

# **Promoting better labour market outcomes for youth**

Organisation for Economic Co-operation and Development  
International Labour Organization

August 2014

Report on youth employment and apprenticeships prepared for the G20 Labour  
and Employment Ministerial Meeting  
Melbourne, Australia, 10-11 September 2014

### Executive summary

All G20 economies face considerable challenges in ensuring that young people are well integrated into the world of work. In some, the key challenges are to lower youth unemployment and improve access to either work or study. In others, it is to raise the skills of youth and to improve access to quality jobs, often in the context of a large and growing cohort of youth entering the labour market. These challenges have become even more daunting over the past years as the global financial and economic crisis hit youth particularly hard in most G20 economies and it is only recently that their situation in the labour market has begun to improve even if in some cases only marginally.

G20 Labour and Employment Ministers and Leaders have made strong commitments to improve labour market outcomes of youth and these have resulted in the introduction or scaling-up of a number of policy measures. Assisting youth to make a smoother transition from school to work has been a key focus of these efforts as well as developing and expanding effective active labour market programmes for young jobseekers. In many countries, recent policy action has sought to strengthen and expand apprenticeships and internships. Developing and expanding quality apprenticeship and quality internship programmes is not easy and a number of challenges need to be overcome. But at the G20-OECD-ILO Conference on Quality Apprenticeships in April 2014, countries reaffirmed their commitment to do more to promote quality apprenticeships in partnership with employers and trade unions.

The key messages for youth employment policies are:

- **More needs to be done to improve youth labour market outcomes.** While stronger economic growth and efforts to support aggregate demand are needed, policy makers should continue to give a high priority to supporting youth including through targeted policy measures in order to tackle high unemployment and underemployment amongst youth and to give them access to quality jobs. This should include both short-term measures to tackle the current trends of high youth unemployment and underemployment, and long-term measures to produce better employment outcomes for youth by equipping them with relevant skills and removing barriers to their employment in quality jobs in the formal economy.
- **Quality apprenticeships and quality internships can serve as important pathways for helping youth make a smoother transition from school to work.** But creating quality apprenticeships requires: ensuring access to high-quality programmes; making them more valuable to youth and more attractive to employers; and involving key stakeholders in governance arrangements. In the case of internships and other work-experience programmes, it is important that they do not result in exploitation of young people and, instead, provide a good learning experience and a gateway to a good quality job.
- **Monitoring the success of recent G20 youth employment policy initiatives is important** for sharing information among countries on effective programmes and for helping countries adapt and refine their policies to achieve the maximum impact on improving youth labour market outcomes.

## Introduction

In all G20 economies, youth are a key asset. Equipping them with the skills needed in the labour market and giving them opportunities to become well-integrated into the world of work contributes not only to their own well-being but also to the productive potential of the economy and to social cohesion more generally.

While achieving this objective has been a long-term challenge for all G20 economies, it has become more acute in the aftermath of the global financial and economic crisis, as youth have borne a disproportionate share of job losses and are still facing significant barriers to finding good quality jobs even in the current recovery phase. Some G20 countries face the daunting challenge of generating productive and rewarding jobs for large and growing numbers of youth. Others need to deal with declining job opportunities for low-skilled youth while mobilising potential labour resources to cope with the fiscal pressures arising from rapid population ageing.

Within this context, the G20 Leaders, at their Summit in St Petersburg on 5-6 September 2013, expressed their commitment to giving youth a better start in the world of work:

*“Promoting youth employment is a global priority. We are committed to quality apprenticeship and vocational training programmes, finding innovative ways to encourage firms to hire youth for example by, where appropriate, reducing non-wage labour costs, moving towards early intervention measures and effective job-search assistance for different groups of youth, and motivating youth entrepreneurship and business start-ups. Tailored strategies including youth guarantee approaches, developing school and university curricula that support entrepreneurship, and facilitating exchange of best practices among the G20 countries and the social partners are crucial in this respect”* (G20 Leaders’ Declaration, September 2013).

This reaffirmed the G20 Leaders’ previous commitment, expressed in 2010 in the US, in September 2011 in France, and in June 2012 in Mexico, to promote access by youth to quality jobs. As part of this commitment, it was also recognised that a regular monitoring of progress was required (see Box 1 for further details of G20 discussions and commitments with respect to youth employment).

Therefore, the main objectives of this paper are to: i) provide a review of progress in the labour market situation of youth in G20 economies and identify the remaining key challenges; ii) analyse key policy measures that countries have recently developed and implemented to tackle these challenges that may provide examples of good policy practices; and iii) highlight, in particular, those features and policy measures that can help broaden access to apprenticeships and make them more attractive for both youth and employers.

### I. Recent developments in the labour market situation of youth

In this section, the progress that has been achieved in improving labour market outcomes for youth is assessed along a range of dimensions, reflecting the specific challenges faced in each G20 economy. In some, the key challenges are to lower youth unemployment and improve access to either work or study. In others, it is to raise the skills of youth and to improve access to high quality jobs, often in the context of a large and growing cohort of youth entering the labour market. In most emerging G20 countries, the fundamental challenge remains to improve the quality of work for the bulk of young people already at work but under-employed or engaged in poor quality and low-paid jobs in the informal economy.

### **Box 1. Youth employment: A G20 priority**

The alarming situation of young people in the labour markets of most G20 countries has been a key subject of the discussion and deliberations of the G20 Summits. At the London Summit on Growth, Stability and Jobs (April 2009), the Leaders adopted a Global Plan for Recovery and Reform and committed to “support those affected by the crisis by creating employment opportunities”. They also called upon the ILO to work with other relevant organisations and to “assess the actions taken and those required for the future”. This was followed by the Pittsburgh Summit where Leaders committed to put quality jobs at the heart of the recovery process, decided to convene the first Meeting of Labour and Employment Ministers, and requested the ILO to prepare the G20 Training Strategy in collaboration with other international organisations.

The second Meeting of Labour and Employment Ministers (Paris, September 2011) discussed the main youth employment challenges in G20 countries and highlighted the role of policies to increase both quantity and quality of jobs for young people (OECD and ILO, 2011). The Ministers’ policy recommendations were endorsed by the Leaders in Cannes (November 2011). These revolved around improving active employment policies – particularly for young people and other vulnerable groups – establishing social protection floors, promoting international labour standards and strengthening the coherence of economic and social policies. The Summit also established an Employment Task Force, with an immediate priority for 2012 of youth employment.

The Employment Task Force was convened under the Mexican Presidency with a request for support from the ILO and the OECD in reviewing youth employment policies and programmes, particularly apprenticeships and other measures to ease the school-to-work transition. The main conclusions of the Employment Task Force on the strategies for youth employment in G20 countries were endorsed by the Ministers of Labour and Employment (Guadalajara, May 2012) and by the Leaders’ Summit (Los Cabos, June 2012). These conclusions include: (i) strengthening quality apprenticeship systems and other school-to-work transition programmes in collaboration with the social partners; (ii) providing career guidance and facilitating acquisition of work-experience with a view to promoting decent work; (iii) supporting the provision of youth entrepreneurship measures; (iv) exploring voluntary technical cooperation programmes, bilaterally or together with international organisations, as a means to share “best practices” in addressing youth employment; (v) requesting the ILO, OECD and other international organizations to work with national institutions in order to better understand the situation of young people in G20 countries and implement national youth employment initiatives with the support of the social partners. The Leaders extended the mandate of the Employment Task Force for another year under the Russian Presidency.

The social partners have actively contributed to the G20 priority on youth employment. The Business organizations (B20) and the Trade Union organizations (L20) of the G20 countries urged the Leaders to address the employment situation in general and of young people in particular in order to prevent “the risk of a growing share of the population losing faith in the global economy”. They also drew the attention of the Leaders in Cannes to the key elements that could make nationally-defined social protection floors relevant in all countries, the need of implementing fundamental principles and rights at work, and the importance of promoting coherence of actions in the multilateral system.

Young people’s concerns about the lack of decent jobs for them and their peers were voiced by representatives of young people selected by each country of the G20. In May 2012 the representatives of young people met at the Y20 Summit (Puebla, Mexico) and developed a set of conclusions to call the attention of G20 leaders to global priorities (including global stability and financial inclusion, international trade, sustainable development and green growth, food security and the future of the G20). A specific set of conclusions revolved around the creation of quality jobs for young people.

*Source: ILO, Global employment trends for youth 2013: A generation at risk, ILO, Geneva, 2013.*

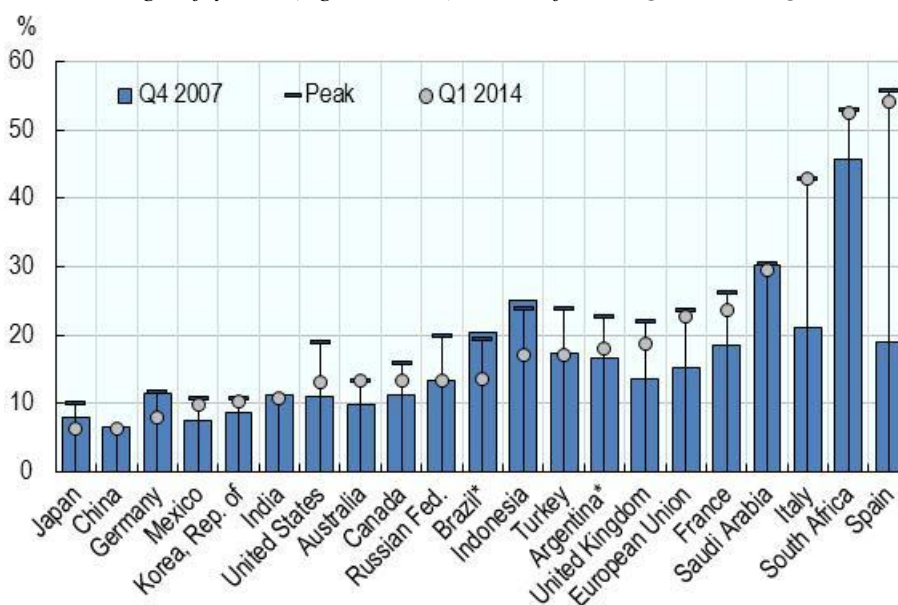
***A small improvement but high youth unemployment and underemployment remain key challenges***

Over the past year there has been a decline in the youth unemployment rate of about 1.5 percentage point on average across G20 countries and an even larger decline of around 4 percentage points since the peak level reached following the crisis (Figure 1). Nonetheless, given the still rather weak economic recovery in many G20 countries, the average youth unemployment rate remains high at 19.7% in the first quarter of 2014 for G20 countries as a whole and significantly above the level prior to the crisis. The persistence of high levels of unemployment has also led to a rise in the rate of long-term unemployment amongst youth to one third or more of overall youth unemployment in some G20 economies.

