

Committee: Economic and Social Council

Issue: Implementing Measures to Combat Youth Unemployment

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INTRODUCTION

One of the main issues in every governmental agenda is the issue of youth unemployment. In fact, based on the latest Eurostat figures available (April 2016), the youth unemployment rate, despite its decreasing course, remains at the high levels of 18,8%. Even though the youth are one fifth of the world’s population, they make up half of the global unemployed workforce. In an ever changing society, it is important to remember that the youth are the workforce of tomorrow. This means that countries should take measures to ensure that youth unemployment is a tackled issue since it will lead to significant developments and improvements for the future.

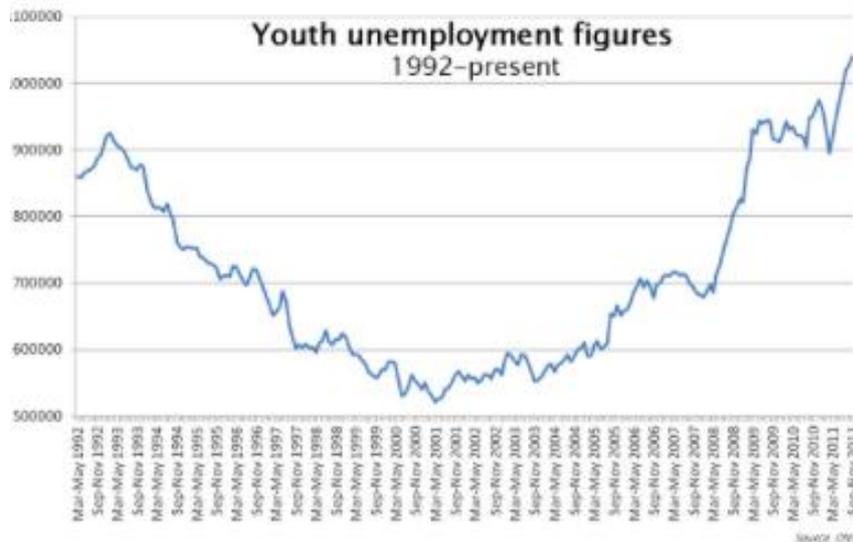


Figure 1: Chart Depicting Unemployment Rates as Time Progresses

DEFINITION OF KEY TERMS

Unemployment Rate

Percentage of unemployed labour force that is actively looking for a job

Skilled or Experienced Workers

Worker of a specific occupation. The terms skilled and experience are interchangeable.

Youth

Defined by UNESCO as any person between the age of 15 and 24

Minimum Wage

The lowest wage a worker can receive established by law

Comparative Advantage

The ability to produce something at a lower cost than competitors

Geographical Unemployment

Unemployment rate in a certain area where the amount of unemployed is more than the available jobs

Real Wage Unemployment

Occurs when wages in the market are beyond the equilibrium level, thus leading to a bigger supply of work forces compared to the actual demand of the market

Cyclical Unemployment

Loss of jobs due to Aggregate Demand downturn

Frictional Unemployment

Process of finding a job after losing a previous one

Aggregate Demand

Total demand for a good or service at a given time period

Black Market

Illegal market or underground economy

Labour Market

Market system in which skills are exchanged with compensations such as wages

Income Taxes

Government tax on a worker's income

BACKGROUND INFORMATION

Causes of Youth Unemployment

The issue of youth unemployment is a complex one, as it is a result of numerous factors. The main reason behind youth unemployment however, is poor macroeconomic performance. The industrial rigidities in the labour and product markets as well as the lack of educational qualifications that the youth employees have, are not seen as something “attractive” to employers looking to hire. In fact, the mismatch of skills in terms of demand and supply lead to greater unemployment levels and harm both the young employee market as well as the skilled workers one. In this case, the demand for employment is what raises competition between workers and firms. The minimum wage as well as employment protection and union coverage tend to decrease demand and do not give firms incentive to hire the latest college graduates. This leads to repression of the younger workers in the fast-growing economy we live in today with the exception of the computer and IT sector, where the younger generations tend to have a comparative advantage.

