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14. Labour market inequality between youth and adults: a special case?

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14.1 INTRODUCTION

Inequality between youth (defined here as persons aged 15 to 24 years old) and adults is a key characteristic of labour markets worldwide. In almost all countries, the youth unemployment rate is more than twice the adult rate, the risk of precarious conditions of employment tends to be higher and wages tend to be lower. Moreover, during economic crises, young workers are disproportionately affected because of their precarious labour market integration. In the absence of effective policy intervention and decent labour market opportunities, the difficulties faced by young people are likely to mushroom into wider problems for economy and society, with several countries during the current economic crisis warning of a lost generation, undermining countries' growth potential and routes out of poverty (Scarpetta et al., 2010; ILO, 2013). Nevertheless, unlike other types of inequality analysed in this book, inequality between youth and adults is not necessarily undesirable per se: for example, higher unemployment rates might reflect an unavoidable process of 'job shopping' as part of the transition between the educational system and the labour market, at least in countries with a significant formal labour segment. Moreover, lower wages may be a seemingly fair reflection of young people's relatively limited work experience and on-the-job training. At stake, therefore, is the question of what level and forms of labour market inequality ought to be tolerated and what types of institutional interventions are most appropriate in the particular country context.

The recent economic crisis in many countries has exacerbated many of the undesirable aspects of youth–adult inequalities, including intractably high youth unemployment rates, a worsening of conditions in formal and informal sectors and a rewriting of countries' social settlements, or social models (involving social security and tax contributions and entitlements to decent pensions, education and healthcare) that often disadvantage younger generations. A key challenge, therefore, is to identify where

the real problems begin: who are the youth at most risk of failing their transition from education to employment? Are young people more likely than older people to be locked out of the benefits associated with formal employment? Is inequality among young people perhaps more significant than that between younger and older people in the labour market? To what extent do labour market inequalities between youth and adults, as well as among youth, hinder efforts to diminish inequalities in society as a whole? What labour market institutions and policies can diminish these types of inequalities and provide young people entering the labour market with stable, fulfilling work and decent pay prospects?

This chapter addresses these questions in the context of regions and labour markets of different levels of socio-economic development. The character and extent of labour market risks faced by youth differ between developed and developing economies. Low levels of education, poverty, limited opportunities of formal employment and high shares of own-account and family-based working characterize young people's experiences in many developing country labour markets, while in wealthier economies young people are experiencing a transformation in traditional employment forms towards casualized contracts, reduced entry-level wages and social security and pension provisions despite bringing higher levels of education to the labour market. To reflect these different issues this chapter draws in particular on detailed findings for two contrasting regions that reflect the authors' expertise, namely Europe and Latin America, but also because Latin America is the developing region with the best coverage of periodical household surveys. The chapter also provides supplementary data on other countries wherever possible.

The chapter is organised as follows. Section 14.2 assesses three basic features of inequality in the labour market facing young people – namely unemployment, pay and access to the formal sector. Section 14.3 focuses on key features of vulnerability experienced by young people with a concern to understand the differential experiences among young people by economic class (household income) and gender. Section 14.4 asks what role labour market institutions can play in mitigating youth inequality and considers specific examples of education and training policy, employment protection, employer subsidies to hire youth and statutory minimum wages. Section 14.5 concludes with a summary of the issues and policy lessons.

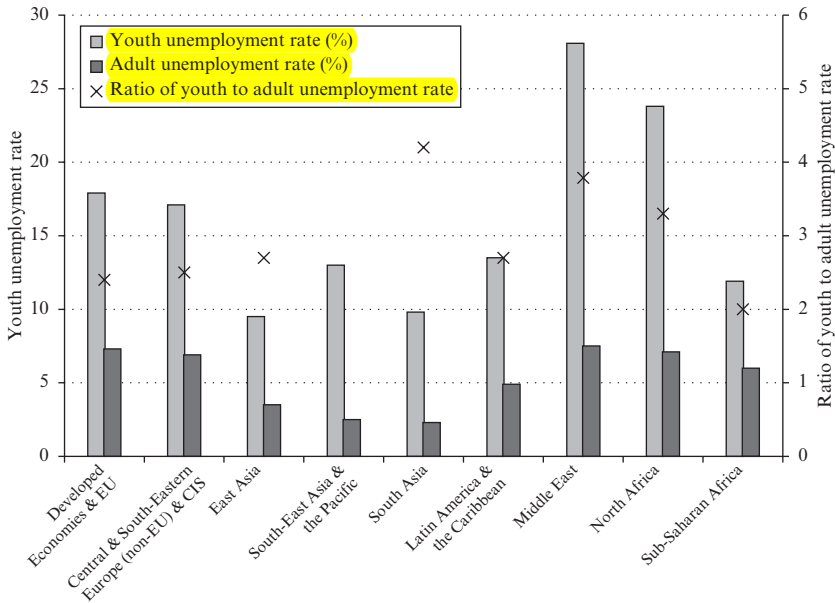
14.2 BASIC FEATURES OF YOUTH–ADULT INEQUALITY: UNEMPLOYMENT, PAY AND INFORMAL SECTOR EMPLOYMENT

While inequality between youth and adults as such is not necessarily a problem, the labour market situation for young people is likely to reach a tipping point, potentially leading to social and political unrest, especially where an increasing gap between youth and adults combines with a critical overall labour market situation. Such is the case of Spain and Greece, where youth unemployment in 2012 reached 55 per cent and 58 per cent respectively, and young people accounted for more than 40 per cent of the total unemployed. On the other hand, other European countries, such as Germany (8 per cent), Austria (9 per cent) and the Netherlands (10 per cent) have not experienced excessively high youth unemployment as a result of the crisis, both because overall unemployment has remained relatively low and because of favourable labour market institutions.¹

A key issue in assessing the degree of inequality faced by youth in unemployment relates to their risk of experiencing unemployment compared to adults. Around the world, this risk varies enormously, from a ratio of youth to adult unemployment rates of between 2.0 and 2.5 in developed economies and Sub-Saharan Africa to a ratio of more than 5 in the South East Asia and Pacific region (Figure 14.1). The extent to which such a risk factor is likely to drive policy action depends on other conditions. First, where overall unemployment rates are high for adults and youth, this ratchets up unemployment on the policy agenda regardless of the relative risk; such is the case in the Middle East region and Southern European countries at present.

Second, given the long-standing general decline in young people's labour market participation (Blanchflower and Freeman, 1999; Grimshaw, 2012), the significance of young people's higher rate of unemployment needs to be balanced against their share of total unemployment. In North Africa and South Asia, the youth–adult inequality of unemployment experience is significantly heightened by the fact that at a regional level young people constitute a majority of the unemployed (52 per cent and 53 per cent respectively),² far higher than the youth share of the working-age population in these regions. Comparing country experiences, we find a majority of youth among the unemployed in ten countries across a variety of regions in the world – highest in Zambia, Paraguay and Sri Lanka (Figure 14.2).

And third, policy attention to young people's unequal experience also needs to be responsive to the scale of the problem among the wider population of young people. In regions where participation in non-compulsory post-16 education is low, the rate of youth unemployment has a far greater

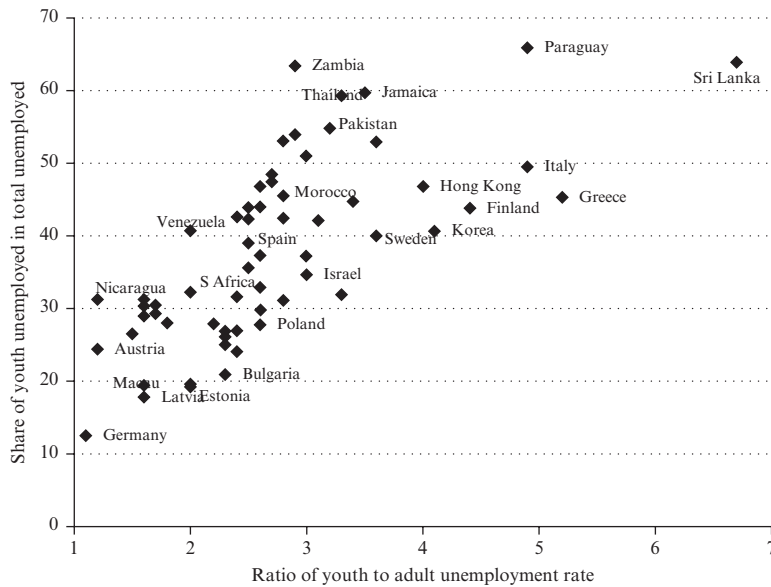


Source: ILO Key Indicators of the Labour Market (KILM) database, 7th edition, own compilation.

