

## *Chapter 1*

# **The NEET challenge: What can be done for jobless and disengaged youth?**

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## Introduction

Young people today struggle in the labour market in spite of being the most highly educated generation in history. Unemployment is generally higher among young people than prime age adults, and those who do work tend to have poorer-quality jobs and are much more likely to be on temporary contracts or to earn low wages than older workers.

The Great Recession hit young people particularly hard and, as the recovery has been jobless in many countries, many young people have not seen their situation improve since. This chapter adopts a wide definition of youth, including all 15-29 year-olds, to allow for the fact that young people remain in education for longer, and to include the beginning of family formation. The number of 15-to-29 year-olds not in employment, education or training (NEETs) remains higher than before the onset of the crisis in nearly all OECD countries – 40.0 million in 2015.<sup>1</sup> The most vulnerable – those with a poor education, ill health or social problems, and/or a migrant background – are most likely to find themselves without work, quality education or training opportunities. Over two-thirds of all NEETs (28 million young people across the OECD) are *inactive*, i.e. not even looking for work.

This situation has significant social, political and economic consequences. In the absence of adequate public support, declining household incomes increase the risk of poverty. They may force young people and their families to cut down on essential expenditure on food, housing and health care, so damaging their well-being and health. Periods of inactivity and unemployment in early adulthood have also been shown to have lasting negative effects on future employment prospects and earnings (OECD, 2015a). The growing uncertainty with which young people grapple at the outset of their careers can also keep them from reaching traditional markers of adulthood – securing a steady job is often associated with the decision to leave the parental home and is typically a prerequisite for starting a family. In the long term, inactivity and unemployment can generate isolation and disengagement from society, with adverse consequences for social outcomes such as health, fertility and trust, and can eventually lead to crime (Carcillo et al., 2015).

The social and labour market integration of young people is therefore a policy priority for OECD governments. This chapter takes stock of the current labour market situation of young people, profiles those who are out of employment, education or training, and reviews approaches and policies that OECD countries have adopted to improve youth employment and educational outcomes. It addresses the following sets of questions:

- **How have young people fared during the Great Recession, and which young people were most affected by the large-scale destruction of jobs?** To answer these questions, the first section of this chapter looks at how youth employment rates have evolved across the OECD and at the educational attainment of those who have lost their jobs. Many young people go to school or study and do not participate in the labour market, which makes employment and unemployment rates incomplete measures of the labour market situation of young people. The analysis therefore specifically focuses on NEETs and how their numbers evolved throughout the economic crisis.

- **Who are the NEETs, and for how long do they typically remain out of employment, education and training?** Young people who are unemployed or inactive differ greatly in personal characteristics, family background, and the barriers to their securing a place in education or work. Identifying NEETs has important implications for the type of support they need if they are to (re)gain self-sufficiency. The second section profiles NEETs from country to country in order to identify principal risk factors as well as obstacles to re-integration:

- What share of NEETs are early school leavers, and what proportion lack the literacy or numeracy skills required for work or training?
- Is there an important gender gap in unemployment or inactivity, and what are its likely drivers?
- And to what extent are youth from more disadvantaged families at a greater risk of being NEET?

The negative long-term consequences of joblessness are likely to be greatest for young people who remain NEET for *long periods*. The third section therefore also studies for how long young people remain out of education, employment and training and seeks to identify factors that put them at risk of being long-term NEETs.

- **What forms of income support are available to low-income young people, and how successful are they at preventing youth poverty?** A consequence of the difficult labour market situation for young people is that a growing share of them struggle to be self-sufficient. Although income support can help absorb severe earnings losses and ensure a decent standard of living, it is often less generous and more difficult to access for young people. The third section looks at income support for young people:

- What proportion of young people receive unemployment or disability benefits, social assistance, or other types of cash benefits, and how have their numbers developed over the crisis and its aftermath?
- What share of *unemployed* young people are covered by some form of income support?
- What are the implications for the incomes of young people – and the incidence of youth poverty?

- **What policies and programmes can rise to the NEET challenge?** Cross-country analysis of NEETs reveals various barriers to their entering education or employment. Because low educational attainment is such an important risk factor, the final section examines what governments can do to ensure that all young people complete their upper-secondary education:

- What measures heighten the chances of spotting students at risk of dropping out of school and giving them support they need?
- How can attractive vocational education and training pathways – particularly quality apprenticeships – contribute to providing young people with the skills and work experience required in the labour market?
- What interventions can help NEETs back into education or employment? Which ones work best and for whom? What are the challenges of implementation? Under what conditions can youth guarantees make a difference?