Within this overall picture, there are considerable cross-country differences. The global economic and financial crisis hit youth hard with youth unemployment rising substantially in most advanced G20 countries, such as Spain and Italy. The emerging G20 economies have generally weathered the crisis better, without a major overall increase in youth unemployment. In some emerging G20 countries, such as Argentina, China, India, Russian Federation, Saudi Arabia and Turkey the youth unemployment rate in 2014 remains stable at the level of the pre-crisis, whilst other emerging G20 economies, such as Brazil and Indonesia recorded a significant decline after the crisis. There appears to have been a halt in the climb in the youth unemployment rate for South Africa, although the corresponding rates remain at record levels of over 50%.

All in all, it is clear, that despite small declines in some countries, youth unemployment remains unacceptably high in many G20 countries, reinforcing the need for urgent action as spelled out in the G20 Leaders’ Declaration of September 2013.

**Figure 1. Youth unemployment remains at very high levels in some G20 countries**  
*Percentage of youth (aged 15-24) labour force, Q4 2007<sup>a</sup> - Q1 2014<sup>b</sup>*



Note: Countries shown in ascending order of the youth unemployment rates in Q1 2014.

\* Selected urban areas.

a) 2005 for China; 2007/08 for India; Q3 2007 for Indonesia and Saudi Arabia; and Q1 2008 for South Africa.

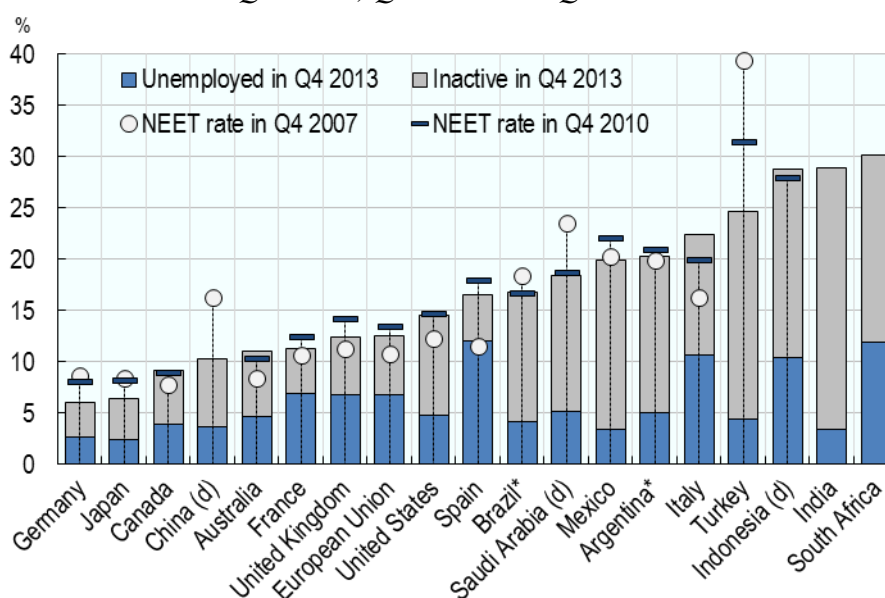
b) 2010 for China; 2011/12 for India; Q3 2013 for Saudi Arabia; Q4 2013 for Argentina and Turkey; Q2 2014 for Australia, Canada, Mexico and the United States.

Source: OECD Short-Term Labour Market Statistics Database, ILOST AT Database and national labour force surveys for India, Indonesia and Saudi Arabia, and census data for China.

### *Giving youth better access to work or study is still a priority*

Identifying those youth who are neither working nor studying provides a broader picture of the group of youth who are at most risk of marginalisation from the labour market.<sup>1</sup> In G20 economies, this group (the so-called NEETs – not in employment, education or training) accounted for 16.2% of the overall 15-24 youth population in the fourth quarter of 2013 (Figure 2). Nonetheless, over the past six years the NEET share across G20 economies has remained broadly stable. This is because an increase in the number of youth unemployed was offset by an increase in school enrolments, which reduced the number of inactive youth not studying. However, there are large country differences, with more than one-fifth of all youth being in this situation in Argentina, India, Indonesia, Italy, Mexico, South Africa and Turkey. Gender differences are often substantial, with young women being particularly at risk of being excluded from work and study, although for some this may represent a choice to stay outside the labour market for family or other reasons.

**Figure 2. A high proportion of youth do not have access to work or study**  
*Youth not in employment, education or training (NEET) as a percentage of population aged 15-24, Q4 2007<sup>a</sup>, Q4 2010<sup>b</sup> and Q4 2013<sup>c</sup>*



Note: Countries are shown by ascending order of the NEET rate in Q4 2013.

\* Selected urban areas.

a) 2005 for China; October 2007 for Australia; Q3 2007 for Saudi Arabia; Q3 2008 for Indonesia; and Q4 2008 for Argentina.

b) October 2010 for Australia; Q3 2010 for Indonesia; and Q3 2009 for Saudi Arabia.

c) 2010 for China; 2009/10 only for India; October 2013 for Australia; and Q3 2013 for Indonesia and Saudi Arabia.

d) NEET rate may include some unemployed people who are in education.

Source: OECD estimates based on national labour force surveys.

### *Improving the quality of job opportunities for youth also remains a major challenge*

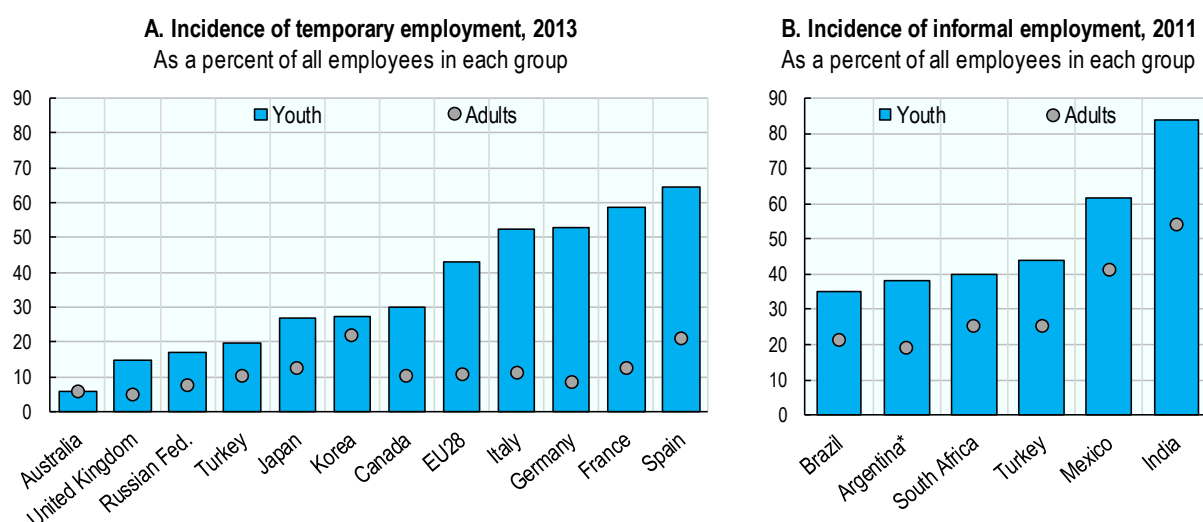
Even when youth do manage to find work, they are more likely than prime-age workers to have jobs that are low paid and offer limited labour market stability, social protection and opportunities for training and career progression. As new entrants to the labour market, youth are frequently hired in temporary jobs or informally in many G20 countries (Figure 3). In all countries, both the incidence of temporary employment (except in Australia) and informal work is much higher among youth than

<sup>1</sup> Of course, some youth may be only temporarily out of work or away from study or may be engaged in other activities, such as raising young children. Nevertheless, identifying this group, and especially changes over time in its size, provides a useful indicator of the potential magnitude and development of the group of youth most at risk of marginalisation from the world of work.

older workers. However, there are considerable differences across countries in these non-regular forms of employment. Among youth working for a wage, more than 50% are temporary workers in France, Germany, Italy and Spain and more than 60% are informal workers in Mexico, with this proportion rising to over 80% for India.<sup>2</sup> In Indonesia and the Russian Federation, the share of young workers in the informal economy is around 50 per cent.<sup>3</sup> The incidence of involuntary part-time work among younger workers is also high in several G20 countries.

Temporary contracts are often thought to be a stepping stone to more stable employment for those with limited skills and experience, but the reality is often that many low-skilled youth get locked into such jobs or leave the labour market altogether, especially women. When employment protection regulations and social security coverage differ substantially between permanent and temporary workers, they can create a two-tier or segmented labour market.<sup>4</sup> Evidence from the *OECD Skills Outlook 2013* and the *Employment Outlook 2014* suggests that temporary jobs do not always, or even often, provide an opportunity to develop skills further. Furthermore, it shows that workers use fewer skills when hired with a temporary contract than with a permanent one, and that temporary employment can undermine incentives to invest in further skills development – both by the employers and by young people themselves. Moreover, labour market segmentation can lead to inequitable results with different treatment in terms of wages, rights and entitlements of workers performing the same tasks. Similar issues concerning labour market segmentation have also arisen in a number of emerging G20 economies where many young people are engaged in informal work.

Figure 3. Youth are frequently employed in temporary or informal jobs<sup>a,b</sup>



Note: Countries shown in ascending order of the incidence of temporary and informal employment for youth.

a) Youth aged 15-24 and adults aged 25 and over.

b) The data refer to 2009/10 for India and 2012 for Australia and Japan.