Figure 14.1 Youth and adult unemployment rates in the main regions of the world, 2012

significance because of young people's higher dependence on the labour market. Consequently, in Sub-Saharan Africa, a region with an apparently modest level of youth unemployment and a relatively low risk compared to adults (Figure 14.1), we find the highest share of the total youth population in unemployment (one in ten) coupled with the highest shares of child labour in the world, the lowest years of average schooling, and among the highest population growth rates and levels of poverty (albeit with variation within the region) (Guarcello et al., 2005).

A second basic feature of inequality between youth and adults relates to wages. While one might anticipate a wage differential given conventions of rewarding age, experience and expertise in a job, there is considerable variation in what the literature refers to as the youth 'wage discount' among countries, suggesting that differences in labour market institutions and age norms play a role. Within the OECD region, earnings data for the mid-2000s suggest that young workers (aged 15–24) earned on average around three-fifths (62 per cent) of the wages of older workers:³ the largest wage



Source: ILO KILM database, 7th edition, own compilation.

Figure 14.2 Indicators of youth unemployment: youth rate relative to adult rate and youth share of total unemployed

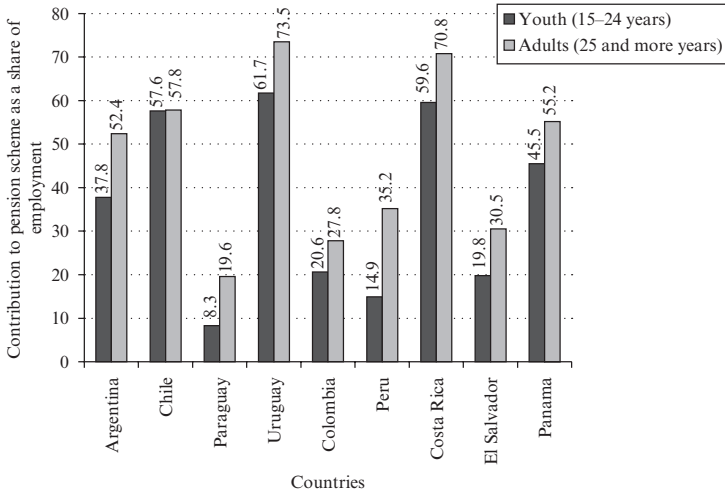
discount for age is found in the United States where young people earned just 55 per cent of that of adult workers and the smallest in Norway at 73 per cent. Using alternative definitions, ILO data for 2010 indicate that in South Africa youth earned around 75 per cent of the median wage of all workers and in Mexico youth earned 77 per cent of the average earnings of all workers (Grimshaw, 2012, p. 3). Furthermore, huge youth–adult wage gaps prevail in the cities of several West African countries: for example, in Niamey, the capital of Niger, young men and women aged 15–19 earned just 24 per cent and 28 per cent, respectively, of that of adult workers, and the older cohort, 20–24 years old, earned 44 per cent and 48 per cent, respectively (DIAL, 2007, Table 9a).

A focus on developing countries sheds light on a third crucial source of labour market inequality experienced by young people, that of access to the formal economy and the various protections that go with it. Many studies highlight the greater risk of vulnerable employment experienced by young people, with especially high shares employed as contributing family workers with meagre and sometimes zero remuneration (Huyn

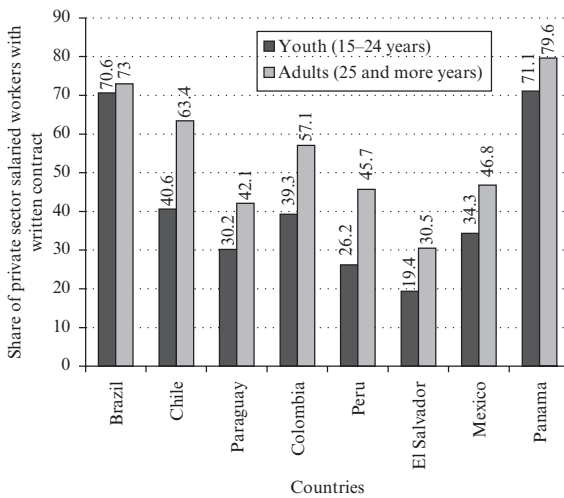
and Kapsos, 2013); moreover, exposure to family work is especially high among young people from poor households – estimated at around 60 per cent of youth employment in Cambodia and 40 per cent in Indonesia (ibid., Figure 15). Here we draw on special tabulations of labour force surveys from countries in Latin America for 2011.⁴ While informality and the corresponding access to social security is still a pressing problem for workers of all ages in Latin America (despite some recent progress, especially in Argentina), the situation for youth is especially worrying (Figure 14.3). The share of youth employment in jobs that make contributions to pension schemes is lower than the share of adult employment in all countries and is less than half the adult rate in Paraguay and Peru. Also, the share of private sector salaried workers with a written employment contract is significantly lower among young workers than among adult workers. Although labour legislation in some countries such as Paraguay does not oblige employers to issue a written contract, previous research (ILO, 1998; Valenzuela and Reinecke, 2000) shows that the absence of a contract is systematically linked to limited access to a raft of employment rights. Interestingly, Brazil and Panama, the countries with the highest coverage of written employment contracts among adults, are characterized by a small gap between youth and adults.

A further indicator of young people's limited access to some of the better conditions and employment rights often associated with the formal sector of the economy concerns their protection by trade unions. Pedersini's (2010) summary of EU developments is that young people 'seem to be almost invariably the most problematic group to organise'. In France, for example, only 3 per cent of young people aged less than 30 years old are union members compared to 8 per cent for all workers (Rehfeldt, 2010). Also, in four Latin American countries where union membership data are available by age group (Costa Rica, Mexico, Paraguay and Uruguay), youth are systematically less likely than adult workers to be affiliated to a trade union, by a factor of more than three in Paraguay and Uruguay. Explanations for their lower union membership point to the greater incidence of precarious employment status among young workers, their lower average tenure in the workplace, and union failings in mobilizing among young people. Available data by age group indicate that the share of fixed-term employment is higher among youth (15 to 24 years) than among prime age workers in all OECD countries except Australia (5.7 per cent vs 5.8 per cent). In some countries, such as Austria (35.6 per cent vs 5.0 per cent) and Switzerland (52.5 per cent vs 6.2 per cent), the incidence among youth is more than seven times higher and in nine out of 30 OECD countries more than half of young salaried workers are in temporary employment (OECD, 2013); see Cazes and de Laiglesia (Chapter 6, this

a. Coverage of social security contributions (percentage share of total employment): contribution to a pension scheme by age group



b. Written employment contracts (percentage share of private sector wage employment): availability of a written work contract by age group among private sector salaried workers



Source: ILO and ECLAC (2012, Table A-3). Own compilation.

Figure 14.3a,b Indicators of youth and adult access to formal sector employment benefits, selected Latin American countries, 2011

volume) for a detailed analysis of the interaction between fixed-term contracts and inequality.

Finally, many studies show that young people's weaker integration into formal, or standardized, employment makes them more vulnerable to the downturns of the economic cycle. As such, youth–adult inequality is heightened during economic crises. This vulnerability combines with other productivity-related characteristics of young people – in particular their relatively low tenure and less enterprise-specific human capital (OECD, 2006) – to generate heightened risks of unemployment and flows into inactivity. For this reason, the term ‘super cyclical’ was coined in the 1980s to describe youth employment and used in more recent research (Ryan, 2001). Moreover, a recent study of four Latin American countries (Brazil, Chile, Mexico, Peru) demonstrates that variation in youth employment rates is correlated more strongly to fluctuations in GDP than is the case for adults (ILO, 2007).

14.3 INEQUALITY AMONG YOUTH

Comparison of the gaps between the average labour market experiences of young people and adults obscures some of the more extreme patterns of vulnerability faced by many youth. This section considers evidence of inequality among youth in order to shed further light on the labour market integration problems discussed above:

- Data for Latin America disaggregated by income quintile and by gender illustrate the different nature of labour market entry problems for youth.
- While a ‘wage discount’ for youth may to some extent be justifiable, cross-country comparisons highlight the need for policy-makers to monitor both the youth share of low-wage work and exit rates to higher wage jobs.
- Youth face a range of difficulties making a transition from unemployment or inactivity into paid employment and suffer significant and long-lasting scarring effects, highlighting the need to improve opportunities for education and training to access better jobs.