## 1. Youth employment in the aftermath of the Great Recession

Youth employment is an important factor for social cohesion. From a macro-economic perspective, persistently high rates of unemployment or inactivity are a substantial loss of economic opportunity and income. They undermine trust in political institutions and

policies while, from an individual viewpoint, under-employment can inflict scars on youth that last for many years. Indeed, there is ample evidence that even short spells of inactivity and unemployment at the outset of a career can have lasting effects. Young people who experience a period of early unemployment are more prone to unemployment later in their careers (Schmillen and Umkehrer, 2013; Möller and Umkehrer, 2014) and have been shown to earn less (Umkehrer, 2015).<sup>2</sup>

This section examines to what extent the labour market situation of young people differs from one country to another and how it has evolved since the onset of the Great Recession (see also Indicator 4 on “Labour market entry”).

### **Youth were hit hard by the economic crisis**

The sweeping job losses in the wake of the 2007-8 financial crisis hit young people disproportionately hard. They are more likely to work in temporary and atypical contracts that are easier to terminate – in other words, they are what the concept of labour market duality describes as “outsiders”. Moreover, in times of weak labour demand, young people with little or no work experience struggle to find a job. The slow recovery in many countries since the crisis has failed to reverse trends in youth employment and restore it to pre-crisis levels. OECD-wide, the number of employed young people, aged 15 to 29 years, fell by 8% between 2007 and 2015, while overall employment increased slightly (Figure 1.1). The most catastrophic job losses over the period occurred in the countries worst hit by the recession: Spain, Ireland and Greece saw youth employment cut in half. And in Portugal, Slovenia, Italy and Latvia, between one-quarter and one-third of all jobs held by young people were destroyed.

In some countries, such as France and the United States, youth employment fell more moderately, while a handful of countries not only avoided significant job losses, but even saw an increase in employment among young people – particularly Luxembourg (+38%) and Chile (+20%) (Figure 1.1). In both countries’ youth employment rates, especially among young women, were in fact low at the onset of the crisis, and the rise was attributable chiefly to more young women taking up work.

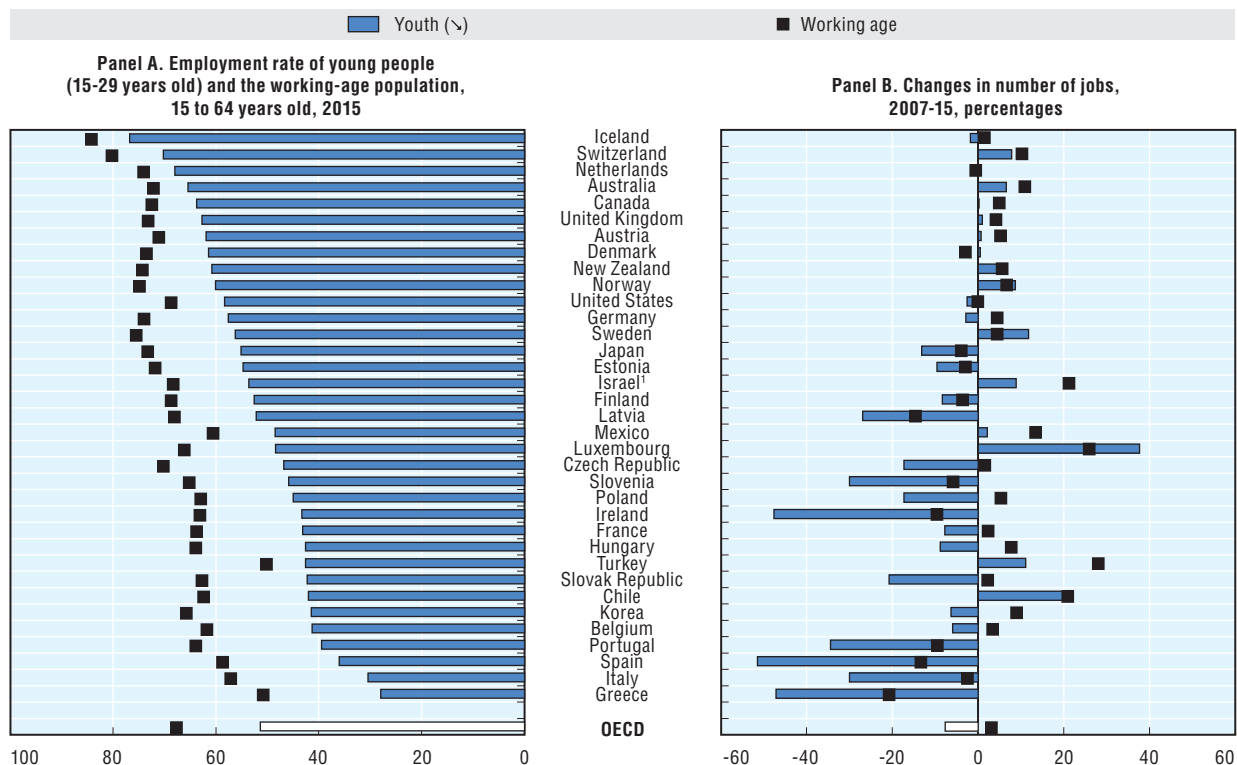
### **The recovery has been too weak to help young people back into employment**