Source: For temporary employment, national labour force surveys; for informal employment, estimates based on a social security definition using microdata from household and labour force surveys, see Quintini, G. and S. Martin (2014), "Same but Different: School-to-work Transitions in Emerging and Advanced Economies", *OECD Social, Employment and Migration Working Papers*, No. 154.

<sup>2</sup> In Germany, however, many young temporary workers are in apprenticeship contracts.

<sup>3</sup> ILO 2014 (forthcoming), *Jobs and skills for youth: Review of policies for youth employment in the Russian Federation*, and *Jobs and skills for youth: Review of policies for youth employment in Indonesia*.

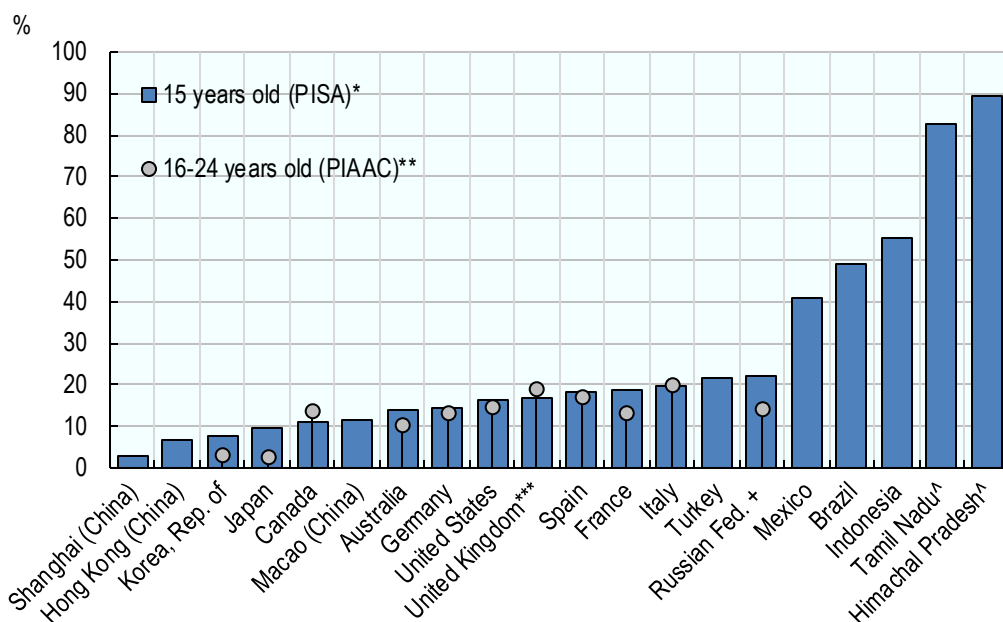
<sup>4</sup> For a discussion of labour market segmentation and the evidence for the role of temporary and part-time work as a stepping stone to more stable employment, see: Chapter 4 of *OECD Employment Outlook 2014*; Section 2.4.4 of ILO, *The Youth Employment Crisis: A Call for Action*, 2012; Chapter 2 of ILO, *Global Employment Trends for Youth 2012*; and ILO working papers on labour market segmentation in France, Germany, India, Italy and Spain. <http://www.ilo.org/employment/Whatwedo/Publications/working-papers/lang--en/index.htm>

**Poor skills are a major barrier to successful labour market outcomes**

Low-skilled youth remain particularly affected by joblessness and, if employed, face a high risk of working in low-quality, low-paid and precarious jobs in most countries. In this context, the broad priorities for action remain: to revive growth and quality job creation to tackle high youth unemployment and underemployment; to provide greater help and encouragement to youth to find work; and to give youth the skills they need for successful labour market outcomes.

The last point is particularly important as a high proportion of young people in G20 countries, especially some emerging G20 economies such as Brazil, India, Indonesia and Mexico, have poor foundation skills in literacy and numeracy (Figure 4). This can lead to poor integration of youth into the labour market and to patchy careers of low-paid work, often in the informal sector in many emerging economies or in temporary jobs in the more industrialised countries, interspersed with open unemployment.

**Figure 4. Many youth have poor reading skills**  
Percentages



\* Proportion of all 15-year-old students with a level of reading proficiency at Level 1 or below on the OECD PISA scale.

\*\* Proportion of all 16-24 year-olds with a level of literacy proficiency at Level 1 or below on the scale of the OECD Survey of Adult Skills.

\*\*\* The PIAAC results for Belgium and United Kingdom refer to Flanders and England/Northern Ireland only, respectively.

+ The data for the Russian Federation are preliminary and may be subject to change. It should be noted that these results are not representative of the entire resident population aged 16-65 of the Russian Federation as they exclude the population residing in the Moscow municipal area.

^ PISA results for Tamil Nadu (India) and Himachal Pradesh (India) correspond to PISA 2009. They are on the same scale and fully comparable with the PISA results for 2012.

Source: OECD PISA survey, 2012, and OECD Survey of Adult Skills, 2012.

**But skills mismatch also needs to be tackled**

Providing youth with skills is not sufficient to improve their labour market outcomes if these skills do not match those demanded by employers. The results of the recent OECD Survey of Adult Skills (PIAAC) suggest that a substantial proportion of young people in all of the countries surveyed are overqualified in their jobs and/or not working in jobs corresponding with the subject area that they



studied.<sup>5</sup> This results in a significant wage penalty relative to well-matched youth with the same qualifications. Skills mismatch is not just confined to advanced G20 countries but is also a major challenge for emerging economies. OECD and ILO (2011) estimates suggest that in 2005 between 40 to 50% of young people in work (aged 15-34) were overqualified in Brazil, Mexico and Turkey. In India, one in three young graduates (aged 15-29) was unemployed according to the Labour Ministry's *Youth Employment-Unemployment Scenario 2012-13*. At the same time, as shown in Figure 4, some countries with high levels of over-qualification for existing jobs also have large shares of young people without access to quality basic education who thus lack the foundation skills needed for continued education and productive work.

## II. Recent policy measures to promote better labour market measures for youth

In recognition of the considerable challenges that remain to improve the insertion of youth into the labour market, a range of measures targeted at youth have been announced or implemented recently in all G20 economies. The purpose of this section is to provide an overview of these measures in the context of the commitments that both G20 Leaders and Labour and Employment Ministers have taken to do more to improve employment prospects for youth. It builds on the information compiled and submitted by G20 economies based on a standard questionnaire of the youth measures that have been announced or implemented since the beginning of 2013. These measures were divided into nine broad policy areas covering aggregate demand, skill development, income support, active labour market programmes (ALMPs) and the promotion of job creation and social inclusion.<sup>6</sup> This information was also complemented by the information provided in the Employment Plan submitted by each G20 economy. The objective of this exercise is to provide an illustrative mapping of the areas where recent policy action has been taken to address the specific challenges facing each G20 economy to improve youth employment outcomes and to share information on potentially new and innovative policy measures. It does not summarise pre-existing measures that countries have taken as these were already extensively surveyed in a previous report by the ILO and OECD (2011).

### *Improving transitions to work, effective ALMPs and apprenticeships are key measures*

From the replies received, it would appear that across the G20 economies policy action over the recent past has been most concentrated in the areas of *boosting demand and job creation, improving transitions to work, maintaining cost-effective ALMPs, strengthening vocational education and training, and expanding quality apprenticeship and internship programmes* (Figure 5). In a number of cases, this has involved further improvements in, and/or a scaling-up of, pre-existing measures. In a number of European countries, these measures have been undertaken as part of efforts to implement the EU's **Youth Guarantee** initiative (see Box 2), based on the principle that all young people up to 25 years of age should receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed.<sup>7</sup>

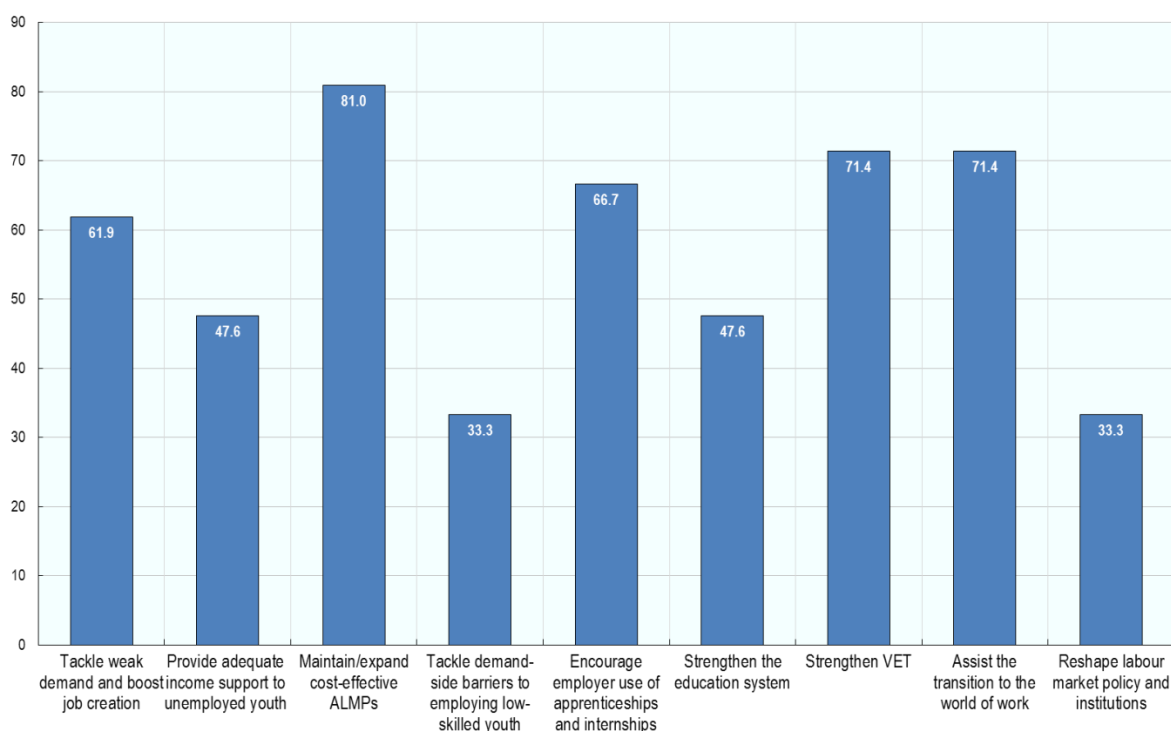
---

<sup>5</sup> See Chapter 5 of the *OECD Employment Outlook 2014* for a more detailed discussion and analysis of these results as well as the *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*. See also M. Matsumoto, M. Hengge and Y. Islam, *Tackling the Youth Employment crisis: a macroeconomic perspective*, Employment Working Paper, ILO, Geneva, 2012.