Youth Labour Market Status in Latin America by Economic Class and Gender

As a first illustration of inequality among youth, Table 14.1 presents the key indicators of youth labour market status for the region of Latin

Table 14.1 Indicators of youth labour market status by household income quintiles, 2011

	Persons Between 15 and 24 Years										25 Years and Older	
	I					V					TOTAL	
	Men	Women	Total	Men	Women	Total	Men	Women	Total	Men	Women	Total
Latin America												
Unemployment rate ^a	20.9	35.9	26.7	7.1	9.0	7.9	11.6	17.3	13.8	3.8	6.1	4.7
Does not study or work ^a	20.3	40.6	31.1	6.7	11.7	9.0	12.4	28.5	20.4	18.1	46.8	33.2
Of which: household tasks ^a	13.7	70.2	52.9	18.8	62.3	45.4	14.5	69.5	52.7	23.4	77.3	63.4
With written employment contract ^b	25.5	15.8	22.1	62.9	67.1	64.6	48.0	52.0	49.5	63.0	58.4	61.2
Contributes to health insurance ^c	12.9	10.8	12.3	57.1	59.7	58.2	39.4	44.0	41.2	48.7	48.8	48.7
Contributes to pension system ^d	13.5	10.2	12.4	59.3	61.5	60.3	42.7	46.1	44.0	56.4	53.1	55.0

Notes:

- Includes Argentina, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela.
- Includes Brazil, Colombia, El Salvador, Mexico, Panama, Paraguay and Peru.
- Includes Argentina, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru and Uruguay.
- Includes Argentina, Brazil, Colombia, Costa Rica, El Salvador, Panama, Paraguay, Peru and Uruguay.

Source: ILO on the basis of household survey data from the respective countries.

America, disaggregated by income quintile and gender. Overall, the results show that for all five main indicators, the gap between poor youth and rich youth is more important than the average gap between youth and adults.

The youth unemployment rate for Latin American countries with available data in 2011 was 27 per cent among youth from the poorest income quintile, but only 8 per cent in the fifth quintile. Also, while women face a higher unemployment rate in all age groups and among poorest and richest households, the penalty is especially high among the poorest women, for whom the rate of unemployment was 36 per cent in 2011. The share of youth with NEET status (not in employment, education or training) was 31 per cent in the poorest quintile but only 9 per cent in the fifth quintile. Once again, the difference between men and women for this indicator is especially strong in the poorest income quintile, with a large number of young women who have withdrawn from the labour force and education due to household obligations (see below). Finally, in the poorest income quintile, only a very small minority of salaried workers have written employment contracts and access to social protection, while in the richest quintile, these indicators for employment are similar or even superior to those for the average of adult workers, for both men and women.

The structural problem of NEET status affects the employment prospects of a large proportion of young people, especially women, largely because of a high incidence of unpaid employment undertaking 'household tasks' (such as childcare or care for other family members). The results in Table 14.2 show that two in three young women with NEET status are in fact responsible for a bundle of household tasks, compared to one in ten young men with NEET status. Strikingly, the proportion is almost identical among very young women, aged 15 to 17 (65 per cent) and those aged 18 to 24 (66 per cent).

Among young people with NEET status in Latin America, therefore, two very different situations emerge. On the one hand, the high percentage of young women devoted to household tasks points to a problem that is not just a matter of young people's job prospects, but has more to do with work, gender relations and family, and in particular with the unequal distribution of tasks among male and female household members (see Chapter 12 on gender equality). In this context, the availability of services, especially of childcare facilities, has an important role to play, as has been demonstrated for the Brazilian case (Chioda, 2011). Nevertheless, the availability of such services seems to impact more on the number of hours worked and the formality of employment than on labour market participation as such (Martínez Franzoni and Sánchez-Ancochea, 2013). On the other hand, a significant percentage of young men (and young women too, to a lesser degree) do not work, study or perform household tasks;⁵ some

Table 14.2 The proportion of youth with NEET status undertaking household tasks by age group, Latin America (12 countries), 2011

Categories of Study or Work	15 to 17 Years		18 to 24 Years		15 to 24 Years	
	Youth not in education or employment (as a share of working-age population)	Household tasks (as a share of youth not in education or training) ^a	Youth not in education or employment (as a share of working-age population)	Household tasks (as a share of youth not in education or training) ^a	Youth not in education or employment (as a share of working-age population)	Household tasks (as a share of youth not in education or training) ^a
Latin America	9.9	18.3	13.3	8.0	12.1	10.7
Men	16.7	65.2	34.0	66.2	28.5	66.0
Women	13.2	47.4	23.7	50.0	20.3	49.4
Total						

Note: a. Calculation does not include Brazil.

Source: ILO on the basis of household survey data from the respective countries.

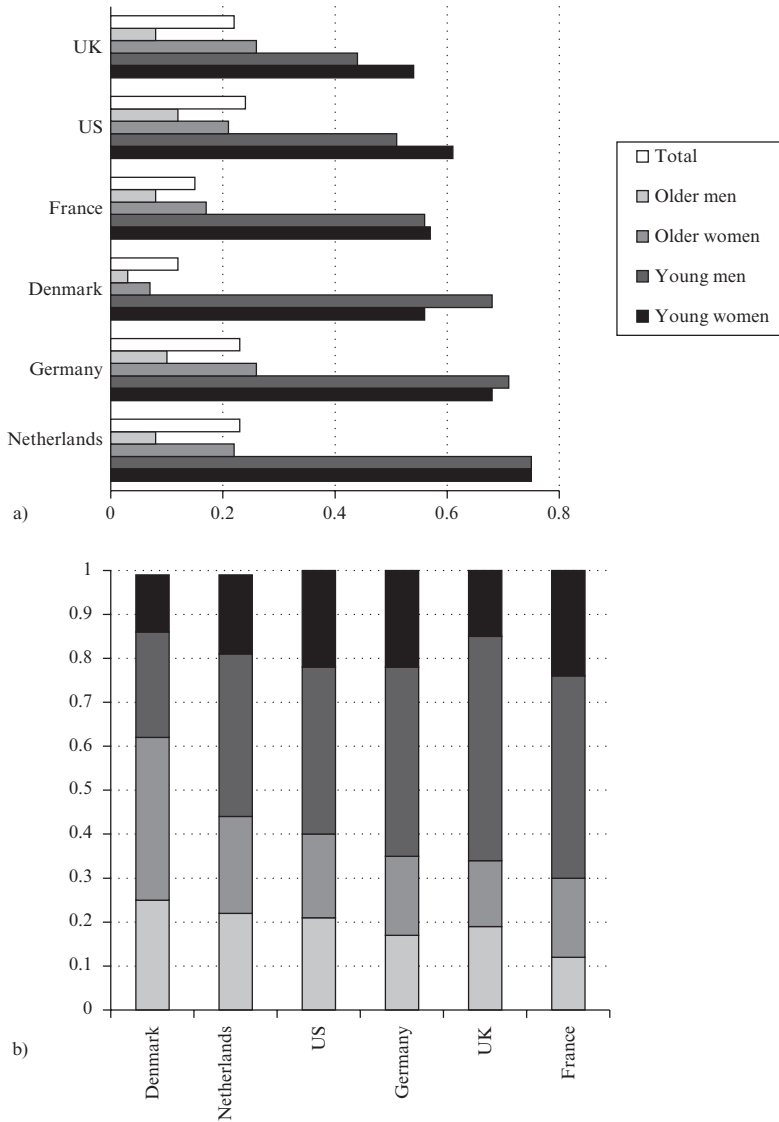
of them are looking for work, but others are not engaged in any of these activities. Although many young people find themselves temporarily in this situation, as part of a transition between different employment or educational activities, there is a core group of young people who are excluded from the labour market. This calls for a public policy response for the sake of both young people's own life prospects and social cohesion.

Low-wage Work Among Youth

Given the size of the youth wage discount (section 14.2 above), it is likely that young people in work face a considerably higher risk of being employed in a low-wage job than adult workers.⁶ Indeed for some countries, the bulk of low-wage jobs are in fact occupied by young people, which has a considerable influence on policy debates about the role of low-wage jobs either as stepping stones towards more stable better paid jobs or as low-wage traps.