While many countries have experienced bouts of recovery, they have generally been too weak to drive up youth employment rates significantly. Indeed, the Southern European countries that have been severely affected by the crisis – such as Spain, Italy and Greece – experienced a second recession in 2011-12, and the share of employed youth is only just levelling out. Other countries – such as Estonia, Hungary and Iceland – have already recovered, or are on their way to recovering, their pre-crisis levels of youth employment. The average share of youth in employment OECD-wide has stagnated since 2010 (Figure 1.2).

### **Low-educated youth were particularly vulnerable to job losses**

Young people with low levels of educational attainment (below upper-secondary) were most vulnerable during the economic crisis and have continued to be during the slow recovery. They are also at the highest risk of long-term scarring effects. The number of employed youth who had gone no further than lower-secondary education dropped in almost all countries between 2007 and 2014 – including in those where youth employment grew over this period, such as Mexico, Australia and Norway. Indeed, in those seven years, the young people who bore the brunt of job losses across the OECD were those educated to

Figure 1.1. **Almost one in ten jobs held by young people were destroyed since the beginning of the crisis**

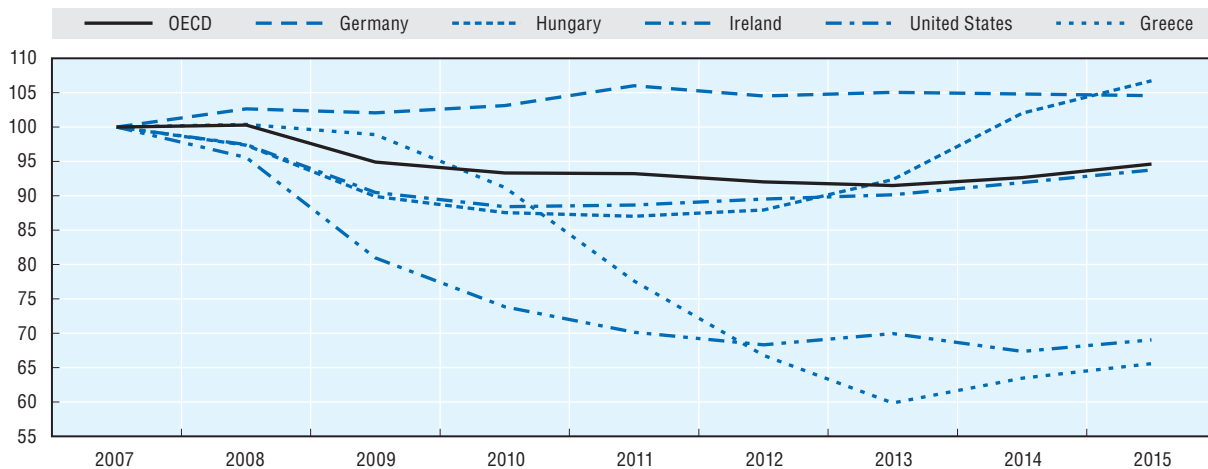


1. Data relate to 2011.

Source: OECD Employment Database, [www.oecd.org/employment/database](http://www.oecd.org/employment/database).