<sup>6</sup> These nine policy areas were identified as the key areas for action in the OECD Action Plan for Youth (see Annex 1).

<sup>7</sup> Youth Guarantee schemes have a long history and can be a useful measure for improving youth labour market outcomes. However, a number of prerequisites are required for them to be effective as discussed in ILO, "Youth guarantees: a response to the youth employment crisis?", *Employment Policy Brief*, ILO, Geneva, April 2013, and OECD, *Local Implementation of Youth Guarantees: Emerging Lessons from European Experiences*, OECD Publishing, Paris, 2014.

Figure 5. **Distribution of policy measures by broad areas**  
*Percentage of all G20 economies taking at least one measure in each policy area*



Source: OECD and G20 questionnaire on recent measures to improve labour market outcomes for youth and G20 Employment Plans.

### Box 2. The EU Youth Guarantee

The Youth Guarantee is a recent EU-wide initiative to tackle youth unemployment which seeks to ensure that all young people under 25 receive a good quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. EU countries endorsed the principle of the Youth Guarantee in April 2013. The roll-out of the Youth Guarantee in each country began in early 2014. In some countries this largely builds on existing measures. In others it has been a catalyst for the establishment of new partnerships for more efficient delivery of programmes and the development of early intervention and activation strategies.

The funding of the initiative is being provided by a mix of sources. This includes each country's own national budget complemented by EU Structural Funds and in particular the European Social Fund. The EU Youth Employment Initiative (YEI) will also make available up to EUR 6.4 billion of funding, which will be concentrated exclusively in regions with youth unemployment rates for the age group 15–24 above 25% in 2012. In principle, this will target young persons under the age of 25 not in employment, education or training. Countries may extend this target group to include young people up to the age of 30 (within the eligible regions) on a voluntary basis. Additionally, the European Investment Bank Group has made EUR 6 billion available through various instruments in support of youth employment.

Source: European Commission (2014), "The Youth Guarantee: Making It Happen", European Union, 2014. <http://ec.europa.eu/social/youthguarantee>

### *Measures to boost demand and job creation, especially for low-skilled youth*

As stressed by both the OECD Action Plan for Youth and the ILO Call for Action to address the global youth employment crisis (see Annexes 1 and 2, respectively), the youth employment crisis will not be overcome without stronger employment growth. This requires policy efforts to support aggregate demand. Youth-friendly fiscal policies and productive investment including trade and

sectoral strategies and policies that improve access to finance for SMEs can have a positive impact on young people's employment prospects. Providing employers with stronger incentives to hire youth is also important.

Accordingly, a number of responding countries (Argentina, Australia, China, France, India, Italy, Japan, South Africa, South Korea and Turkey) have adopted measures to **tackle weak demand, boost job creation, and tackle demand-side barriers to the employment of low-skilled youth**. Some of these measures aim to reduce the cost of labour through reducing, waiving, or reimbursing employers' social security contributions (SSCs) for low skilled or long-term unemployed youth. Japan, for example, has introduced a subsidy to employers for hiring jobseekers on a trial basis of three months, including youth who have particular difficulties in finding stable employment.

### *Measures to improve transitions from school to work*

The education system could do more to **assist the transition from education to the world of work**. Preparing youth for the labour market is one of the key functions of the education system. Measures to strengthen this function are being introduced in Argentina, Australia, Canada, China, France, Italy, Japan, Mexico, Russian Federation, Republic of South Korea and the United States. In Australia, for example, the *Community Youth Hubs* programme -- a pilot programme started in 2014 -- aims to create appropriate pathways to employment and training for young people. To this end, it involves expanding job and training opportunities through strengthening opportunities for training and education collaborations across local, state and federal government programmes and services. As another example, in Canada the *Youth Employment Strategy* (YES) is a national programme whose aim is to help achieving a better match between the skills that youth acquire and those needed by the labour market. The program targets youth between ages of 15 and 30 and includes better orientation and counselling services with regards to the competences and job experience that they could acquire in order to reduce skills mismatches and to smooth their school-to-work transitions.

### *Activation measures*

In many G20 countries, **activation policies** to encourage and help youth find a job are based on the "mutual obligations principle" whereby payment of unemployment benefits is combined with job-search requirements and compulsory participation in Active Labour Market Programmes (ALMPs). Support measures include counselling, job-search assistance and entrepreneurship programmes, and often provide more intensive assistance for the more disadvantaged youth, such as the low-skilled and those with a migrant background. Australia, Canada, China, France, Germany, Italy, Japan, Russian Federation, Republic of Korea, the United Kingdom and the United States have all scaled up the resources devoted to ALMPs for youth. In France, for example, a new pilot programme was launched targeting youth aged 18-25 who are neither working nor studying, within the context of the national Youth Guarantee Implementation Plan. Youth in the programme are expected to engage in active job search and improve their employability, in exchange for receiving a benefit payment of about EUR 434 per month. Emerging G20 economies like Argentina, India and South Africa also recognise the importance of assisting and mentoring youth in the job-search process and are expanding the resources available to provide these services to youth.

### *Strengthening apprenticeship and internship programmes*

**Quality apprenticeships** and internships provide valuable opportunities to gain work experience and the skills needed by employers. The key challenges facing countries to strengthen the provision of quality apprenticeships and the outcomes of a recent G20-OECD-EU conference on apprenticeships are discussed in the final section of this paper.

In the case of internships, they can serve as stepping stones for career development in more stable occupations but only if they provide a good learning experience and a gateway to a good quality job, rather than simply being used by employers for hiring cheap labour to do low-skilled work.

In terms of recent initiatives, a number of countries (Austria, Brazil, China, France, India, Italy, Japan, Mexico, Russian Federation and the United States) are currently encouraging employers to set up or expand apprenticeship and internship programmes, including through additional financial incentives. In the case of Brazil, for example, the multi-annual programme that the Federal Government has implemented aims to use apprenticeship as a tool to permanently attract youth into the formal labour market. In the United States, a four-year Community College, Job-Driven Training Fund was established, which will offer competitive grants to partnerships of community colleges, public and non-profit training entities, industry groups, and employers to launch new training programs and apprenticeships that will prepare participants for in-demand jobs and careers. Every year, \$500 million will be set aside for grants to create new apprenticeships and increase participation in existing apprenticeship programs. This four-year programme is expected to support doubling the number of apprenticeships in the United States over the next five years.

### *Measures to improve the provision of vocational education and training*

Quality technical and **vocational education and training** (TVET) has been recognised as a key pathway to help youth make a successful transition to the world of work. The building blocks of effective TVET systems that bridge the world of education and work to the world of employment are outlined in the G20 Training Strategy (2010), prepared by the ILO at the request of the G20 at its 2009 meeting in Pittsburg, based on consultations with social partners and other international organisations.<sup>8</sup> However, in many countries, TVET has been an undervalued part of the education system for many years, often overshadowed by the higher education sector. It is often seen in these countries as a second-best, low-status option providing classroom-based programmes for academically weak students, unconnected to employer needs and mainly confined to traditional subjects. In contrast, in best-practice countries, it has a higher status and has been extended to providing state-of-the-art skills – increasingly at an advance level -- in ICT, logistics, creative arts and fashion, or social and personal services. Australia, China, France, Italy, Japan, Korea, Mexico, Russian Federation, South Africa, Turkey and the United States have committed to strengthening the role of vocational education and training programmes. In the Republic of Korea, for example, Youth Employment Academies have been set up to promote youth employment through training courses reflecting demand at industrial sites. Business or employers' organisations can set up a youth employment academy in cooperation with colleges, while the operating costs of the academy will be supported by the Ministry of Employment and Labour.

### *Measures to strengthen the education system*

Youth who drop out of school early or fail to obtain adequate levels of proficiency in basic foundation skills such as literacy and numeracy face considerable difficulties in the labour market. Hence, the importance of measures to **strengthen the education system** and prepare all young people for the world of work such as: tackling and reducing school dropouts and providing second-chance opportunities for those who do drop out early; ensuring that all youth achieve a good level of foundation and transversal skills; and equipping all young people with skills that are relevant for the labour market. These types of measures have been recently introduced in Argentina, Canada, China, France, Italy, Japan, Turkey and the United States. In Argentina, for example, the programme *PROGRESAR* aims to help particularly disadvantaged youth to begin or complete their studies, as well as to provide professional training, counselling and job placement. The programme targets youth aged 18-24 who are unemployed, work in the informal sector or have salaries lower than the minimum wage.

---

<sup>8</sup> Available at [www.skillforemployment.ilo.org](http://www.skillforemployment.ilo.org).

### *Measures to reshape labour market policy and institutions*

Measures to **reshape labour market policy and institutions** are aimed at facilitating access to employment and tackling social exclusion. These types of measures have been introduced recently in China, France, Germany, Japan and the US. In Germany, for example, the European Social Fund (ESF) Integration Guideline aims to facilitate step-by-step and sustainable integration into the labour market of people facing particular difficulties in gaining access to work or education. The target groups are young people and young adults under 35 years and people facing challenges in gaining access to the labour market due to their unsecured residence permit status (asylum seekers and refugees). The guideline offers funding for projects in three thematic areas: advice, activation and training measures for young people under 35 years and migrants (‘integration instead of discrimination’); transnational mobility measures offering the possibility for a work-related learning experience in another EU Member State to young people under 35 years (‘integration through exchange’); advice, activation and training for asylum seekers and refugees (‘integration of asylum seekers and refugees’).