Drawing on early 2000s data, the OECD *Employment Outlook* (2006) reported a higher incidence of low-wage work among youth than adult workers – at least twice the size – in all OECD countries for which data were available (2006, p. 175). More recent data for five European countries and the USA reveal that young women and young men are between 2.5 and 5.8 times as likely to be in low-wage employment as the overall average for the country (Mason and Salverda, 2010, Table 2.2). In terms of the absolute incidence of low-wage employment, a majority of young male and female workers are in low-wage employment in all six countries (with the one exception of young men in the UK for whom the low-wage incidence is 44 per cent) (Figure 14.4). The gender divide is mixed, with two out of six countries (UK, USA) recording a significantly higher incidence of low-wage employment among young women, two recording similar incidences (France, Netherlands) and two a higher rate among young men (Denmark, Germany). This contrasts markedly with the clear penalty experienced by female older workers among whom the risk of lower pay is consistently greater than among male older workers.

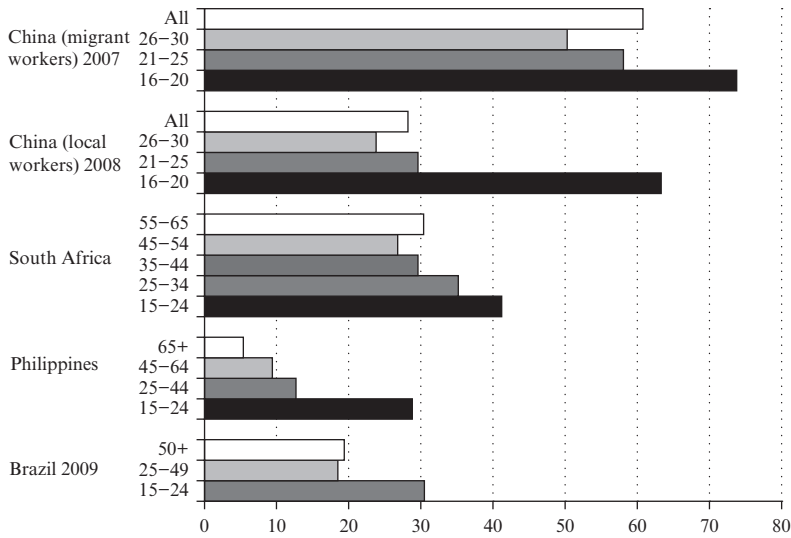
Because young workers experience a greater risk of low pay than older workers, they account for a disproportionate share of all low-wage workers, up to 62 per cent in Denmark, compared to a far lower share in France, just 30 per cent, explained by the lower relative risk in France than in Denmark (Figure 14.4). In Danish policy circles, therefore, low-wage employment is considered to be almost entirely a problem of young people and framed as a temporary problem associated with a 'transitional workforce' (Esbjerg et al., 2008). This is certainly not the case in other countries, however, where policy evaluations emphasize the fact that low-wage



Note: Low-wage employment defined as earnings less than two-thirds of the median for all employees.

Source: Adapted from Mason and Salverda (2010, Table 2.2).

Figure 14.4a,b The incidence and composition of low-wage employment among young/older males/females, Europe and the USA



Source: ILO *Global Wage Report* (2010b, Figure 23), own compilation.

Figure 14.5 The incidence of low-wage employment by age group in China, South Africa, the Philippines and Brazil

work is more a problem for the core-age workforce, especially women, and not the result of employers paying low wages to a young, inexperienced, more transient workforce (see, for example, Boushey et al., 2007 for the United States).

Country data collected by the ILO for its *Global Wage Report 2010/11* (ILO, 2010b) also show a consistently higher risk of low-wage employment among young workers than older workers (Figure 14.5). The risk is particularly high among young migrant workers in China where the data records a low-pay incidence of 74 per cent among 16–20-year-olds and 58 per cent among 21–25-year-olds, compared with an incidence of 28 per cent for all local workers.

While they experience a greater risk of low pay than older workers, young people generally enjoy a stronger chance of exiting low-wage work into higher paid employment. As Solow argues in a review of comparative data for Europe and the United States, ‘there are substantial differences among the countries, although mobility is fairly substantial everywhere, if only because younger workers eventually propel themselves into better jobs’ (2008, p. 6). Quintini and Martin (2006) show that only a very small share of young people in low-wage employment remained trapped over

a five-year period in their examination of 13 European countries and the United States. Exit rates nevertheless vary significantly across countries. The share of young people trapped in low-wage employment over a five-year continuous period varies from zero in Denmark to more than 10 per cent in the UK, USA and Greece, leading Solow (2008, p. 6) to conclude, ‘the self-image [of the USA] of an extremely mobile society is not valid, at least not in this respect’.

Trap or Transition and the Scarring Effects of Unemployment

A key issue for youth labour market policy is to smooth transitions into paid employment both to improve the productive capabilities of the economy and to minimize the long-lasting scarring effects of youth unemployment and time spent in a poor-quality job. Transition analyses show that country policies may be able to effectively target those obstacles that cause certain short-term transition problems as youth move from the educational system into the labour market, or from unemployment into paid work, but face major challenges of institutional design in addressing fundamental impediments that cause long-lasting failures to enter paid employment (see section 14.5). However, analyses of youth transitions are complicated for several reasons, including the lengthening of the transition period as education is extended and students combine education and casual employment, the difficulties of defining an end point when young people alternate between jobs, unemployment and inactivity and how to assess the many states of employment in developing countries where casual jobs, family work, household chores and self-employment are widespread (Guarcello et al., 2005; Matsumoto and Elder, 2010).

For Latin America, this literature is still scarce but some relevant studies exist. Cunningham and Bustos (2011), in their study based on household panel data from Argentina, Brazil and Mexico, present many results that appear to strengthen the ‘normal transition’ view, given the relatively high incidence of transition among youth from informal employment and unemployment into formal employment. However, the study also finds that workers from the poorest income quintile have less likelihood of moving from informal to formal employment than others, reflecting the relative lack of social mobility in these societies and contributing to overall labour market inequality. Not surprisingly, youth from poor households are more frequently trapped in bad-quality jobs than those from other income quintiles.

Paz (2012) and Maurizio (2011), based on household survey data from Argentina for the 2003–11 and 1995–2003 periods respectively, find that transition rates from unemployment into employment are lower for youth

than for adults. This finding is consistent with the earlier study by Lépore and Schleser (2007), which uses a panel based on household survey data from 1998 to 2000, although the difference between youth and adult transition rates from unemployment to employment is relatively modest. The study by Maurizio (2011) established that job rotation among youth is higher than among adults, even controlling for other variables that have an impact on rotation patterns. This study also highlights the heterogeneity of professional careers. For instance, seven years after initial labour market entry, 50 per cent of those who abandoned secondary education are in jobs with less than one year of tenure, whereas for those with university education, this share is only 26 per cent. Chacaltana (2005), in his study on Peru, confirms the generally high job rotation of youths. Rotation among youth was found to be linked on average to wage increases, that is, transitions to better-quality jobs. However, the study also found that the cost of job search was excessively high, especially in a context of high rotation.

The complexity of transition analyses is illustrated in Guarcello et al. (2005) study of 13 Sub-Saharan African countries. The study finds that the character of transition of young people who had attended school is strongly influenced by urban/rural residency and gender. Transitions are especially prolonged among young women in urban areas who in several countries enter the labour market at a later age despite quitting education earlier than young men (*ibid.*, Figure 10). An initial period of unemployment is 'not unusual' among these young people and 'extends well beyond what could plausibly be considered "wait" unemployment' (*ibid.*, p. 24).

The problem with poor transitions is that they not only have adverse immediate effects on a young person's income and perceptions of social inclusion, but also have long-lasting scarring effects on labour market prospects. High rates of unemployment experienced in many countries as a result of the economic crisis and a failure of active labour market policy make matters worse. While it is too early to examine the medium-term effects of the post-2008 crisis, past studies provide a good indication of the adverse effects. Scarpetta et al.'s (2010) analysis finds that a 1 percentage point increase in the unemployment rate at the point a young person enters the labour market reduces annual earnings by up to 8 per cent in the UK in the first year and, remarkably, still registers a 2 per cent penalty ten years on. In other countries, the initial effect is smaller but, in the case of France and Spain, it is longer-lasting – a scarring effect for up to 15 years after labour market entry (*ibid.*). In Japan, scarring is associated with the more limited opportunities for young people to enter stable, full-time employment and the need instead to accept non-regular, unstable employment forms. Genda et al.'s study (2010, p. 182) shows that entering the labour market during a recession 'has a persistent negative effect on earnings for

young Japanese men'. Moreover, the results suggest that entry during a recession not only lowers annual earnings but also, for lower-educated persons, increases the risk of non-employment and the acceptance of part-time employment; indeed, a substantial portion of the decline in earnings is attributed to the lower likelihood of regular, stable employment (*ibid.*).