Additional issues that may affect youth unemployment may revolve around geographical factors, real wage, cyclical, frictional, cultural, and social as well as the black market and hysteresis. Moreover, due to geographical unemployment, there is a larger concentration of youth in certain areas than others. The inability to move to a new region for a job and thus have to remain in a city where the ratio of jobs to people is a fourfold is an obstacle for many young workers seeking for a job. Additionally, through real wage unemployment and market rigidities, younger members of society are paid less than the minimum wage in some cases and can therefore not support themselves with the money that is given to them, thus, in the hope for a better paying job, keep searching instead of settling. Cyclical unemployment is another important factor of youth unemployment; cyclical unemployment can also be called demand deficient unemployment due to the fact that there are more workers than available jobs. This harms the youth since in a time of recession, where

one can employ someone with twenty years of experience for the same wage as someone with no experience, they will naturally choose those boasting greater experience. Similarly, there is frictional unemployment, which mainly occurs following university graduation or an end of an internship. At that time period the young worker is actively looking for a job, yet they may not be able to find one instantly.

In the labor market, in many parts of the world there is also discrimination. This leads to another kind of unemployment, the cultural and social factor influenced one. That is unemployment not due to inability of skills, but due to background, beliefs, sexuality or gender and even though it does not directly reflect on the economy as a whole, it does, just like the other kinds of unemployment lead to hysteresis and therefore demotivation of the workers and disable them from being able to learn new skills and acquire experience from on the job training.

Consequences of Youth Unemployment

There are many consequences relating to youth unemployment. To the government, any kind of unemployment is a burden to the budget. Therefore, because of the welfare that the unemployed would be entitled to, as youth unemployment rises, the government's revenues from their potential economic activity decreases, while also the income taxes of the young workers are minimal to none, reducing as such the tax revenues of the government. This results in a slower long-term growth in the economy, as well as a lower Aggregate Demand, as the newer workforce begins to replace the older generations.

To the unemployed, the consequences of unemployment may seem harsher. An increase in unemployment can lead to an increase in the probability of depression or mortality of the worker as well as increased crime rates, hunger, disease, and homelessness. There is also human capital depreciation because of the decline in skills and motivation of workers leading to skill erosion. This, as stated by the IMF in their published report, "Scarred Generation", has a negative impact in terms of achievements in the work force. Finally, unemployment does not allow the younger generations to network and create valuable connections that may assist them in the future.

Youth versus Older Workers

When comparing younger and skilled workers, many firms tend to focus on hiring the most experienced ones in order to have a better result or keep the already existing and

experienced workforce on at the expense of younger employees. This negatively impacts eager new workers who cannot gain experience in any way other than through an internship. Although the idea of an internship seems like a good way to gain experience, since it can be exchanged for college credit and can possibly provide the student with a future job, the fact that interns do not get paid is something setting many people back. Many younger workers have student loans they need to pay once they graduate college, and internships do not allow them to make any income. This causes students to work for jobs which will not give them as much income in the future as a job with experience would, simply because they feel the need to repay their debts.

Strengths of Younger Workers

When employed, younger workers tend to have certain strengths and advantages in comparison to the older generations. First of all, younger workers tend to be more energetic since they may have never worked before and look forward to it. Additionally, due to the close proximity between their studies and employment, they tend to be better informed on certain fields as well as have a comparative advantage when the fields relate to technology. Also, because of their minimal experience, younger workers often receive lower wages than skilled workers. This may be an issue if they work below the minimum wage, something that occurs in the UK with workers between the ages of 16 and 18. This shows that lower income is preferable when compared to no income.

Why Firms Choose Older Workers

In some cases, firms may wish to employ skilled workers rather than younger ones. This is not only benefitting the firm, but certain indications have shown that older workers tend to have a specific set of characteristics that younger workers have little to none of; for example, according to the Entrepreneur website, skilled or older workers tend to be more dedicated and punctual when it comes to work. This improves work quality as well as brings trustworthy staff. Additionally, they are honest, detail oriented, and take pride in their work. This shows how they are always at focus, have a set of values with integrity and devotion within them, and are willing to stay at work later to finish a job. This, however, obviously does not apply to all cases and should not be perceived as a stereotype of any sort. By having experience in their sector, skilled workers are better organized and more efficient since they

are familiar with their surroundings at hand. They are also more mature since they know how to communicate in the workspace and can discuss or debate their ideas more freely.

Skilled workers can provide firms with efficiency as well as time. Since skilled workers do not need to be trained, they happen to be much more understanding when it comes to tackling a new task. Furthermore, skilled workers have reduced labour costs, which saves the firms a lot of money in the long term. Their previous insurance plan and willingness to work for less as well as the fact that they may have another income elsewhere shows that skilled workers do not work simply for the paycheck, but rather, because they love what they do.

