Emphasis of ALMPs should

be on employability, enabling young people and companies to facilitate entry and re-entry to employment in an easy, efficient, and timely manner to avoid long term unemployment.

Ensure that social benefit systems promote employability and incentives to work: To the extent possible, social spending for youth should be aimed at supporting employability and re-entry to the workforce as soon as possible, to avoid long term unemployment.

Target the most vulnerable and disadvantaged youth: Disadvantaged youth including school drop outs, low skilled, and immigrants, require targeted initiatives. Policy frameworks should provide support for Governments, schools and business cooperation to provide necessary support and work opportunities for this group.

4. Ensure Quality Education and Training

Invest in and reform education: Governments should not reduce funding for education, despite current fiscal constraints, and should implement reforms for more effective, efficient and quality education systems. This will involve cost-saving in certain parts of education systems and further investments in other parts.

Ensure access to quality initial education: Initial education should instill the importance of lifelong learning and should provide the foundations for learning and adaptability throughout life.

Focus on “21st Century Skills”: Skills such as critical thinking, teamwork, interpersonal social skills, interdisciplinary skills (such as financial and environmental literacy), are increasingly important for young people to adapt to changing labour market needs.

Target school leavers: A key element to improving future employment prospects of youth is to keep them in school until they are functionally literate and numerate, and achieve a recognised academic qualification. Focus on improving early childhood learning is important in this respect, in order to help limit dropout at later stages. Where young people have dropped out of school, systems should provide opportunities for a second change to fulfil qualification and degree requirements.

Create more access into VET systems and facilitate transfer between VET systems and higher education: There should be more VET options in schools, including higher levels of qualifications, allowing for movement between VET and tertiary education. Developing a positive perception of VET programmes should also be a priority in this area.

Improve career guidance: Policies should provide frameworks for career advisors to work closely with local and national employers, and include initiatives to improve information and dialogues with the private sector on training and labour market trends and opportunities.

Equip youth to enhance their mobility: This means that individuals should be increasingly adaptable to seek jobs in new locations and in new economic sectors.

Improving the international recognition of qualifications and boosting skills in foreign languages will be important for increasing mobility.

5. Reduce Skills Mismatch in the Labour Market

Effective dialogue and partnerships between employers, academic institutions, governments, and importantly youth can contribute to better skills match for young people entering the labour market. BIAC encourages OECD analysis on skills matching with labour market needs through the proposed “OECD Skills Strategy”.

6. Invest in Developing and Improving Public Services

Public services, including health, education, child care services, transportation and housing infrastructure, are important elements of an effective social safety net, as well as important contributors that ensure people have the best chances to find and remain in employment – these sectors are also a source of future jobs. This is also a critical element for youth.

7. Promote Youth Entrepreneurship

Instilling the values and skills of entrepreneurship, and creating the necessary frameworks to implement these skills, can contribute to enhanced opportunities for youth in the labour market. These entrepreneurial skills can be developed with business in coordination with educational institutions.

Policy solutions also need to be reached that help young people working in the informal economy to access the requirements to function in the formal economy. (i.e. initial education, access to market information, access to credit and capital, insurance, technology, skills and training).

In this context the needs of SMEs should continue to be a policy priority in employment policy, and can be an important source of employment for youth.

8. Promote Active Social Dialogue on Youth Employment Issues

Dialogue between all relevant stakeholders is critical to reaching pragmatic workable solutions that support youth employment, and the school to work transition. Public private partnerships are also working to support opportunities for youth training and work opportunities.

Recommendations for OECD Work Related to Youth Employment:

- BIAC encourages OECD to undertake further stocktaking of initiatives aimed at youth employment including in the private sector with the aim to identify best practices.
- BIAC encourages OECD analysis on skills matching with labour market needs through the proposed “OECD Skills Strategy”. All relevant divisions of the OECD need to work together on the proposed Skills Strategy in order to successfully monitor trends and create scenarios for future skills needs.