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Figure 1.2. **Youth employment rates have been slow to recover**  
Changes in youth employment rates in selected OECD countries (in %), 2007 to 2015 where 2007 = 100%

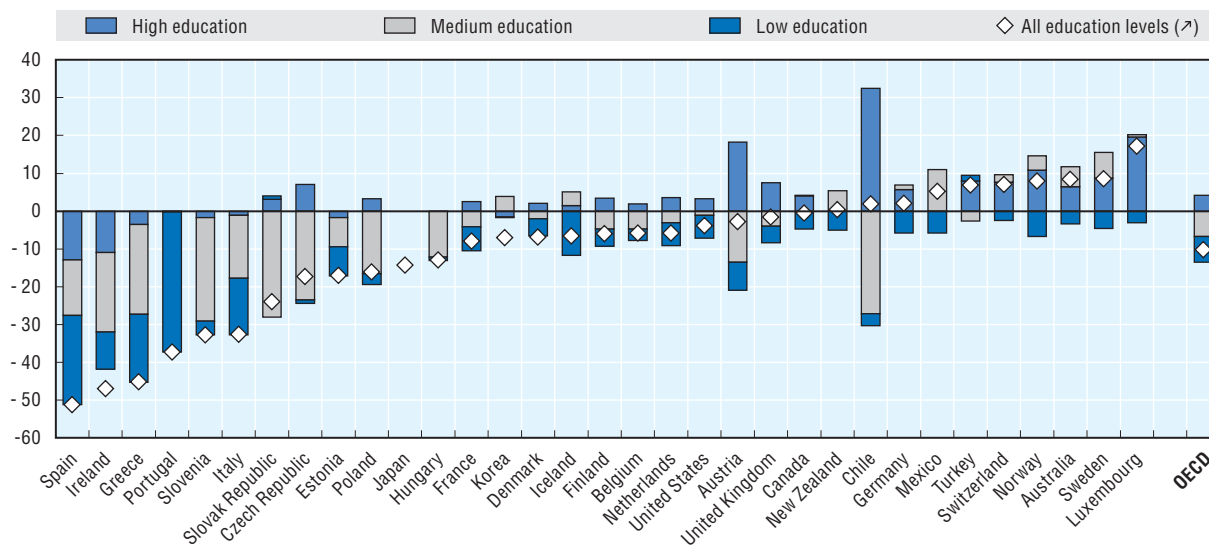


Source: OECD Employment Database, [www.oecd.org/employment/database](http://www.oecd.org/employment/database).

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low and medium levels (see explanatory note to Figure 1.3 on levels of education). By contrast, employment among university graduates rose OECD-wide, save in those countries hardest hit by the crisis. In the Czech Republic, for instance, overall youth employment dropped by 17%, while among young people with higher education it increased by 7%.

**Figure 1.3. Poorly educated young people were hit hardest by the recession**  
Percentage change in numbers of employed 15-to-29 year-olds, between 2007 and 2014, by level of education



Note: The figure depicts the absolute change in employed individuals by educational attainment as a percentage of the total change in employed persons.

For Japan, the age bracket is 15 to 24 years old. Data for Chile relate to 2006-13, for Korea to 2008-13, and for Germany, Japan, New Zealand and Turkey to 2007-13.

Education levels are defined as follows: “Low education” denotes a level no higher than lower-secondary education (up to ISCED Level 3C short), “medium education” denotes upper-secondary and post-secondary non-tertiary levels (ISCED Levels 3C long to Level 4), “high education” denotes tertiary level (ISCED Levels 4 and 5).

The education levels medium and high cannot be distinguished for Mexico and New Zealand, and there is no information on the level of education of employed young people in Japan and Korea, so there is no breakdown by level of for the OECD average. Because of a break in the time series in Israel in 2011, 2007-14 comparisons cannot be made for Israel.

Due to missing information on educational attainment for some individuals, there are disparities between the total change in the number of employed youth (diamonds) and the variation aggregated across levels of education for Denmark, Ireland, Korea and Sweden.

Source: OECD calculations based on national labour force surveys and the *OECD Education Database* (Australia, Germany, Japan and Korea).

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The stark contrast between skilled and unskilled youth certainly reflects rising levels of educational attainment – young people now are generally better educated than they were in 2007 – as well as, in some countries a declining youth population.<sup>3</sup> It also indicates a growing demand for skills. Many of the jobs destroyed during the crisis are gone for good. It is therefore essential to ensure that all young people who enter the labour market be well qualified. The current climate of relatively weak labour demand is actually a good time to invest in the skills of the most vulnerable young people. (Section 4 discusses policies and programmes that can help upskill poorly qualified NEETs so they are fully prepared when labour demand does pick up.)