Benefits of Employed Youth

Youth employment is not simply a benefit to society, but strictly a necessity. Youth employment brings along a new generation of experienced workers, with more innovation and creativity. They will no longer depend on older generations, something which will mark the beginning of their transition towards adulthood. By giving the younger workers jobs, we can promote integration in the society and dialogue between those who have previously been separated by outdated norms. This can also help combat poverty, increase productivity and healthy competition.



Figure 2: Chart Depicting Unemployment Rates Per Age Group as Time Progresses

MAJOR COUNTRIES AND ORGANISATIONS INVOLVED

European Union (EU)

There have been numerous projects associated with the EU in terms of solving the issue of youth unemployment. One of the largest ones, Youth Guarantee tries to ensure that nobody under the age of 25 is left unemployed for more than four months. This calls for all member states to undergo structural reforms that will allow them to give young people the assistance they need when searching for a job, an apprenticeship or to further enhance their education. Even though it costs the EU zone 21 billion euros per year (ILO estimate), it is an investment country should be willing to make, since unemployment, in terms of lost output and benefits for the unemployed can cost member states up to 150 billion euros per year.

In addition to Youth Guarantee, the EU has launched programs such as the Youth Employment Package which is the foundation of the Youth Guarantee, the Youth Employment Initiative, aiming to support people in regions with high unemployment and low accessibility to employment, occupational or training opportunities. Lastly, the EU has also adopted the a8-0366/2015 text on “Skills Policies for Fighting Youth Unemployment” in January 2016.

International Labour Organisation (ILO)

The ILO is the only multilateral UN agency and was established in 1919. Since the 1970's it has focused a lot of its work on protecting younger workers through the adaptation of specific labour standards. It has also created the Action Program on Youth Unemployment (1996-97), the Program to Combat Youth Marginalisation and Unemployment (1998-99) as well as the Youth Employment Program (YEP) which was set up in 2005. Additionally, the ILO has adopted two resolutions concerning youth unemployment in its International Labour Conferences.

Poland

In 1999, Poland underwent an educational reform which essentially expanded general education rather than vocational one. This redesign of the educational stages postponed the age at which students were separated by ability and altered the curriculum to include foreign languages and eliminate compulsory Russian among other things. This reform did not only improve students' test scores, it also allowed more students to do better in school and therefore lead to less dropouts.

The Netherlands

The Netherlands have also reformed their educational system to limit youth unemployment through education. In 1975, The Netherlands extended vocational programs by a year (from 3 years to 4) in order to provide an additional educational year to students as well as more general skills. Despite increasing the school leaving age by one year, the wages of students who left at 3 years of vocational training were the same as those with the ones which has 4 years. Additionally, The Netherlands have provided tax reductions to firms which offer to train their employees on the spot.

Sweden

In the 1990’s, there were two youth programs taking place in Sweden with efforts to minimise youth unemployment. “Youth Practice” targeted those who were between the ages of 18-24 and unemployed. These people were assigned positions in both public and private sectors as well as given an allowance. Through “Labour Market Training” the Swedish government provided subsidies in order for the unemployed to continue their job search.

France

France has also launched numerous programs that promote independent entrepreneurship, especially for those coming from lower income backgrounds. For example, the “Groupements de Creatur: Encouraging Youth Entrepreneurship n France” program selects randomly unemployed youth members of society and trues to train them with skulls that will help them launch their own business. Additionally, there is another program aiming to assist youth from disadvantaged urban zones with high unemployment rates with coaching for experience in firms or jobs that will allow them to become independent entrepreneurs. Finally, the French Public Employment Services partake in an experiment that provides to those who are under the age of 30 and living in low income urban areas with job seeking counselling.

TIMELINE OF EVENTS

Date	Description of Event
1975	Dutch government extension of vocational training programs
1990’s	Swedish Youth Programs launched

1996	ILO's Action Program on Youth Unemployment Established
1998	World Conference of Ministers Responsible for Youth
1998	Lisbon Declaration on Youth Policies and Programs
1998	ILO's Program to Combat Youth Marginalisation and Unemployment established
1999	Polish Educational Reform
2000	Youth Employment Network established
2005	International Labour Conference
2005	Youth Employment Program Established
2012	International Labour Conference
2012	Youth Guarantee Launched
2016	EU "Skills Policies for Fighting Youth Unemployment" Resolution Adopted

UN INVOLVEMENT: RELEVANT RESOLUTIONS, TREATIES AND EVENTS

United Nations Resolution on Promoting Youth Employment: A/RES/57/165

General Assembly resolution recalling previous resolutions as well as requesting for improvements on the youth employment programs that are already existing and encouraging for national reviews and action plans in terms of the youth unemployment issue from each country as well as invites NGO's such as the ILO and World Bank as well as the Secretariat to assist the process.