For the UK, Gregg and Tominey (2004) find that youth unemployment imposes a substantial scar on subsequent earnings and the wage scar increases in size for individuals with a worse experience of unemployment when young. The results are striking (*ibid.*, pp. 13–15). In terms of the raw wage gap, an individual with a history of 13 or more months of unemployment when they were young experiences an average reduction in earnings compared to an individual with no youth unemployment of: 30 per cent (male) and 34 per cent (female) at age 23; 42 per cent (male) and 35 per cent (female) at age 33; and 32 per cent (male) and 25 per cent (female) at age 42 (*ibid.*, pp. 13–19). Education differences among groups affected by youth unemployment reduce some of this raw effect on wages, shrinking the actual scarring effect. However, the study also shows just why the rise of long-term unemployment among young people during the present crisis is so damaging. For both men and women, a period of unemployment for more than six months when young carries a scar on wages at age 42 of 6–10 per cent (*ibid.*, p. 19). The authors conclude that, 'interventions to reduce the exposure of young adults to substantive periods of unemployment could if successful have substantial returns in terms of the individual's lifetime earnings and could represent a good investment' (*ibid.*, p. 24).

In sum, transitions from unemployment and inactivity are more difficult for youth than for adults and the resulting jobs are often unstable, informal and precarious. The research demonstrates that these risks are especially acute for youth from low incomes and with incomplete secondary education. Given the well-known scarring effects of poor transitions for young people it is imperative for policy-makers to recognize the need for labour market interventions in areas of education and training, job search, employment rights and career development and design policy in response to heterogeneous patterns of labour market transitions among youth in developed and developing countries.

14.4 LABOUR MARKET INSTITUTIONS TO ADDRESS THE INEQUALITY BETWEEN YOUTH AND ADULTS

In some recent studies by the World Bank and the OECD, labour market policies are presented as possible culprits of persistent problems of

inequality faced by young people in a renewed argument pitched against labour market regulation, this time in the discursive framework of insiders and outsiders. In an argument reminiscent of the overly simplistic neoclassical economics thesis of the 1970s/1980s that the union wage premium destroyed jobs by sustaining wages above the market clearing level, OECD and World Bank reports now routinely argue that institutions that bolster employment protection, a high minimum wage and equal rights for part-time and temporary workers benefit incumbent workers at the cost of 'outsider' groups such as young workers. Our review of international experience of various labour market policies suggests this view is flawed – that young people's disadvantaged labour market position is not determined by the advantages associated with older workers' 'insider' status, that there is a great deal of fluidity and variability in labour market conditions and that better employment conditions through a strengthening and widening of labour market regulations can act as an effective incentive (as well as compensation) for transitions out of inactivity, unemployment and informal or unprotected work (for a gender critique, see Rubery, 2011). Instead, well-designed labour market institutions can diminish many of the disadvantages experienced by young people (see Table 14.3 for a summary of issues). In this section, we review examples of country policies that have improved the conditions for labour market integration of youth and diminished the gap in labour market indicators between adults and youth.

Education and Training Policy

The type of skill formation system and route from schooling into paid employment is one of the most important institutional features of a country that can facilitate young people's integration into the labour market and their entry into stable and fulfilling work with decent pay prospects. There is no consensus of policy approach however, with a range of country approaches reflecting reliance on 'market-led solutions' at one extreme (where decisions about training programmes for young people are largely made by individual employers) and incorporating collective solutions on the other (where decisions and policy are formulated by collective associations of employers and trade unions, as well as the state), as well as differences between an emphasis on general skills and skills specific to a firm or industry (Crouch et al., 1999; Rubery and Grimshaw, 2003; Whitley, 2007). Moreover, levels of economic development matter enormously in shaping levels of school attendance, such that education policy in many countries in the world is obliged to focus on initiatives to incentivize participation of young people in education in an effort to improve literacy rates.

Table 14.3 The potential positive and negative effects of institutions on youth labour market conditions

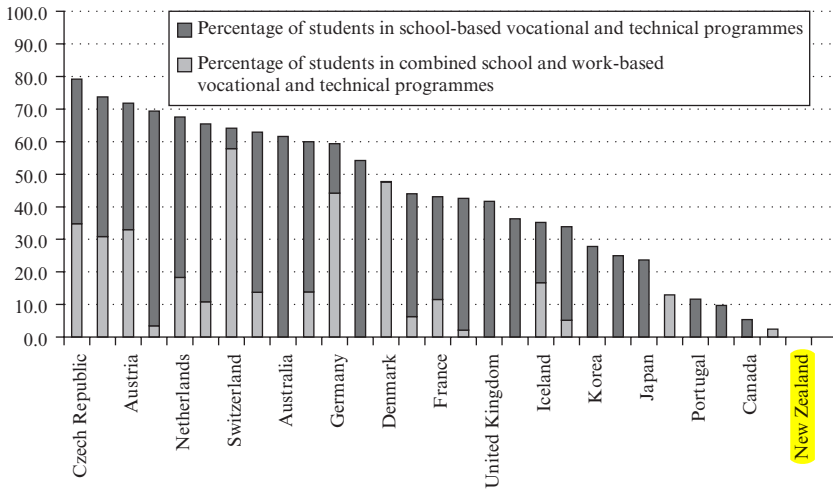
Relevant Institutional Feature	Potential Effects on Youth Labour Market Conditions	
	Positive effects	Negative effects
<i>Education & training policy</i>		
Quality of compulsory schooling	Raised school attendance improves conditions for labour market integration	Stratification of good/bad schooling reduces participation in further education and widens pay differential among youth
Conditional cash transfers		
Infrastructure for vocational training	Good basic schooling boosts pay prospects & raises efficiency of firms' training investment	Weak employer commitment to vocational training diminishes pay prospects of young school-leavers
Reputation & quality of skill credentials	Strong emphasis on industry and firm-specific skills generates demand for vocational skill & raises pay relative to youth with higher education	Privatized higher education drives up wage premiums to pay off private debt, increasing wage differentials among youth
Employer willingness to provide training		
Balance of investment in industry & firm-specific skills/general skills		
<i>Employment protection rules for part-time and temporary workers</i>		
Incidence of part-time & temporary contracts	Opportunities for transitions to standard employment forms	Weak rules risk high proportion of youth becoming trapped in part-time and temporary jobs
Legal rules to protect equal status of part-time & temporary contracts	Access to equivalent pay and benefits (e.g., health cover, unemployment compensation, pension, unfair dismissal, etc.)	Risk of low status part-time & temporary jobs in segmented labour markets
Part-time & temporary jobs as peripheral or core to employment practices		

Table 14.3 (continued)

Relevant Institutional Feature	Potential Effects on Youth Labour Market Conditions	
	Positive effects	Negative effects
<p><i>Youth wage subsidies</i></p> <p>Targeted subsidies to encourage employers to hire young unemployed people</p> <p>OF subsidies targeted at youth from low-income households, low education, low-skill, etc.</p>	<p>Reduce cumulative risk of unemployment among youth</p> <p>Equip youth with work experience & access to decent work</p> <p>Provide employers a less costly means of assessing youth performance on the job</p>	<p>Substitution of younger for older workers</p> <p>Destructive job churning caused by opportunistic employers who continually hire and fire to maximize subsidies</p> <p>Where integrated into welfare benefits may eliminate employment rights</p>
<p><i>Youth minimum wage</i></p> <p>Special sub-minimum for youth or standard minimum wage extended to cover youth</p> <p>Single or multiple youth rates</p> <p>High or low level relative to adult rate</p> <p>Limit application of sub-minimum rate to workers with short work experience</p> <p>Specific provisions for training or apprenticeship</p> <p>Policies to improve compliance</p>	<p>Coverage under adult minimum wage avoids risk of age discrimination</p> <p>Use of sub-minimum encourages better response to high youth unemployment</p> <p>Provisions for experience avoid problems of rewarding age more than experience and on-the-job skills</p> <p>Provisions for apprentice positions reduce training disincentives</p>	<p>Sub-minimum wage conflicts with principle of equal pay for work of equal value</p> <p>Use of multiple sub-minima increases the risk of age-substitution effects</p> <p>Very low youth sub-minimum wage risks exploitative pay</p>