### *Provision of income support to unemployed youth*

Many young job seekers are often unable to access income support because they have not built up a sufficient work record to qualify for benefits, face a waiting period before becoming eligible for benefits or worked in the informal sector.<sup>9</sup> This can lead to substantial economic hardship as well as result in some unemployed youth being excluded from access to labour market programmes to help them find employment. Strengthening the **provision of income support to unemployed youth** can help them from falling into poverty, but it must be subject to strict mutual obligations in terms of active job search and participation in measures to improve job readiness and employability. Countries that have recently adopted measures to strengthen the provision of income support to unemployed youth include: Argentina, Australia, France, India, the Russian Federation, the United Kingdom and the United States. For example, in the Russian Federation unemployment benefit is given to every citizen, recognized as officially unemployed, including first-time job seekers. The purpose of unemployment benefits is to provide unemployed people with a temporary source of livelihood for a reasonable period necessary to find a suitable job, as well as to encourage the unemployed to actively seek work.

## **III. G20 countries efforts to implement apprenticeships**

Well-designed apprenticeship systems can promote skills acquisition, facilitate the transition from school to work, improve employment opportunities and reduce school drop-out rates. Therefore, at the G20 Ministerial Meeting in May 2012 in Guadalajara, it was agreed that a comprehensive strategy is needed to boost youth employment, and that quality apprenticeships, in particular, have an important role to play in promoting a smooth transition from school to productive employment. In this respect, the G20 Ministers committed to “*promote, and when necessary, strengthen quality apprenticeship systems that ensure high level of instruction and adequate remuneration and avoid taking advantage of lower salaries*”.

This section sets out the key issues regarding apprenticeships. It focuses on those features and policy measures that can help broaden access to apprenticeships and make them more attractive for both youth and employers. In doing so, it also identifies some good country practices in designing and implementing apprenticeship systems, drawing on the answers to the apprenticeship questionnaire that countries provided as background information for the *G20-OECD-EC Conference on Quality Apprenticeships for Giving Youth a Better Start in the Labour Market* held at the OECD in April 2014, as well as on the extensive work carried out at the OECD and the ILO and by other

---

<sup>9</sup> See Chapter 3 of ILO *World Social Protection Report 2014*.

international organisations on policies to promote better job prospects for young people. The key conclusions of the discussions of this conference where countries reaffirmed their commitment to strengthening apprenticeship systems are also presented.

### ***Apprenticeships are effective policy tools when they are of high quality***

By equipping youth with the skills they need in the labour market, quality apprenticeships can be an effective way of improving employment opportunities for youth and promote a smoother transition from school to formal sector employment. In the first instance, they can provide a learning pathway for youth at risk of dropping out early from initial education. This is particularly important as the lack of a secondary qualification is strongly associated across countries with poor labour market performance. By combining work and study, apprenticeship programmes can help attract and retain youth who have become disaffected with classroom-based schooling and are better suited to learning on the job. In addition, apprenticeships provide a good mix of basic competences and job-specific skills, they usually allow participants to earn a wage while studying, and they offer valuable work experience.

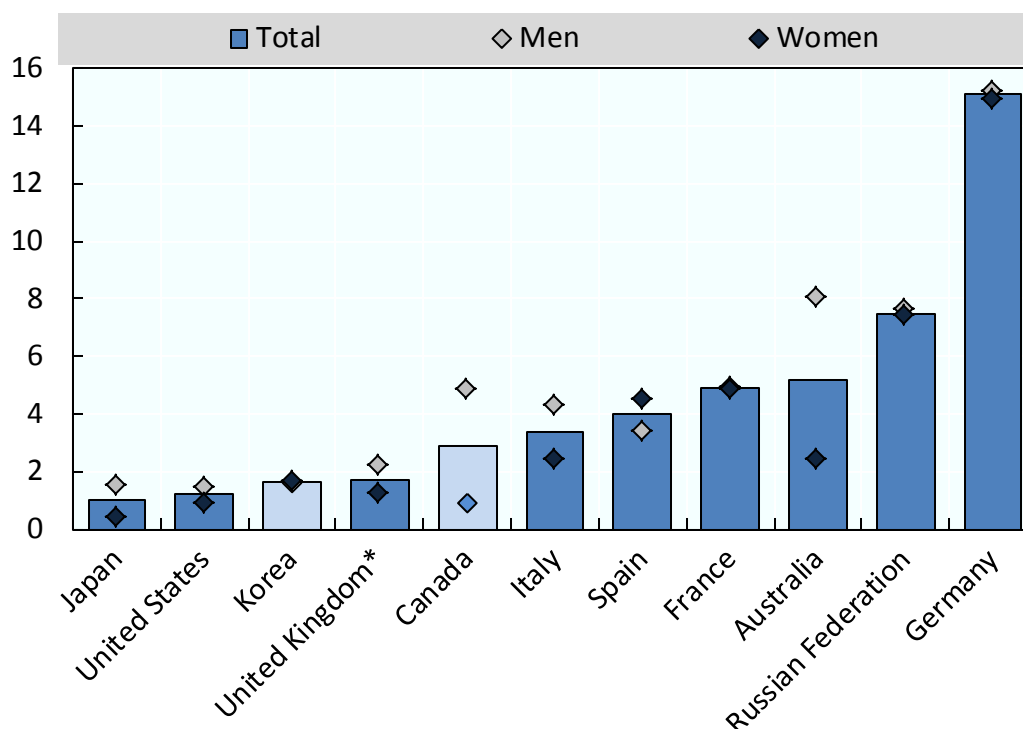
These positive effects have revived interest in apprenticeship training. In many countries until recently, governments had shifted their focus away from apprenticeship training to focus on raising university enrolment. This trend has since changed, with an increasing emphasis on strengthening Vocational Education and Training (VET) and apprenticeship programmes in particular. Several countries have turned to the positive experience of Germany – a country with a long tradition of apprenticeship training – as an inspiration to revive existing apprenticeship systems or develop new ones. One such country is the Republic of Korea, which, in January 2014, began a dual system inspired by the German, British and Australian apprenticeship systems. Also, China is accelerating the development of a modern vocational education system that better integrates the worlds of education and work.

### ***The setup, operation and scale of apprenticeship programmes varies considerably across countries***

A wide range of programmes that can be broadly categorised as apprenticeship schemes exist around the world from informal apprenticeships (which may be family-based) that are common in Africa and South-Asia to the well-structured formal schemes of the so-called apprenticeship-countries (Austria, and Germany). There are also a number of programmes that, while not formally referred to as apprenticeship schemes, offer young people a combination of training and work experience. Despite considerable heterogeneity across countries in the way apprenticeships programmes are set up and operate, these programmes tend to share a number of features, such as the direct involvement of the apprentice in the production process and the provision of some form of training by the employer.

However, despite their potential benefits, there is considerable variation across countries in the scale of apprenticeship programmes (Figure 6). For example, over 15% of youth aged 16-29 were apprentices in Germany in 2012, whereas apprenticeships are much less common in the Republic of Korea, Japan and the United States. In addition, in most countries, fewer young women than young men undertake apprenticeships.

Figure 6. **Participation in apprenticeship programmes varies substantially across countries**  
*Percent of youth aged 16-29 who are apprentices, 2012<sup>a,b</sup>*



a) The estimates are shown in a lighter colour for each country where they are based on less than 30 observations for the total and less than 15 observations by gender. These estimates should be interpreted with caution.

b) The results the United Kingdom refer to England and Northern Ireland. The data for the Russian Federation are preliminary and exclude the population of the Moscow municipal area.

Source: OECD Survey of Adult Skills (PIAAC), 2012.

### **Key challenges for strengthening apprenticeship systems and improving their effectiveness**

The success of apprenticeship programmes – notably, their value to youth and their attractiveness to employers – lies in their quality and that they are appropriately adapted to individual and local specificities. The OECD “Note on Quality Apprenticeships” prepared for the G20 Task Force for Employment of 26 September 2012, outlines how high-quality apprenticeships share several attributes, notably they:

- Are not limited to specific age groups.
- Facilitate participation by disadvantaged youth.
- Include a strong training component.
- Provide training that is not too narrowly focused.
- Cover multiple sectors and occupations and encourage the participation of women.
- Involve an equitable sharing of their costs among employers, the public authorities and apprentices.
- Operate according to competence-based completion rather than time-based completion.
- Require good governance to prevent misuse as a form of cheap labour.
- Are jointly managed by the social partners and relevant institutions.
- Are certified and well integrated with the formal schooling system.

In the same vein, the paper prepared by the ILO for same meeting giving an “Overview of apprenticeship systems and issues,” identified the following key success factors of quality apprenticeship programmes that bridge training to productive and decent work:

- Sector-based approaches sustain public-private partnerships and assure the quality of apprenticeship training and the quality of apprentices' employment.
- Incorporating entrepreneurship with technical training inspires young people interested in starting their own business someday to choose apprenticeships and raises the social status of vocational training.
- Employment services expand young peoples' awareness of apprenticeships and the kinds of jobs they can lead to; reach out to smaller enterprises to increase apprenticeship placements; and avoid gender stereotyping so that apprenticeships broaden career choices for young women and men.
- Combining training with earnings, access to social protection and respect for labour rights, apprenticeships open a first job for young people that can lead to career-long productive employment.
- Combining classroom and workplace training enables employers to match training to their needs.

However, there are a number of challenges facing each country in implementing these desirable features to strengthen or expand their apprenticeship systems. These can be grouped under four broad themes that were also identified in the G20-OECD-EC conference on apprenticeships in April 2014 as the key areas for policy action (see below): ensuring access to high-quality programmes; making apprenticeships more valuable to youth; making apprenticeships more attractive to employers; and involving key stakeholders in the governance of apprenticeship programmes.

#### *Ensuring access to high-quality programmes*

Giving better access to quality apprenticeships to those who would benefit most remains a key challenge for many countries. Apprenticeship systems often impose eligibility restrictions in terms of age or educational qualifications which may exclude disadvantaged youth and individuals with prior work experience. Disadvantaged youth face a number of additional barriers: they are more difficult to reach; they are often less prepared, face problems to relocate when necessary and lack the basic skills needed to succeed; and they may also face competition from more skilled youth and reluctance by employers to take them on. In addition, the programmes offered to them may not meet the minimum quality standards offered to other youth, notably in terms of certification and quality of tutors.