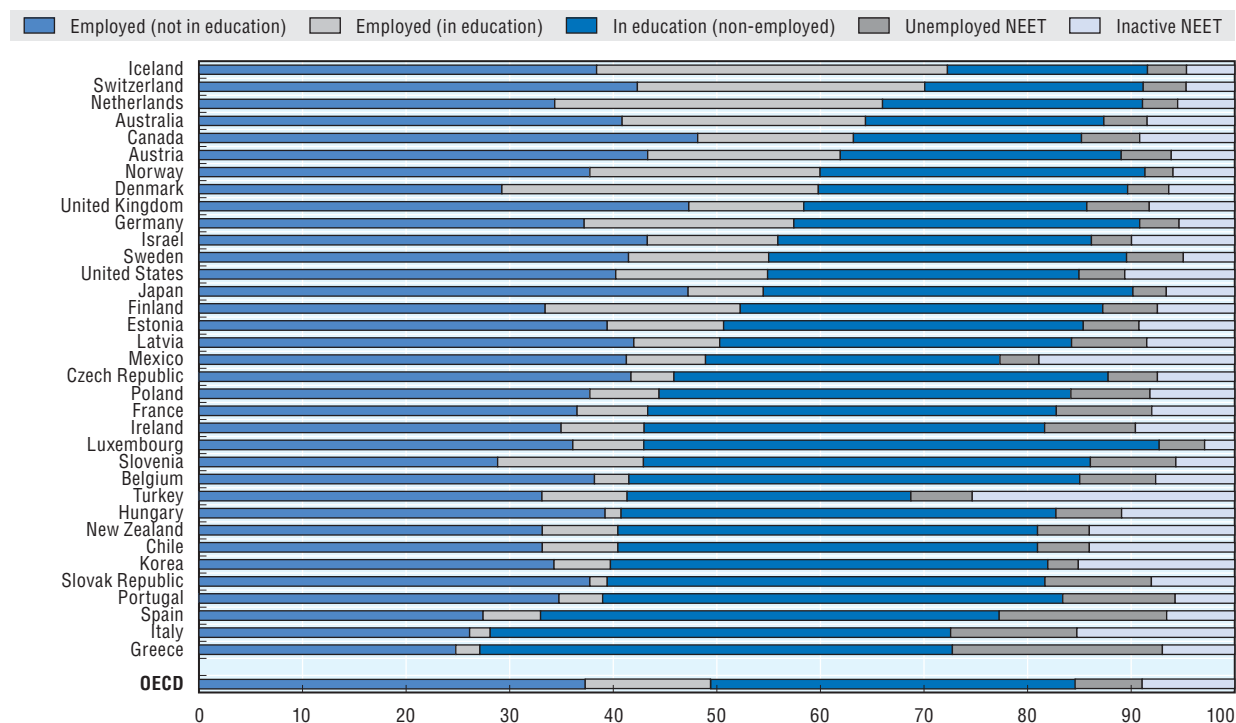
### **Youth employment tends to be higher where many young people combine work and study**

As a consequence of the divergent effects of the Great Recession, the OECD-wide youth employment situation has become more *unequal*. In 2015, over two-thirds of young people were employed in the best-performing countries, such as Iceland, Switzerland and the Netherlands and Australia. In the Southern European countries worst affected by the crisis, by contrast, only one-quarter to one-third of all youth were in work (Figure 1.1).


The disparities in youth employment rates are also linked to a more structural factor – the share of young people who combine studies and work (Figure 1.4). In Iceland, Switzerland and the Netherlands, more than half of all students are also employed, while in Greece, Italy, Hungary, Portugal, Spain or the Slovak Republic, only about one in twenty

Figure 1.4. **In the best-performing countries, many young people combine work with education**

Labour market status of young people, percentages, 2014



Note: Countries are ranked, from top to bottom, in order of youth employment rates. Data for Chile, Korea, New Zealand and Turkey relate to 2013. Source: OECD calculations based on national Labour Force Surveys and the OECD Education Database (Australia, Germany, Israel and New Zealand).