In developing economies, much of the literature focuses on the effectiveness of labour market interventions designed to raise rates of literacy and levels of school enrolment, as well as to improve the conditions for youth labour market integration. An important policy initiative is that of the conditional cash transfer scheme, which stipulates the attendance of children and adolescents in educational institutions as a condition for receiving welfare benefits. Several studies have evaluated the effectiveness of such schemes in Latin America, where conditional-cash-transfer schemes have been designed to assist youth labour market integration by extending education and improving young people's skills profile. Impact evaluation studies in Brazil and Mexico found that conditional-cash-transfer programmes significantly raised school attendance in rural areas, while the results in urban areas have been positive but rather modest (Attanasio et al, 2008; Schaffland, 2012). A strengthening of conditional cash transfers can also be used to avoid high dropout rates from education during the economic crisis and help to improve conditions for labour market integration once the crisis is over, as can be illustrated with the case of Costa Rica. The programme, ¡Avancemos!, first implemented prior to the 2009 crisis, contains an incentive to remain in the educational system that increases with the educational level of adolescents in the household. The coverage of this programme was extended during the crisis (Marinakis, 2009). However, a key challenge of conditional-cash-transfer schemes is to ensure adequate provision of services, as some countries are unable to deliver sufficient school places mandated under the programmes (see discussion in Chapter 10). Moreover, incentives for school attendance are not by themselves sufficient to improve academic performance given that the quality of educational institutions is a limiting factor in many Latin American countries.

In developed economies, research has compared and contrasted the overall approaches of states, employers and trade unions to the regulation and management of skill formation systems for young people, including the variety of efforts to standardize the skill formation system (ranging from low in countries such as the UK and the USA to high in the inclusive state systems of Germany and Sweden) (Whitley, 2007, pp. 45–6). These differing approaches bring different kinds of benefits and limitations. States that operate at arm's length may enjoy responsiveness to market demands (providing employers can be trusted to commit to the needed investment) but may suffer problems of market signals for skills because of poorly defined systems of skills accreditation that lack acceptance and recognition among the employer community. By contrast, inclusive states enjoy the advantage of being able to coordinate the introduction of new skill standards by virtue of the active participation and cooperation



Source:
OECD (2008, Table C1. 1). Own compilation.

Figure 14.6 The share of students engaged in vocational education and training, OECD (2008)

among social partners, yet may suffer problems of lagged responsiveness to market demands. Figure 14.6 provides data on the importance of vocational education and training (VET) for OECD countries, with more than half of students in some form of dual or school-based VET in Germany, Sweden and the Netherlands, for example, and less than half in France, the UK, the Republic of Korea, Japan and Canada.

In Latin America, evaluations of training policy interventions point to the need for a more targeted, longer-term investment strategy. A recent impact evaluation of different training programmes in Chile (targeted at both youth and adults) did not identify a positive impact of the majority of them; positive findings were related to longer-term interventions, such as the Programa Especial de Jóvenes (Ministerio de Trabajo y Previsión Social, 2011). Also, in Peru, while an impact evaluation study (Chacaltana, 2005) confirmed the positive impact of the training programmes on income and employment variables, its main insight was to open the 'black box' of training provision to discern whether or not participants had concluded the practical and theoretical components of the programme. The study concludes that only trainees who completed both theoretical and practical components benefited positively.

As well as enskilling youth and facilitating labour market entry,

comparative analysis of countries' skill formation systems finds a strong association with the wage structure, with implications for relative earnings of young people stratified by level and type of education. Comparative analysis of developed economies suggests that in inclusive corporatist countries, such as Germany, the high share of young school leavers in apprenticeship training, coupled with the strong reputation of high-quality vocational training programmes among employers, generates high demand. In the UK and USA, by contrast, a reliance on the market to produce general skills generates a high risk that school leavers do not acquire valued skills and, as Estevez-Abe et al. put it, 'end up as low-paid unskilled workers for most or all of their working lives' (2001, p. 177). The result is a higher differential between the pay of highly qualified young workers and low-qualified young workers in countries with a market-led skill formation system. This result finds support in the comparative statistical analysis of Bassanini and Ok (2003, Table 3) who show that in countries with more compressed wage structures, less educated workers receive more training.⁷ This also fits with an institutional approach that recognizes wage differentials in market-led systems, such as the UK and USA, also **arguably** reflect pressures for higher premiums for education to enable graduates to pay off student debt in privatized higher education systems.

Employment Protection Rules and Contractual Status

During the 1980s and 1990s a series of studies sought to demonstrate that employment protection legislation had a negative impact on employment, leading to the recommendations of the 1994 OECD *Job Strategy*. However, subsequent studies found mixed results and evidence against such a clear-cut impact. Part of the debate has shifted to the relative impact of employment protection for different groups in the labour market, with special emphasis on the possible negative impact for youth and women.

According to recent OECD studies, countries with more stringent employment protection legislation tend to have lower youth employment rates than countries with looser employment protection, although the estimated magnitude of its impact depends on the specification. However, the impact on unemployment according to the same studies is less clear-cut (OECD, 2006) and some other studies reject the link between employment protection legislation and low youth employment rates or high youth unemployment altogether (Noelke, 2011). A 2007 study on Chile (Pagés and Montenegro, 2007) found a statistically significant negative link between employment protection legislation and salaried youth employment, though there was an absence of a

statistically significant link between employment protection legislation and overall employment.

The impact of different country rules of employment protection on youth inequalities (Table 14.3) depends to a great extent on their integration into paid employment via part-time and temporary contracts of work. Relative to adult workers (aged 25–59 years), OECD data show that young workers are almost always more likely to experience a higher incidence of flexible forms of employment. Even prior to the crisis, young people across the OECD were approximately twice as likely to be employed in part-time work as older workers and three times as likely to be employed in temporary work (Grimshaw, 2013, Figure 3.4 – 2006 data). Detailed country studies provide further information. In Japan, the proportion of young workers in part-time jobs is in fact relatively low: just 2 per cent for young men and 11 per cent for young women (Asao, 2011). Instead, temporary work is far more commonly experienced among young people as part of the school-to-work transition – 19 per cent of young male workers and 21 per cent of young female workers compared to 7 per cent and 9 per cent of all male and all female workers respectively. While some Japanese youth may be content with the match of job type with other obligations (such as education, for example) a substantial minority express dissatisfaction – around one in four youth in part-time jobs say they accepted the work because of a lack of regular employment type and this rises to more than a third of young men in temporary jobs and almost half of young women in temporary jobs (*ibid.*, Table 2). Temporary employment is also very common among young workers in Latin America, with approximately 37 per cent of young salaried workers on these contracts in 2008 (weighted average of 14 countries) (ILO, 2010a, p. 190). However, the interpretation of these data is complicated by the fact that, as reported in Table 14.1 above, in Latin America most young salaried workers do not have written contracts at all, which in many cases makes it difficult to distinguish temporary from permanent labour market insertions. In the Netherlands, where part-time has almost become a standard employment form, young people are over-represented in part-time employment and are also the age group who most wish to increase their hours. Keizer (2011) finds between 11 per cent and 18 per cent of male and female young workers in part-time jobs (aged 15–20 and 20–25) would prefer more hours of work compared to 4–11 per cent of core age workers.

Finally, risk of weak integration of young people also depends on their length of tenure in low status part-time and temporary contracts. The OECD (2010, pp. 66–8) provides a valuable analysis through a focus on a group of young people it refers to as ‘poorly integrated new entrants’

– those in a temporary job with little chance of moving into a permanent job. Drawing on EU Statistics on Income and Living Conditions (EU-SILC) data for 2005–07, the analysis suggests around 7 per cent of youth aged 15–29 who left education and found a temporary job were not in a stable job 24 months later. Spain had the highest share of ‘poorly integrated’ youth with 22 per cent (reflecting its high overall use of temporary employment contracts) and the UK the lowest (2 per cent).

Youth Wage Subsidies for Labour Market Entry

In many countries, wage subsidies have been designed and applied to encourage employers to hire young unemployed people. Given the high levels of unemployment faced by young people, together with a belief among some employers that they do not have sufficiently reliable market signals relating to the potential work performance of young labour market entrants, many governments implement youth wage subsidies in one form or another in order to equip young people with work experience and to provide employers with a less costly means of assessing their performance on the job (Table 14.3). While it is recognized that these programmes generally do not have a significant net impact on overall employment, several of them have been successful in helping the most vulnerable youth ‘to jump the queue’ and thus diminish inequality between youth and adults or at least between the most vulnerable and other youth.