In most countries, apprenticeships are limited to youth aged 15/16 to 24, therefore depriving older workers of a second chance to acquire valuable qualifications after a spell in the labour market or a period of unemployment. However, there are exceptions with some systems not imposing age restrictions at all – notably Australia, Canada, Germany and the United States – and others relaxing age restrictions for apprenticeships in specific situations: for example, apprentices in sectors facing skill shortages; individuals with disabilities (e.g. Brazil); and older workers albeit with a more restrictive funding schemes (e.g. England).

Quality apprenticeship systems are integrated into formal education at the upper-secondary or tertiary level. Although this has the benefit of aligning programmes to specific qualifications and degrees, it may restrict coverage to individuals who have already attained the required educational level. This may be an attractive policy inasmuch it ensures a certain skill level among participants. It does, however, exclude the most vulnerable youth, and those that are most likely to benefit from apprenticeship programmes. While some countries do not specify any educational requirements to take part in apprenticeship programmes, others relax this requirement but still ensure a high skill level among participants by either substituting labour market experience for educational requirements (e.g. England) or by offering the alternative path of pre-apprenticeship courses (e.g. Germany and the United States).

Alternatively, in order to promote participation among vulnerable youth, additional subsidies are offered to employers hiring workers from vulnerable groups (e.g. Australia). Although not strictly



apprenticeship systems, Argentina and the United States have set up programmes to train disadvantaged youth and enhance their employability of disadvantaged youth; Mexico and Turkey have also promoted training programmes for the unemployed (see Box 3).

**Box 3. Supporting disadvantaged youth or the unemployed through training in Argentina, Mexico, Turkey and the United States**

In many cases, non-apprenticeship work and training programmes can complement apprenticeship programmes. In systems with high barriers to entry to apprenticeship programmes, they can ease the transition from school to work to youth that fails to meet the requirements for apprenticeships. This will likely benefit more vulnerable youth and those with low qualifications. These programmes can offer an alternative transition to work to apprentices who do not complete the programme – especially relevant in countries with high non-completion rates – or fail to secure a job during the apprenticeship – especially relevant in countries with relatively low employability after completion of apprenticeship programmes. They offer an alternative path to those who fail to meet requirements for apprenticeship eligibility, as is the case in countries with low secondary education completion rates.

A well-known example in the **United States**, the Job Corps programme, is targeted towards youth aged 16-24 from low-income backgrounds who face one or more barriers to employment such as lacking qualifications, a foster child, a teenage parent or a homeless youth. Job Corps services are provided at 122 centres nationwide, where most participants reside in campus-like living quarters. Programme content includes academic education and vocational training aimed at attaining an upper secondary qualification and it is also recognised as a pre-apprenticeship programme, allowing entry to apprenticeships. At the end of the programme, placement services help participants to secure employment. Other key services include health education, health care and counselling. During the programme, youth receive a stipend. Youth who complete vocational training and obtain an upper secondary qualification are eligible for a completion award payment to help with the start-up costs of independent life. The programme, despite its high cost, has been proven to be quite effective.

In **Argentina**, in particular, the *Programa Jóvenes con Futuro* (PJcF) consists of both classroom training and a practical internship or on-the-job training during which participants rotate across various positions. On-the-job training accounts for 50% to 80% of the entire programme which last between 3 and 10 months. The programme is targeted mostly to disadvantaged youth. Employers who participate in PJcF are also involved in the design of the curricula with the technical assistance of the Ministry of Labour, Employment and Social Security and they directly provide the training with their own physical, financial and human resources. Employers and the Municipal Offices of Employment jointly advertise the programme and recruit candidates. The PJcF is coordinated by a Joint Executive Committee which includes representatives of the Ministry and of employers and whose main function is to evaluate the projects put forward by new companies intending to participate.

In **Mexico**, the Secretariat of Labour and Social Welfare (STPS) offers the “Scholarships for Training” Program (BÉCATE) to job seekers who need to gain or improve their qualifications or work skills through training. BÉCATE is a flexible program that allows each company to tailor the training program to its job-specific needs. The National Employment Service recruits the most appropriate participants for each training course in order to ensure the best possible outcome for the company and the job seekers. BÉCATE also provides a stipend of one to three times the minimum wage for up to three months, depending on the number of days of training attended by beneficiaries. The support includes accident insurance, transportation aid, training materials and instructors. Training can take place both on-and off-the-job. Being a programme of the National Employment Service, BÉCATE is targeted to job seekers in general and not necessarily to students entering the labour market. Nevertheless, it is aimed at improving skills and employability.

In **Turkey**, the Turkish Employment Agency coordinates the On the Job Training and the Vocational Training Courses in Cooperation with Employers programmes. The former programme subsidises the wages and social contribution of the unemployed and recent graduates to enter a firm and receive training for up to six months. Employers can hire their interns before the end of the programme. The vocational training courses include off-the-job training and are funded from the Employment Insurance Fund.

Although in most countries apprenticeships are not – by definition – restricted to particular sectors, in practice many apprenticeship systems concentrate coverage in a group of occupations or a few traditional sectors. Some countries take active steps to promote apprenticeships in sectors and occupations facing skills shortages. For example, Australia and Turkey use information from skill needs assessments to promote apprenticeships in those occupational and industry sectors in greater

demand of skilled labour. For example, Australia does this by directing the funds allocated to training organisations.

### *Making apprenticeships more valuable to youth*

Another key issue for many countries is the need to improve the recognition and value of apprenticeships as an attractive career choice for youth. In many countries, Vocational Education and Training (VET) courses, including apprenticeships, are often seen as a poor second-class choice relative to continuing on in more general academic studies, even if this form of learning may subsequently lead to good labour market opportunities. Apprenticeships may also be seen as a trap, notably when there are not enough bridges down the road to higher-level education programmes or when they do not lead to a formal qualification or certification. Interest in undertaking an apprenticeship may be limited if programmes are only offered in a narrow range of occupations and do not cover expanding employment sectors. The willingness of youth to undertake an apprenticeship will also be low if the training is of poor quality, working conditions and pay are not competitive and the programme does not lead to the acquisitions of skills that are valued by employers.

Although well-developed apprenticeship programmes may exist in many countries, a bias in favour of academic education discourages students and young workers from following this path. In these countries, all forms of vocational education – including apprenticeships – are perceived as selection-by-failure options, i.e. learning pathways suitable for those who fail in an academic-type setting. Moreover, in many countries, apprenticeship programmes do not provide a formal qualification at completion, making them less valuable for workers who would like to move to different sectors or occupations and who would, thus, benefit from having the content of their training officially recognised.

Offering apprenticeship programmes, where training is not too narrowly focused and that leads to a recognised qualification or certification and is well-integrated with the formal schooling system will enhance the value youth get from apprenticeships. Apprenticeship programmes that are well integrated into the formal education system may simultaneously help reduce drop-out rates (as students have fewer incentives to leave school for paid work) while promoting access to better quality jobs. The opportunity to “earn while learning” is also attractive to many young people and it should be recognised that apprenticeships usually involve an employment contract and so are covered under employment protection regulations. Moreover, programmes with high completion and high rates of employability will be more attractive for youth. In many countries this is done by integrating the apprenticeship system with formal schooling, with apprentices receiving formal qualifications (*e.g.* Australia, France, Germany) or a certification for work in a particular trade (*e.g.* Canada).

The possibility to transfer skills acquired during an apprenticeship to another firm or even another occupation is a key requirement to make the system effective and attractive to young workers. Employers, however, may have an incentive to provide training that is too specific to their jobs; hence it is important that the content of the training component of the programme is certified through a system of nationally-recognised qualifications and competencies. In the European Union, measures have been put in place to facilitate the mutual recognition and validation of vocational training across European countries (Box 4).

#### **Box 4. Mutual recognition of qualifications across the European Union**

The European Commission developed in 2002 the European Credit System for Vocational Education and Training (ECVET). The system aims to facilitate the validation, recognition and accumulation of work-related skills and knowledge acquired during a stay in another country or in different situations. It should ensure that these experiences contribute to vocational qualifications. Also the European Skills Passport, a portfolio of documents regrouping all the skills acquired by an individual, allows citizens to record all the skills they have acquired, including those learnt during apprenticeships.

Moreover, given that the choice of leaving general education and enrolling in an apprenticeship programme (or a vocational training programme) is sometimes taken quite early, young people should not be locked into pathways from which it is difficult to escape. Therefore, it is important that there are bridges between vocational training and academic studies such that apprentices can return to the regular school track if they decide to pursue further education. This requires close collaboration between the education system and labour market policy institutions.

For youth, apprenticeships may remain unattractive because they receive lower pay than ordinary workers carrying out similar tasks. This is particularly the case in countries where the training component of apprenticeship is of poor quality and is badly monitored. Moreover, in the case of developing countries where apprenticeships are common in the informal sector and in family-run business, apprentices do not benefit from basic social protection (illness or injury). In many countries apprenticeships are not subject to minimum wage regulation but wages are regulated, either by national labour policy or as part of collective bargaining agreements and off-the-job training costs are either shared by the firm and public funds or paid entirely by public funds. In France, for example, apprenticeship wages are not taxable. In only a few countries are apprentices required cover their training costs privately (e.g. Canada, England for apprentices older than 18 years) even though financial aid may be available to some. In most countries, public funds are used to pay for apprentices' basic social protection (e.g. France, Turkey).

Because special training/apprenticeship wages are justified by the training requirements of apprenticeships, quality apprenticeships require good governance to prevent misuse as a form of cheap labour. For example, in Italy, a reform was introduced in 2012 to strengthen these governance arrangements. A formal system of monitoring and enforcement should be put in place to avoid abuses, particularly the misuse of apprentices simply as a form of cheap labour, involving close cooperation between the social partners. These arrangements would include ensuring that there is a minimum pay for apprentices and having external tutors certifying that participants take the required training or conditioning apprenticeships on a prior agreement with an education institution.