ILO Report on the UN initiative to youth employment

<<http://www.ilo.org/public/english/standards/relm/gb/docs/gb286/pdf/esp-5.pdf>>

ILO Report, "A Youth Employment Crisis: A Call For Action"

<http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_185950.pdf>

Reports of the ILO addressing youth unemployment in terms of context and background information on the issue, recommendations, economic principles, and an ILO resolution.

ECOSOC Resolution on Promoting Youth Employment

<<http://www.un.org/esa/socdev/unyin/documents/eres200615.pdf>>

Resolution from the 39th ECOSOC Plenary Meeting which discussed and tried to tackle the issues pertaining to youth unemployment through the promotion of it.

ECOSOC Resolution on “Promoting Full Employment and Decent Work for All”

<<http://www.un.org/en/ecosoc/docs/2008/resolution%202008-18.pdf>>

Despite not being directly aimed at youth unemployment, this resolution tries to tackle unemployment and gives emphasis to youth unemployment in clause 24.

Lisbon Declaration on Youth Policies and Programs

The Lisbon Declaration on Youth Policies and Programs is part of the UNESCO culture and peace program and took place between August 8 and 12th, 1998 in Lisbon Portugal. Through this declaration, governments aim to commit to the following: National youth policy, youth participation, youth development, peace, the promotion of education, the goal of full employment, promoting the development of health, raising awareness of drug and substance abuse, as well as reaching an agreement to commit to this declaration, urge other governments that are interested to join, invite the Secretary General to participate in the following conference as well as to consider strengthening the UN Secretariat’s Youth Unit, the promotion of studies and research in pertaining to the issue and finally to invite all relevant UN programs and agencies to take a stand and support national programs and policies that relate to youth employment.

PREVIOUS ATTEMPTS TO SOLVE THE ISSUE

In addition to the efforts of the aforementioned countries, there have been some further attempts to solve the issue of youth unemployment. Training programs such as Work the Change and Be the Change Academies for example, aim to help young people acquire all the necessary skills for successful careers. Crowdfunding sites such as Kiva or Youth Business International allow young entrepreneurs to receive loans for their projects from all over the

world in order for them to improve their initiatives and incomes. Facebook has launched an initiative for free accessibility to basic websites for those living in LEDCs and Computer Aid also provides 32 countries with IT education. This will help narrow the gap between those interconnected and those without accessibility to the internet. Finally, the 8th Sustainable Development Goal, (SGD8) aims to ensure that everyone can secure decent work thus, limiting youth unemployment. Even though the deadline for the SDGs has not been met, they build upon the 8 basic principles of the MDGs, whose deadline has already passed.

POSSIBLE SOLUTIONS

Fortunately, there are many ways to solve the issue of Youth Unemployment. Maria Pinelli, an author at Forbes, recommends governments take ten specific steps to tackle the issue. These steps are: “

1. Funding mechanisms that are contingent on mentorship and financial education
2. Thinking outside the traditional “money” box
3. Public funding
4. Bank assistance in keeping credit moving
5. Targeting tax and business incentives to support young entrepreneur businesses
6. Supporting global mobility for young entrepreneurs
7. Simplifying rules and regulations
8. Encouraging entrepreneurship from role models as well as national
9. Regional and local culture entrepreneurship
10. Providing the ecosystem for success”.

Additionally, Frank-Jürgen Weise and Ankica Paun Jarllah argue in “Europe’s World” that the key of combatting youth unemployment is better public administration.

Similarly, the ILO issued an article in 2012 from the head of the ILO, Mr. Salazar, on the “Three Steps to curb Youth Unemployment”. The first step is “Combining classroom and workplace training”. By doing so, governments are taking the vocational education and training (TVET) approach which is followed by Northern European countries such as Germany and Denmark among others; countries which have some of the lowest youth unemployment rates worldwide. Additionally, Mr. Salazar states that the second factor to limiting youth unemployment is “integrating entrepreneurship in technical and vocational training” that is,

assisting students in designing and imagining their own businesses, making the training approach more attractive to them. Finally, the last step suggested is employment services since they “make the transition to work easier”. Through reputable employment services, the job decreasing period is limited. When working with TVET employers and institutions, the job search period becomes even shorter, thus helping young members of society become employed and avoid poverty.

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