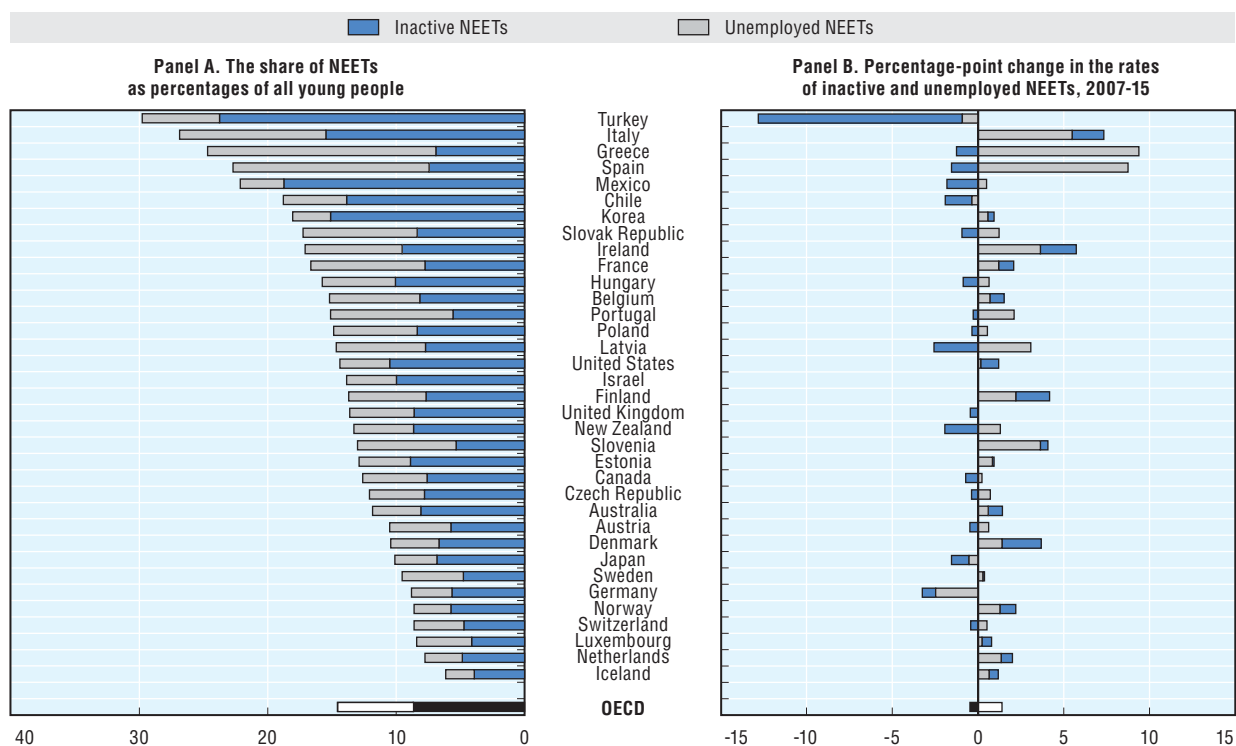
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is. Working a moderate number of hours (below 15 a week) has been shown to lower the risk of early school leaving, possibly because it fosters important life skills such as conscientiousness and motivation, and can steer students towards a career path. There are also benefits for university students, especially if they work moderate hours – i.e. less than half-time – in a job related to their field of study. Accordingly, some countries have encouraged the employment of students by introducing or stepping up the work-based components of school and university courses (Quintini and Martin, 2014).

### **Many NEETs are not looking for work**

The number of NEETs rose in most OECD countries as a result of sweeping job losses in the wake of the economic crisis. In 2015, the number of NEETs OECD-wide stood at 40.0 million, over two-thirds of whom were not actively looking for work – so called “inactive NEETs”. Averaged across OECD countries, 14.6% of all youth were NEETs in 2015; weighted by the size of countries’ youth populations, this rate rises to 17%.<sup>4</sup> This share was strikingly high in the countries hit hardest by the recession – between one-quarter and one-fifth of all young people were out of work and not in education in Greece, Italy, and Spain.<sup>5</sup>


A breakdown of NEETs into those actively seeking a job – the unemployed NEETs – and those who are not, the inactive NEETs, shows that in most countries, the majority of NEETs are not even looking for work. The share of inactive NEETs is highest in Turkey and Mexico, but also significant in Italy, Korea and Chile (Figure 1.5, Panel A). Section 2, “Who are the NEETs? A profile of jobless youth”, shows that inactive NEETs are not actively seeking work for a variety of reasons – e.g. care obligations, health problems, substance abuse problems as well as the belief that any job search would be unsuccessful. In some countries – such as

Figure 1.5. **Rising NEET rates mostly reflect higher unemployment among young people**

Note: Countries are arranged, from top to bottom, in order of overall NEET rates.

Data on Israel are not comparable before and after 2011, so the percentage point change is not presented for Israel. Data for Chile refer to 2006-13, for Korea to 2008-13, and to 2014 for Israel.

Source: OECD calculations based on national labour force surveys and OECD National Educational Attainment Classification (NEAC) Database 2015, [https://stats.oecd.org/Index.aspx?datasetcode=EAG\\_NEAC#](https://stats.oecd.org/Index.aspx?datasetcode=EAG_NEAC#) (Australia, Israel, Korea and New Zealand).