While it is important to improve the quality of training provided through apprenticeships, it is also the quality of the jobs that apprenticeships lead to that also has to be attractive to young people. In countries with the most advanced apprenticeship systems and with the highest take-up rates, as shown in Figure 6 above, it is not only the training that is of high quality but also the subsequent jobs and training that apprentices obtain in terms of earnings potential, prospects for going on to start a business, recognition of apprenticeship learning in meeting requirements for entering higher education, and social status. Apprenticeships in these countries are a preferred, rather than a second-chance, way of entering a wide variety of occupations that offer good opportunities for continued learning and career advancement.

### *Making apprenticeships more attractive to employers*

The engagement of employers is a crucial element for the success of an apprenticeship system. Apprenticeships cannot expand and become a recognised pathway from school to work without the strong involvement of employers. In many countries, the main challenge is not necessarily in the provision of quality training facilities but to obtain sufficient apprenticeship places with employers. For employers, the key barriers to taking on apprenticeships include: a fixed length of training (often too long and with rigid start- and end-dates) that does not take into account the actual progress of apprentices in obtaining the required competences; off-the-job training that is ill-adapted to the needs of employers; and high costs associated with taking on apprentices, despite the fact that financial incentives are usually in place to reduce these costs. Effective partnerships between employers and trade unions are also another key element of successful apprenticeship schemes.

A common feature of most apprenticeship programmes is the lower cost of labour compared to the hiring of a regular employee. Normally meant to encourage participation of the employers and to

compensate them for the cost of on-the-job training, low labour costs are sometimes achieved by paying apprentices very little which may discourage youth from taking part in the programmes. Quality apprenticeship programmes should thus involve an equitable sharing of costs among employers, the public authorities and apprentices. These costs should be shared in accordance with the private benefits that accrue to employers and apprentices as well as the social benefits more generally. Financial incentives (see Box 5) are often available, both during the apprenticeship (through lower taxes or social security contributions or a direct subsidy to the firm or the apprentice) and at completion if the apprentice is hired (for example, in Spain, employers can count on a reduction in social security contributions if trainees are hired on permanent contracts). Moreover, since there is a tendency for employers to hire skilled youth, differentiation of the subsidies to encourage take up of low-skilled apprentices is important.

#### **Box 5. Sustaining the demand for apprentices in Canada, France, Germany and Russia**

In **Canada**, the Apprenticeship Training Tax Credit is a refundable tax credit for companies and businesses employing apprentices in certain skilled trades during the first three years of an apprenticeship programme. The employer can claim up to CAD 5 000 each year to a total of CAD 15 000 per apprentice. There are also Apprenticeship Scholarships and Employer Signing Bonuses. Ontario offers CAD 1 000 scholarships to young people (16-24 years of age) who have dropped out from school but returned to complete upgrading in order to become registered as an apprentice. A CAD 2 000 support per apprentice signing bonus is also available for the employer who supports at-risk youth and provide training.

Different incentives for employers to hire apprentices exist in **France**. There are permanent public subsidies, generally taking the form of various exemptions from employer and employee social security contributions. Since 2005, employers hiring apprentices also benefit from a tax credit, which amounts to 1 600 to 2 200 Euros per apprentice (on a full-year equivalent basis). The higher amount is received when the employer hires a young disabled person or a disadvantaged youth. In order to sustain the demand for apprentices during the crisis, additional grants were introduced in March 2011 (ended June 2012), covering for a period of six months to one year any additional social security and pension contributions due by employers. Finally, the Regional Councils also pay a fixed compensatory allowance for hiring an apprentice, whose level and conditions vary across regions.

In **Germany** a vocational training bonus was introduced in July 2008 (ended in 2010) for companies creating an additional training place for apprentices whose training contract was prematurely terminated on account of the insolvency or closure of the training company. By February 2010, a total of 30 966 bonuses had been granted (including 2 696 insolvency cases). Expenditure increased from EUR 10.5 million in 2008 to EUR 34.3 million in 2009.

In the **Russian Federation**, employers offering apprenticeships are entitled to partial reimbursement of the labour costs associated with both the trainees and the trainer, i.e. the senior employee who is responsible for providing training to the apprentice.

*Source:* OECD (2010), *Off to a Good Start? Jobs for Youth* (p. 19) and information provided by country authorities.

Despite financial incentives and the potential benefit to workplace productivity from well-trained workers, employers are also often reluctant to take on apprentices. In many countries, in fact, the main difficulty in implementing an effective apprenticeship system is the small number of places for apprenticeships that are made available by employers. Especially when other forms of relatively low-cost labour are available (internships, temporary or casual jobs) that do not require a direct investment in training by the employer, it can be particularly difficult to generate a sufficient number of apprenticeship places. There may in fact be a difficult trade-off to manage between ensuring that the costs of firms investing in apprenticeships (e.g. in terms of labour costs, compliance costs, etc.) are not too high while ensuring that apprentices face suitable working conditions and acquire appropriate and certified training. For many years, Brazil has relied on a legal requirement for firms to hire apprentices. Brazil's apprenticeship programme (*Aprendiz Legal*) is based on the Education Law established in 2000. It requires that mid- and large-sized firms hire a number of apprentices as part of their work force. The required number of apprentices hired should be at least 5% and at most 15% of

the firm's workforce (in the calculation of the number of apprentices to be hired, those positions that require a higher-level degree, technical, management and trust positions are excluded).

Also, firms may be discouraged to hire apprentices due to rigidities in the duration of the programme or hiring conditions. Quality apprenticeships should operate according to *competence-based completion* rather than time-based completion. Apprentices who acquire the required skills before the normal end of their programmes should be allowed to complete them in advance, subject to some kind of competence assessment, as it is the case in Australia with the Accelerated Australian Apprenticeships Program. By making the system more flexible for employers, who are not locked in for a fixed number of years, competence-based completion encourages them to offer more apprenticeship places by being more cost-effective.

### *Involving key stakeholders in the governance of apprenticeship programmes*

Finally, in those countries with strong apprenticeship systems, there is a close and active involvement of both employers' organisations and trade unions. Thus, a challenge for some countries wishing to introduce or strengthen apprenticeship schemes may be to achieve this in the context of a weaker tradition of active and close cooperation between the social partners. Quality apprenticeships work best if they are jointly managed by the social partners and relevant institutions. Representatives of employers and workers should be directly involved in the development, implementation and governance of apprenticeship systems, particularly in the definition of the content of training, together with the relevant training institutions. This is important to make sure that the training content is regularly revised to keep pace with technological and organisational progress. In the United States, for example, the Registered Apprenticeship system is an industry-sponsored system that, in collaboration with the Department of Labor, supports the design and delivery of training to meet the specific needs of employers.

### ***Monitoring progress and fostering mutual learning: the G20-OECD-EC conference on quality apprenticeships***

A major international conference on "Quality Apprenticeships for Giving Youth a Better Start in the Labour Market" was held at the OECD in Paris on 9 April 2014. The conference was jointly organised by the G20 Australian Presidency, the OECD and the European Commission. The purpose of the conference was to:

- Follow-up on progress with implementing the G20 commitments to promote quality apprenticeships that were made by the G20 Ministers of Labour and Employment in Guadalajara in 2012.
- Identify remaining challenges.
- Foster a greater commitment by all stakeholders to take action to introduce or strengthen apprenticeship programmes.

The conference brought together some 130 participants from 36 countries. The social partners were also actively involved with 19 representatives from individual businesses and the key employer bodies (B20 and IOE), and 6 from the trade unions (including L20 and ITUC), continuing their joint support for apprenticeship as articulated in the B20-L20 Joint Understanding on Quality Apprenticeship (B20-L20, 2013). The Y20 was also represented. A number of national experts also participated as well as the ILO, UNESCO and the World Bank. A working lunch was also organised by the OECD's business and trade union advisory committees (BIAC and TUAC) around the theme of how social partners can promote quality apprenticeships.

The conference discussions highlighted the different challenges facing countries as well as country examples of initiatives that have been taken to address these challenges. There was broad agreement

on the key elements required for promoting quality apprenticeships. This includes taking action in four broad areas:

- Ensuring access to high-quality programmes, especially for disadvantaged youth.
- Making apprenticeships more valuable to youth.
- Making apprenticeships more attractive to employers.
- Fostering partnerships in governance arrangement across the key stakeholders (including employment and education ministries, employers and trade unions).

Looking forward, there was also broad agreement by all stakeholders to promote stronger apprenticeship systems through close partnership between governments, education and training institutions and the social partners. It was also agreed that progress in achieving this objective should be regularly monitored by:

- Establishing a regular exchange of new initiatives and evaluations of existing measures to strengthen apprenticeship programmes.
- Evaluating alternative ways of delivering workplace training.

## **Conclusions**

Youth were hit hard by the crisis in many G20 economies and their situation in the labour market is slowly improving as the recovery gets underway. If not employment-centred, stronger economic growth will not be sufficient to solve a number of long-term difficulties that they face in making a smooth transition from school to work and obtaining access to formal employment in quality jobs. In all countries, there is a core group of youth facing various combinations of high and persistent unemployment and underemployment, poor quality jobs when they do find work and a high risk of social exclusion. The different sources of these difficulties imply that a comprehensive set of measures that combine interventions to increase labour demand with youth-targeted employment programmes, particularly for disadvantaged youth is required to durably improve labour market outcomes for all youth. It is, therefore, encouraging to observe the range of action that G20 countries are taking – often as part of a youth employment strategy – to foster a better integration of young people into the world of work. However, further efforts are needed given the substantial difficulties that many youth still face in the labour market. As part of these efforts, monitoring and evaluation will be essential for helping countries adapt and refine their youth employment policies to have the maximum impact on improving youth labour market outcomes, and for sharing information among countries on successful programmes.

