



## Y20 Submission for the G20 Labour and Employment Ministers Meeting

Six years on from the Global Financial Crisis the global economy is far from achieving strong, sustainable, and balanced growth necessary to return its citizens to work. While economic activity is gaining momentum, despite a slow start to 2014, and risks to the global economy have receded unemployment is projected to remain well above pre-crisis levels out to 2018. Importantly, employment growth also remains below pre-crisis levels and is inadequate to absorb new entrants to the global labour market. This challenge is further exacerbated by the rapid digitisation of the global economy, which has intensified the skills mismatch and is predicted to see half the jobs in advanced economies become computerised in the decade.

Young people have disproportionately borne the brunt of the crisis; **75 million youth are currently unemployed, while more than 600 million young people aren't in education, training or employment- this equates to 1 in 6 young people.** Across all G20 nations the youth unemployment rate is at least 2-3 times the general unemployment rate and in developing countries 2/3 of young people are either unemployed or trapped in low quality jobs. Labour force disengagement is particularly pronounced for young women and girls, where the GDP per capita losses attributable to labour market gender is estimated by the IMF to be up at up to 27 per cent in certain regions. According to the ILO, the three year youth unemployment forecast shows no indication that the upward trend across these measures will slow.

**These challenges require the immediate attention of G20 leaders.**

**The Y20 urges G20 Labour and Employment Ministers to collectively prioritise concrete action on youth unemployment by:**

1. Calling on G20 leaders to commit to further concrete actions to address youth unemployment in the Brisbane Declaration;
2. Commissioning international organisations (ILO, WBG, OECD, IMF) to evaluate individual actions taken by countries to address youth unemployment and to provide a report to the TFE in early 2015 on best practice approaches to create youth employment, with recommendations on new G20 youth employment actions; and
3. Focusing country employment plans on unlocking private sector job creation and harnessing the entrepreneurial capabilities of youth & SMEs.

### **The Challenge and the Opportunity of Youth Employment**

Youth unemployment has substantial short-term costs for G20 economies: increased benefit payments; lost income-tax revenues; and wasted capacity. The London School of Economics estimates the cost of Britain's youth unemployment at \$8.06 billion, while the European Commission report youth unemployment costs them 1.21% of GDP, or €153 billion annually. Critically, youth unemployment also presents the G20 with the substantial long-term economic challenge of wage "scarring". ILO research shows that if a person is unemployed for a year under the age of 23, ten years later they'll earn 23% less for men and 16% less for women than their equivalent employed counterpart. The penalty persists, though it shrinks; at 42 it is 12% for women and 15% for men. In Australia, the numbers of long-term unemployed who are at risk of scarring has tripled in the last six years to 18%; in Europe, the figure is 32.4%. We are at risk of losing a generation. Without investment in youth jobs, the challenge of youth unemployment looms as a threat to productivity and sustainable economic growth in both the short and long term. The ramifications of scarring mean countries will fail to fully realise the potential of trade and infrastructure investments and to unlock the 'demographic dividend' of their youth populations.

Importantly, reducing youth unemployment by a mere 1% would add \$75 billion to the global economy and would contribute to the G20 goal to lift collective GDP by more than 2 per cent by 2018.

## **The Y20's Employment Recommendations**

The Y20 urge G20 Labour and Employment Ministers to consider the adoption of country-specific measures, with the following intent, within Individual Country Employment plans:

### **Improve economic incentives to promote youth employment and investment by:**

- Providing economic and regulatory incentives (such as tax and credit incentives) based on each country's specific needs through a collaboration of governments, banks, and the private sector for employers hiring youth in full-time positions or in structured and paid internships.
- Increasing public investment in gender inclusive, resilient and sustainable infrastructure and promoting the creation of Special Economic Zones to foster growth through development banks and public private partnerships.

### **Enhance coordination of the public and private sectors to promote economic opportunities and access to capital for SMEs and youth entrepreneurs by:**

- Decreasing cost of financing and fostering access to complementary financing channels by (i) supporting the creation of SME fund portfolios; (ii) promoting microcredit and crowd-funding.
- Encouraging and incentivising SMEs in achieving sustainable growth practices through (i) tax breaks to increase R&D and innovation; (ii) non-financial ratings with emphasis on participation of youth, women and vulnerable groups.
- Facilitating trade within domestic economies and international markets (e.g. youth commerce chambers, development banks).
- Reducing or delaying start-up costs for young entrepreneurs by offering fiscal incentives for youth- run start-ups as well as reducing bureaucratic hurdles to the set-up, financing and expansion of start- ups.

### **Ensure an inclusive and fair labour market based on upheld social standards as well as a stronger participation of women in the workforce by:**

- Working towards a set of non-discriminatory welfare standards (minimum wage and unemployment insurance).
- Committing to prevent the abuse of irregular employment especially within temporary work and sub-contractual employment.
- Ensuring equal opportunities for economic participation of women within both the developed and the developing world; encouraging flexible working arrangements and supporting facilities that cater to mothers and young families.

### **Promote balanced economic growth by enhancing rural areas' development with a youth-centric approach through:**

- Building the capacity of youth especially in rural areas by focusing on skill development, vocational education and apprenticeships to match the labour demand of local enterprises.
- Creating partnerships with academic, industrial and technological hubs, and the private sector to enhance knowledge transfer with mentorship programmes for young entrepreneurs and inputs for educational curriculum design.
- Promoting investment in labour intensive industries (such as agriculture) that employ youth in rural areas and creating a supportive rural-urban linkage through reliable infrastructure.

### **Protect Youth Jobs and Promote Decent Employment by:**

- Addressing youth unemployment as a priority in their country action plans. We recommend the inclusion of youth employment targets within country plans, and the adoption of a common set of youth unemployment metrics. G20 governments should undertake critical evaluation of existing youth employment initiatives and scale-up successful programmes which could include partnerships between universities, businesses, communities and government.
- Guaranteeing decent employment conditions for youth, in line with the spirit of respecting social and labour rights by considering implementing 'intern accords' to prevent the risk of interns being exploited.

### **Improve Labour Mobility and Global Education and Skills training by:**

- Creating a framework to address barriers to the labour mobility of students and young professionals across the globe, including: international accreditation of educational qualifications and diplomas, content of courses, grading systems and an information portal for jobs skills requirements; and making visa procedures simple, transparent, objective and non-discriminatory through electronic applications with reduced costs.
- Strengthening the B20/G20 Global Apprenticeship Network in order to provide relevant education and skills development and match youth with prospective employers.
- Developing governmental and public-private programmes through which provide financial and visa assistance for education to qualifying students in exchange for a set period work commitment in their home country