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Turkey, Mexico, and Chile – low female participation in the labour market leads to high inactive NEET rates among young people. However, since inactive NEETs are not necessarily registered with the public employment or welfare services, they can be particularly hard to reach. Section 4, “Policies to promote self-sufficiency among young people” discusses programmes designed to attract and engage inactive NEETs.

The share of young people who are unemployed is significant in some countries, notably those badly hit by the crisis – 18% in Greece and 15% in Spain. By contrast, only 2% of all young people are unemployed and looking for work in Iceland and 3% Norway, the Netherlands, Korea, Germany, Japan and Mexico.

The rise in NEET rates since the beginning of the crisis has been driven wholly by an increase in the share of unemployed NEETs, while the share of inactives has been steady or even declined (Figure 1.5, Panel B). In Greece, for instance, the rise in NEET rates was due solely to the increase in numbers of unemployed NEETs, while the share of inactive NEETs actually fell.

The rise in NEET rates does not exactly match up with the fall in employment rates. This is because the share of young people who do not work but are in education also increased during the crisis period in most countries – on the OECD average, it rose by 3 percentage points between 2007 and 2014 (not shown). This increase was significant in some countries that experienced extreme job losses, such as Spain (+15 percentage points) or Ireland (+12 percentage points), but also Turkey (+9 percentage points) and Denmark (+8 percentage points).

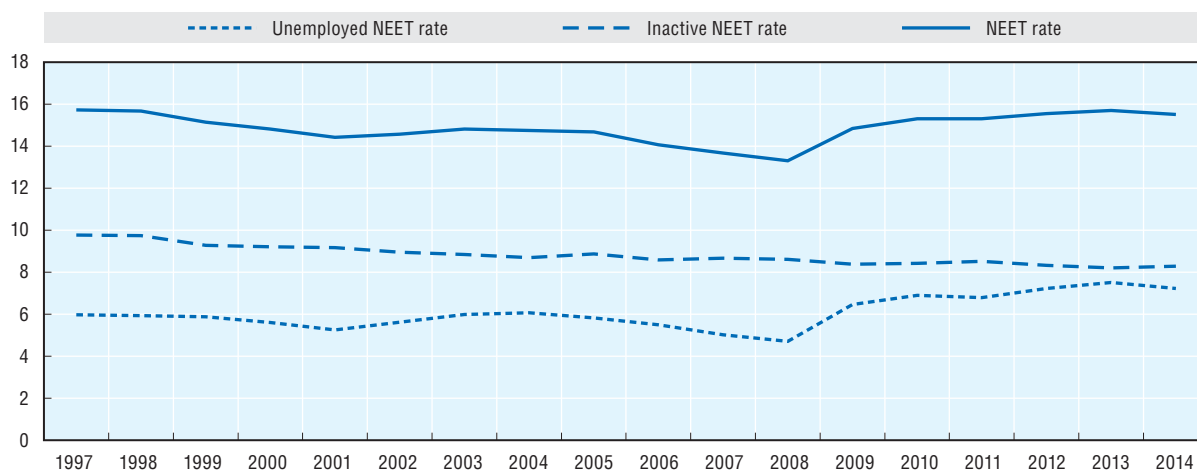


### **The NEET problem is structural, but has been exacerbated by the crisis**

How much of the NEET problem is directly caused by the fall in labour demand during and after the great recession, and how much is *structural*? That is, are NEET rates expected to fall as labour demand picks up again, or are there obstacles to the employment of NEETs that go beyond business cycles – e.g. a mismatch between the skills of young people and the requirements of employers? Figure 1.6 shows the inactive and unemployed NEET rates on the OECD average since the late 1990s. The rate of inactive youth who are not in employment shows a slight but steady downward trend that continued throughout the crisis years – over the last 17 years, it fell by 2 percentage points. The unemployed NEET rate, however, clearly fluctuates with the business cycle. During the great recession, it increased significantly more than during previous downturns, reaching a maximum of 7.5% in 2013, significantly higher than any value observed during this time period.


**Figure 1.6. NEET inactivity has not been influenced by the crisis**

Unemployed, inactive and overall NEET rate, OECD average, 1997-2014



Note: The OECD average is based on 25 countries for which data for a sufficient number of years is available.

Source: OECD Education Database.

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This suggests that, while young people suffered severe job losses during the crisis, the average NEET rate across the OECD is not likely to fall more than 2 or 3 percentage points as the economy recovers. The structural component of the NEET problem therefore requires targeted policies that help young people overcome the barriers to employment they face, some of which are discussed in Section 4.