## References

- B20-L20 (2013), “Joint Understanding on Quality Apprenticeship”. [www.skillsforemployment.org](http://www.skillsforemployment.org)
- European Commission (2014), “The Youth Guarantee: Making It Happen”, European Union, 2014. <http://ec.europa.eu/social/youthguarantee>
- G20 Task Force on Employment (2012), “Key Elements of Quality Apprenticeship”, 27 September. [www.skillsforemployment.org](http://www.skillsforemployment.org)
- ILO (2010), “G20 Training Strategy: A Skilled Workforce for Strong, Sustained and Balanced Growth”. [www.skillsforemployment.org](http://www.skillsforemployment.org)
- ILO (2012), *The youth employment crisis: A call for action*, Resolution and conclusions of the 101st Session of the International Labour Conference, Geneva. [http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS\\_185950/lang--en/index.htm](http://www.ilo.org/ilc/ILCSessions/101stSession/texts-adopted/WCMS_185950/lang--en/index.htm)
- ILO (2013), *Global employment trends for youth 2013: A generation at risk*, ILO, Geneva. [http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2013/WCMS\\_212423/lang--en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2013/WCMS_212423/lang--en/index.htm)
- ILO (2012), *Global employment trends for youth 2012*, ILO, Geneva. [http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2012/WCMS\\_180976/lang--en/index.htm](http://www.ilo.org/global/research/global-reports/global-employment-trends/youth/2012/WCMS_180976/lang--en/index.htm)
- ILO (2013), “Youth guarantees: a response to the youth employment crisis?”, *Employment Policy Brief*, ILO, Geneva, April. [http://www.ilo.org/employment/Whatwedo/Publications/WCMS\\_209468/lang--en/index.htm](http://www.ilo.org/employment/Whatwedo/Publications/WCMS_209468/lang--en/index.htm)
- ILO, *World Social Protection Report 2014-15*, ILO Geneva, June 2014. [http://www.ilo.org/global/research/global-reports/world-social-security-report/2014/WCMS\\_245201/lang--en/index.htm](http://www.ilo.org/global/research/global-reports/world-social-security-report/2014/WCMS_245201/lang--en/index.htm)
- ILO 2014 (forthcoming), *Jobs and skills for youth: Review of policies for youth employment in the Russian Federation*.
- ILO 2014 (forthcoming), *Jobs and skills for youth: Review of policies for youth employment in Indonesia*.
- Matsumoto, M., M. Hengge and Y. Islam, “Tackling the Youth Employment crisis: a macroeconomic perspective”, *Employment Working Paper*, ILO, Geneva, 2012, [http://www.ilo.org/employment/Whatwedo/Publications/WCMS\\_190864/lang--en/index.htm](http://www.ilo.org/employment/Whatwedo/Publications/WCMS_190864/lang--en/index.htm)
- OECD and ILO (2011), “Giving youth a better start: A policy note for the G20 Meeting of Labour and Employment Ministers”, September. <http://www.oecd.org/g20/topics/employment-and-social-policy/48732154.pdf>
- OECD (2010), *Off to a Good Start? Jobs for Youth*, OECD Publishing. <http://dx.doi.org/10.1787/9789264096127-en>
- OECD (2012), OECD Note on “Quality Apprenticeships” for the G20 Task Force for Employment, 26 September. <http://www.oecd.org/els/emp/OECD%20Apprenticeship%20Note%2026%20Sept.pdf>
- OECD (2012), *Better Skills, Better Jobs, Better Lives: A Strategic Approach to Skills Policies*, OECD Publishing. <http://dx.doi.org/10.1787/9789264177338-en>
- OECD (2013), *OECD Skills Outlook 2013: First Results from the Survey of Adult Skills*, OECD Publishing. <http://dx.doi.org/10.1787/9789264204256-en>

OECD (2014), *OECD Employment Outlook 2014*, OECD Publishing.

[http://dx.doi.org/10.1787/empl\\_outlook-2014-en](http://dx.doi.org/10.1787/empl_outlook-2014-en)

Quintini, G. and S. Martin (2014), “Same but Different: School-to-work Transitions in Emerging and Advanced Economies”, *OECD Social, Employment and Migration Working Papers*, No. 154, OECD Publishing.

<http://dx.doi.org/10.1787/5jzbb2t1rcwc-en>

Steedman, H. (2012), “Overview of apprenticeship systems and issues; ILO contribution to the G20 Task Force on Employment,” [www.skillsforemployment.org](http://www.skillsforemployment.org)



### **Annex 1. The OECD Action Plan for Youth: Giving Youth a Better Start in the Labour Market**

The OECD Action Plan for Youth sets out a comprehensive range of measures that OECD Member countries have committed to take to tackle youth unemployment and to strengthen their long-term employment prospects.

#### **Tackle the current youth unemployment crisis**

1. ***Tackle weak aggregate demand and boost job creation.***
2. ***Provide adequate income support to unemployed youth*** until labour market conditions improve but subject to strict mutual obligations in terms of active job search and engagement in measures to improve job readiness and employability.
3. ***Maintain and where possible expand cost-effective active labour market measures*** including counselling, job-search assistance and entrepreneurship programmes, and provide more intensive assistance for the more disadvantaged youth, such as the low-skilled and those with a migrant background.
4. ***Tackle demand-side barriers to the employment of low-skilled youth***, such as high labour costs.
5. ***Encourage employers to continue or expand quality apprenticeship and internship programmes***, including through additional financial incentives if necessary.

#### **Strengthen the long-term employment prospects of youth**

6. ***Strengthen the education system and prepare all young people for the world of work***
  - Tackle and reduce school dropout and provide second-chance opportunities for those who have not completed upper secondary education level or equivalent.
  - Ensure that all youth achieve a good level of foundation and transversal skills.
  - Equip all young people with skills that are relevant for the labour market.
7. ***Strengthen the role and effectiveness of Vocational Education and Training***
  - Ensure that vocational education and training programmes provide a good level of foundation skills and provide additional assistance where necessary.
  - Ensure that VET programmes are more responsive to the needs of the labour market and provide young people with skills for which there are jobs.
  - Ensure that VET programmes have strong elements of work-based learning, adopt blends of work-based and classroom learning that provide the most effective environments for learning relevant skills and enhance the quality of apprenticeships, where necessary
  - Ensure that the social partners are actively involved in developing VET programmes that are not only relevant to current labour market requirements but also promote broader employability skills.
8. ***Assist the transition to the world of work***
  - Provide appropriate work experience opportunities for all young people before they leave education.
  - Provide good quality career guidance services, backed up with high quality information about careers and labour market prospects, to help young people make better career choices.
  - Obtain the commitment of the social partners to support the effective transition of youth into work, including through the development of career pathways in specific sectors and occupations.
9. ***Reshape labour market policy and institutions to facilitate access to employment and tackle social exclusion***
  - Ensure more equal treatment in employment protection of permanent and temporary workers.
  - Combat informal employment through a comprehensive approach.
  - For the most disadvantaged youth, intensive programmes may be required with a strong focus on remedial education, work experience and adult mentoring.

Source: OECD, *The OECD Action Plan for Youth: Giving Youth a Better Start in the Labour Market*, Paris, 2013. <http://www.oecd.org/newsroom/Action-plan-youth.pdf>

### **Annex 2. The ILO's framework of action to address the global youth employment crisis**

The resolution “The youth employment crisis: A call for action” adopted in 2012 by ILO constituents from G20 and other countries provides a framework to address the youth employment crisis.

The Call for Action contains guiding principles and a comprehensive set of conclusions describing policy measures that can guide constituents in shaping national strategies and action on youth employment. It affirms that a multi-pronged and balanced approach which takes into consideration the diversity of country situations is the desired way to respond to the highest global priority of generating decent jobs for youth. The resolution provides a blueprint for shaping national strategies and taking immediate action on youth employment, as well as guidance to member States for the review of existing policies or for crafting new policies leading to more decent jobs for youth. Although the policy mix is highly dependent on country situations, the resolution provides guidance on five policy areas:

- (i) employment and economic policies to increase aggregate demand and improve access to finance;
- (ii) education and training to ease the school-to-work transition;
- (iii) labour market policies to target employment of disadvantaged youth;
- (iv) entrepreneurship and self-employment to assist young aspiring entrepreneurs; and
- (v) labour rights to make sure that young people receive equal treatment and are afforded rights at work.

The member States of the ILO also agreed that addressing the youth employment challenge requires broad-based partnerships at national and local levels, involving governments, employer organizations, trade unions and other actors.

*Source: ILO, The youth employment crisis: A call for action, Resolution and conclusions of the 101st Session of the International Labour Conference, Geneva, 2012.*

### Annex 3. Recent youth employment policies

Based on the replies to the OECD and G20 Questionnaire on Labour Market Outcomes for Youth and the G20 Employment Plans, the following table summarises for each country what type of recent measures have been implemented or announced according to nine broad policy areas to promote better youth labour market outcomes. A country is marked with an “X” if one or more policies are in place or have been announced.

**Table A3.1. Youth employment policies recently implemented or announced in G20 economies**

	Argentina	Australia	Brazil	Canada	China	European Union	France	Germany	India	Indonesia	Italy	Japan	Mexico	Russian Federation	Saudi Arabia	South Africa	South Korea	Spain	Turkey	United Kingdom	United States
1. Tackle weak aggregate demand and boost job creation.	X	X			X	X	X		X	X	X	X				X	X	X	X		
2. Provide adequate income support to unemployed youth	X	X				X	X		X					X	X			X		X	X
3. Maintain/expand cost-effective active labour market measures	X	X		X	X	X	X	X	X	X	X	X		X	X		X	X		X	X
4. Tackle demand-side barriers to the employment of low-skilled youth	X					X				X	X	X						X	X		
5. Encourage employers to continue/expand quality apprenticeship and internship programmes				X	X	X	X		X	X	X	X	X	X				X		X	X
6. Strengthen the education system and prepare all young people for the world of work	X			X	X	X	X				X	X						X	X		X
7. Strengthen the role and effectiveness of Vocational Education and Training		X			X	X	X			X	X	X	X	X	X	X	X	X	X		X
8. Assist the transition to the world of work	X	X		X	X	X	X			X	X	X	X	X	X		X	X			X
9. Reshape labour market policy/institutions to facilitate access to employment and tackle social exclusion					X	X	X	X				X						X			X

Source: Replies to the OECD and G20 Questionnaire on Labour Market Outcomes for Youth, and the G20 Employment Plans.