One form of youth wage subsidy applies to the hiring of all young people within a certain age range and regardless of labour market status (that is, they may be in unemployment, just out of education or moving from one job to another). An example is the youth wage subsidy introduced in South Africa in 2013, which raises issues that are to some extent generic to all countries. The policy covers newly recruited 18–29 year-old workers earning below a low wage threshold; the subsidy amounts to 50% of earnings up to R2000, a fixed payment of R1000 for earnings between R2000 and R4000 and a declining amount thereafter (by comparison the monthly minimum wage agreed for the retail sector was a little over R3000 in 2014⁸). It is too early to evaluate the relative merits of the policy. Anticipated positive effects include a reduction in cumulative risk of unemployment among young people, improvement of young people’s access to good jobs and improved prospects of finding a job once the period of wage subsidy expires. Unintended consequences, highlighted by South African trade unions prior to its introduction, include substitution of younger for older workers and ‘destructive churning’ caused by opportunistic employers who continually hire and fire young people to maximize wage subsidies (*ibid.*, pp. 33–5). The former problem was addressed by

excluding claims for subsidies where the newly recruited young person replaces another older employee.

A quite different example is illustrated by a raft of new wage subsidy policies in the UK, which in fact substitute for the payment of minimum wages. Implemented in 2011, the policies target the unemployed.⁹ Both policies grant job search organizations (involving both public sector job centres and private sector contractors) the right to oblige an unemployed person to take up voluntary work for a fixed duration at a designated workplace on the understanding that they receive no wage payment but continue to receive unemployment benefits (as well as a contribution towards travel and childcare expenses) (DWP, 2011). The policies are controversial. While the government defends the work experience policy as an appropriate method to provide young unemployed people with work experience, it has come under fire both because of the harsh sanctions imposed on individuals who refuse voluntary work (leading to benefits sanctions of 13 or 26 weeks) and the use of voluntary placements in many of the leading high-profit firms. The schemes introduce a new segment of youth workers into the UK labour market, outside of national minimum wage legislation that covers workers.

Youth Minimum Wages: Regulating Decent Pay for Youth

The practice of setting a youth minimum wage at a lower level than the standard, or adult, minimum wage raises many issues for youth inequalities. Where countries have not adopted a youth minimum wage or have moved to reduce the starting age for the adult rate it is often motivated by a concern to avoid problems of age discrimination or to encourage the matching of pay with competency; moreover, as we described above, alternative policies may be in place such as wage subsidies that encourage employers to hire young people. By contrast, the persistence of youth minimum rates is usually justified by arguments about the lower productivity of young workers, the need to compensate employers for the costs of training investments, the dangers of pricing out participation in post-compulsory education and the need to respond to high youth unemployment (Table 14.3).

From an ILO perspective, the setting of sub-minimum youth rates potentially conflicts with its defence of the principle of equal pay for work of equal value as set out in the Equal Remuneration Convention, 1951 (No. 100) and the Discrimination (Employment and Occupation) Convention, 1958 (No. 111). In other words, rather than age, it ought to be the value of work performed that carries greater weight in determining the wage. The ILO Minimum Wage-Fixing Convention, 1970 (No. 131) therefore

does not provide for the setting of different minimum wages on the basis of age. Nor, however, does it prohibit them, as Ghellab (1998, pp. 47–8) points out, since the convention allows for the exclusion of certain groups of workers on agreement with social partners, although subject to periodic examination in light of the principle of equal remuneration.

In their wide-ranging and detailed international review of minimum wage systems, Eyraud and Saget (2005, p. 48) demonstrate that the world is divided on the policy measure of youth minimum wages. They report that slightly less than half of the countries examined (45 out of 101) have a specific minimum wage for young workers set at a level lower than the adult rate. Among those countries with a youth minimum wage, the age distinguishing young workers from older workers varies between 18 (the most common) and 23 (the Netherlands). Most countries set one or two youth rates, typically for the 16–17 age group, although there are up to eight in the Netherlands. There are potential risks with the use of multiple youth rates. As young employees age, employers face a significant annual increase in labour costs and may be tempted, or pressured, depending on the context of labour and product market conditions, to substitute them with even younger workers. Wider age bands with smaller differentials between minimum wages lessen the problem of annual cost increases.

An important source of inter-country differentiation, and one that impacts upon debates about fairness and employment effects, is the level of youth minimum rates relative to the adult rate. Estimates of the average youth rate (a simple average of multiple rates where these are present) relative to the adult minimum wage range from lower levels of 53 per cent in the Netherlands and 59 per cent in the USA to upper levels of 85 per cent in France and Tunisia; note that the youth sub-minimum in the USA only applies for the first 90 consecutive days of employment. However, this averaging of youth rates obscures some of the very low relative levels set in certain countries for particular age groups (Figure 14.7). The lowest is found in the Netherlands, where 15-year-olds are entitled to a minimum wage set at a fixed 30 per cent of the adult minimum, and Australia where the newly established Minimum Wage Panel recently set a minimum wage for workers younger than 16 years old at 37 per cent of the adult rate.

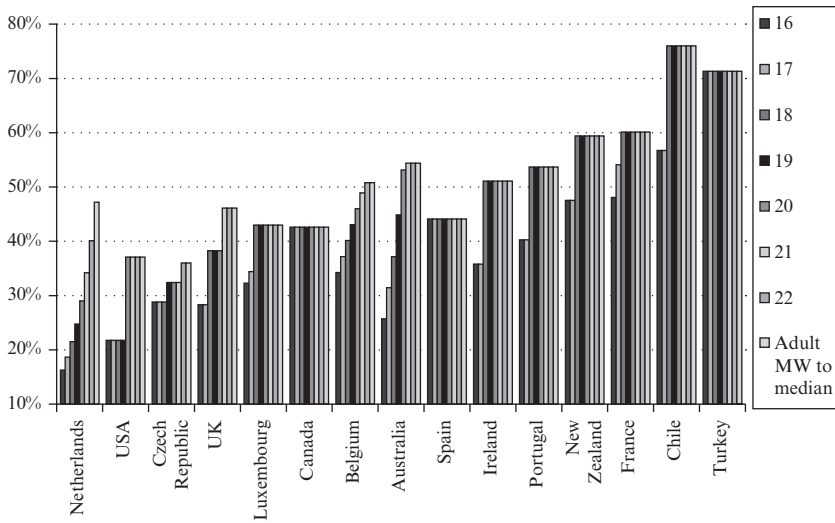
An indication of the relevance of the youth minimum wage for young workers can be demonstrated by evidence of the proportion paid at this level (Table 14.4). In all countries shown, young people are far more likely to be paid at (or below) the statutory minimum wage than older workers. Indeed, non-compliance with the minimum wage is a concern in many countries, particularly for rural migrant workers in China.

The appropriateness of youth minimum wages remains a controversial

Table 14.4 Share of young workers paid the minimum wage in selected countries

Country	Source	Age Group	% Paid the Age-related Minimum Wage	% of all Minimum Wage Earners
Croatia	Nestić (2009)	<25	6.3	–
		25–34	3.2	
		35–44	3.6	
		45+	2.1	
		Total	3.2	
France	Schmid and Schulten (2006)	<26	–	31.7
		Total		100.0
Hungary	Köllő (2009)	15–20	31.2	0.4
		20–24	13.2	6.9
		25–64	10.8	15.1
		Total 15–64	9.6	49.8
Netherlands	Salverda (2009)	15–19	16.8	23
		20–24	10.5	25
		25–64	2.4	51
		Total 15–64	4.0	100
UK	Low Pay Commission (2011)	16–17	5.7	–
		18–20	7.3	
		Total	4.2	

Country	Source	Age Group	% Paid at or Below the Minimum Wage
Argentina	Kristensen and Cunningham (2006)	12-17	70.0
		18-24	20.3
		25-64	12.4
		65+	31.7
Brazil	Kristensen and Cunningham (2006)	12-17	16.5
		18-24	9.9
		25-64	5.6
		65+	6.4
China	Du and Pan (2009, Table 5), reference to hourly minimum wage 2005 data	<i>Local workers:</i>	
		16-20	68.4
		21-30	46.5
		31-40	59.6
		41-50	59.6
		50+	47.4
		<i>Migrant workers:</i>	
		16-20	89.6
		21-30	74.2
		31-40	78.8
		41-50	83.4
		50+	91.5
Mexico	Kristensen and Cunningham (2006)	12-17	25.6
		18-24	6.5
		25-64	6.0
		65+	24.4
Ireland	Nolan (2009)	<19	64
		19-25	13
		26+	2



Note: Country selection on the basis of data availability. Youth minimum wage data are for October 2010. Minimum wage to median earnings are 2009 data. The sub-minimum in the USA only applies for the first 90 consecutive days of employment.

Source: OECD minimum wage database and Grimshaw (2012: Table 4.1) for country details of minimum wage rules.

Figure 14.7 Youth minimum wages relative to median earnings of all employees, 2009

policy issue. Youth minimum wage policy raises several questions. Do higher minimum rates price young people out of the labour market? Do lower minimum wage rates for youth increase their employment chances? Does the use of a standard minimum wage encourage employers to substitute older for younger workers? Does a youth minimum wage pitched too high discourage participation in further education?

Numerous empirical studies investigate these questions, including the potential disemployment effects, substitution effects, gender effects and interaction effects between formal and informal sectors. The US literature is substantial (for reviews, see Ghellab, 1998; Neumark and Wascher, 2008; Allegretto et al., 2011). Also interesting is a smaller batch of country studies that were designed explicitly to interrogate the impact of minimum wage policy reforms on the labour market situation of youth. In Spain, for example, several studies sought to understand the impact of a reform that abolished sub-minimum wages for young workers; a single rate applied for 16–17-year-olds during 1990–95¹⁰ and was converted to the adult

minimum wage over a three-year period ending in 1998. Empirical studies point to mixed results. On the one hand, Antón and Muñoz de Bustillo (2011) find a significant negative impact on young workers aged 16–17 years old between 1995 and 1998. On the other hand, Blázquez et al. (2011) find no significant youth employment effects during the period 2000–08 (with controls for labour market context [including regional differences in wage structures and seasonal fluctuations in wages] and integrating a lag effect), and Cebrián et al. (2010) similarly find no evidence that the employment rate is affected, largely due they argue to the low level of the statutory minimum wage in Spain coupled with its low workforce coverage. With a similar policy goal of creating a more cohesive minimum wage policy, New Zealand reduced the starting age for the adult minimum wage from 20 to 18 years old and raised the relative level of the youth minimum wage for 16–17-year-olds from 60 per cent to 80 per cent of the adult rate (in two stages in 2001 and 2002). In their analysis of the effects, Stillman and Hyslop (2007) analyse household data for three groups of youth – 16–17, 18–19, 20–25-year-olds – for the 1997–2003 period. They report a statistically significant positive effect for hours worked by 16–17-year-olds (by 2.2 hours per week or 10–15 per cent), but also identify a significant drop of 3–4 per cent in hours of education, a significant rise in unemployment and in inactivity.

As with other studies (see Ghellab's 1998 review), the results of alternative analyses of policy reforms are somewhat conflicting. Reducing the starting age for the adult minimum wage is associated with the full range of employment effects (from a positive to a negative effect), but generally negative effects on unemployment and some evidence of substitution of older for younger workers. There is some evidence of reduced enrolments in education although other factors act as far stronger determinants of young people's education/employment decisions, such as the level of qualifications at age 16 and opportunities to enter trainee positions with government support. Raising the relative level of the minimum wage affecting young workers can have at worst no significant employment effect and at best a small positive effect, albeit with some evidence of negative effects for unemployment and inactivity.

14.5 CONCLUSIONS

In the public policy debate on youth employment, there are basically two positions. While some view the situation of youth unemployment and precariousness as serious and argue for measures to be taken urgently, others reckon that youth unemployment problem is mainly transitional

and goes away with age. Still, even in this second view, action can be taken to smooth the transition to work and to help the most vulnerable youth.

While labour market inequality between youth and adult workers is a robust finding in all countries, aggregate data hide very different realities among youth with regard to access to employment that can provide basic employment rights and a decent level of pay. While for many young workers, especially the better-educated ones, problems with labour market integration mainly reflect poor transitions that for the most part are resolved in the short to medium term, others are trapped between precarious jobs in the formal and informal sectors, unemployment and inactivity with limited long-term prospects. Evidence for Latin America presented in this chapter demonstrates that youth in the poorest income quintile face a high likelihood of being trapped in bad jobs, whereas those from wealthier households are far more likely to complete a successful transition into decent work. More generally, taking this longitudinal perspective, the concern with inequality between youth and adults is closely linked to inequality among youth and to overall inequality. Each young person who is trapped in a succession of bad jobs from youth through to adulthood represents a lost opportunity for the policy goals of reducing inequalities and maximizing human potential and capabilities over the life-cycle. There are also marked gender differences among youth who neither work nor study, with sex-disaggregated data for Latin America revealing that the share of NEETs is markedly higher for young women (29 per cent) than for young men (12 per cent) and among women in this situation, household tasks are the declared reason. As we know from other studies of developing countries, much of the problem relates to unequal access to education with low educational enrolments among children from low-income households, especially in rural areas and especially among girls (Huynh and Kapsos 2013).

This chapter has also shown that young workers face a considerably larger risk of low pay than older workers. On the one hand, upwards mobility can often be high among young workers, as we saw in the case of Denmark where we find rising numbers of students in transitional low-wage jobs. On the other hand, young people may be concentrated in low-wage, dead-end jobs where casualized and informal employment, such as zero-hour contracts and family-based working, offer bleak prospects for skill development and employment stability in both developed and developing countries. An issue that deserves further consideration is the possibility that new models of work organization in knowledge-based, formal sectors of the economy may increase the openness of competition for jobs (e.g., through the per-task pay structure of 'crowd work' or unpaid internships) and thereby inject pay and employment uncertainty

over longer periods in young people's early career stages (Marsden, 2007; Kittur et al., 2013).

Country variation in youth–adult inequalities, as well as in the form and degree of inequalities among youth, suggest labour market institutions are influencing factors. One of the problems lies in the abundance of short-term policy interventions and the relative scarcity of integrated, long-term policies. The success of youth employment policies depends to a large extent on the effectiveness of the wider architecture of institutions for employment. In countries where the main policy challenge is how to tackle obstacles to youth transitions, our analysis supports the need for further research into country experiences in the functioning of public employment (including training, careers and job search) services, with the aim of shortening transition periods and reducing the damaging scarring effects of unemployment and time spent in casualized and low-wage jobs. In countries where large numbers of youth are concentrated in low-wage jobs and upward mobility is low, then lessons need to be learned from international experiences of minimum wage policy. Key insights from our brief analysis include: acknowledging a wide variety of youth minimum wage rules, the potential for intersections with targeted youth wage subsidies, and the need to invest in resources to ensure high rates of compliance. Finally, the application of the deregulation debate to the youth employment challenge, in the form of the renewed insider–outsider discussion, generates a strong risk of both distracting from the main structural problems and obtaining spurious short-term gains in youth employment rates at the cost of longer-lasting precarious employment conditions and uncertain prospects for the future.

NOTES

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1. Unemployment data from Eurostat.
2. Data sourced from 'KILM 10, Youth unemployment: Figure 10c' (*Key Indicators of the Labour Market*, 7th edition).
3. OECD *Distribution of Gross Earnings of Full-time Workers* database, 2006; own compilation. Notes on data source at <http://www.oecd.org/employment/emp/onlineoecdemp-loymentdatabase.htm>; last accessed 4 September 2014.
4. These data have also been analysed in ECLAC and ILO (2012). The countries are Argentina, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela. Data for Paraguay are for 2010 instead of 2011; Chile and Costa Rica present series breaks (methodological changes) that require their exclusion from some comparisons over time.
5. The proportion of women devoted to household tasks in the Latin American region has nevertheless fallen markedly in recent decades.

6. Low-wage work is defined as earnings that are less than two-thirds of the median wage for all employees.
7. This is not to say that all features of the German skill formation system work towards a relatively equitable distribution. The PISA 2000 survey results revealed large socioeconomic disparities in education outcomes between schools due to streaming of children into a highly segmented secondary schooling system in a manner that was biased against children from a less privileged socioeconomic background; policy reforms have subsequently sought to remedy this bias (OECD, 2011, p. 18).
8. Minimum wage data sourced from Cosatu data, available at http://www.cosatu.org.za/docs/misc/2014/neilcoleman_llcnmw.pdf.
9. One policy covers all unemployed claimants regardless of age ('mandatory work activity') and another targets youth (16–24) specifically (four-week 'work experience' placements).
10. Prior to 1990 two youth minimum wages were set for 16- and 17-year-olds separately at the levels of 38 per cent and 61 per cent of the standard minimum wage (Antón and Muñoz de Bustillo, 2011).

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