### **The high number of NEETs represents a significant cost to OECD economies**

The high number of NEETs generates significant opportunity costs for OECD economies, as young people's time and skills go unused. The fact that the NEET problem is partly structural and therefore unlikely to disappear after OECD economies have fully recovered to the crisis, further adds to the importance of this recurring cost. This section provides a rough estimate of these costs to OECD countries.

NEET costs are defined as the gross labour income NEETs could command if they were employed, measured as the gross labour cost (including social security contributions).<sup>6</sup> This cost can be considered as a proxy of the forgone productivity of NEETs. This section presents three estimates: upper and lower bound estimates, as well as a point estimate. The point estimate accounts for the fact that jobless young people may have a lower earnings potential

### Box 1.1. Measuring youth unemployment

One of the indicators most widely used to assess labour markets is the *unemployment rate* – the ratio between the unemployed and people who *participate in the labour market* (be they unemployed or in work). Such a measure can be a misleading when applied to young people, as many are not in the labour market, either because they are students or *inactive NEETs*.

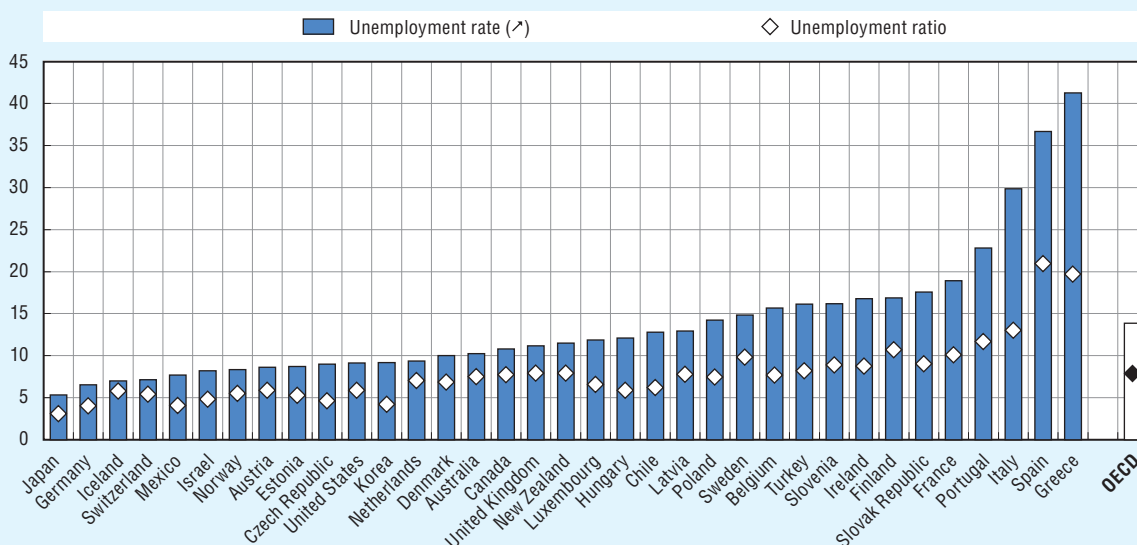
The proportions of young people participating in the labour market differs widely from one country to another – ranging from a 43% participation rate in Italy to 83% in Iceland (Figure 1.4). Such variations stem not only from different national economic climates, but are influenced by the architecture of a country's education system: Youth labour market attachment tends to be higher in countries with apprenticeship systems – vocational upper-secondary pathways that combine on-the-job training and classroom instruction. Even if the share of the youth population that is unemployed is the same in two countries, the one with the greater labour force participation will have a lower unemployment rate, as the denominator comprises more young people.

One measure of youth unemployment not influenced by the number of non-working students is the *unemployment ratio* – the number of the *unemployed as a share of the entire youth population*. If all young people are either working or seeking work (a labour force participation rate of 100%), the unemployment rate and ratio coincide. At a youth participation rate of around 50%, as in Greece and Spain, the unemployment rate will be about twice as high as the corresponding unemployment ratio (Figure 1.7).

This conceptual issue has a direct impact on youth unemployment rates in the countries worst affected by the crisis, often described as dramatic. Greece's 45% youth unemployment rate translates into a 22% ratio, and Spain's 40% rate into a 23% ratio (Figure 1.7).

Figure 1.7. **Unemployment rates are always higher than unemployment ratios**

Unemployment rates and ratios as percentages, 2015



Source: OECD Employment Database, [www.oecd.org/employment/database](http://www.oecd.org/employment/database).

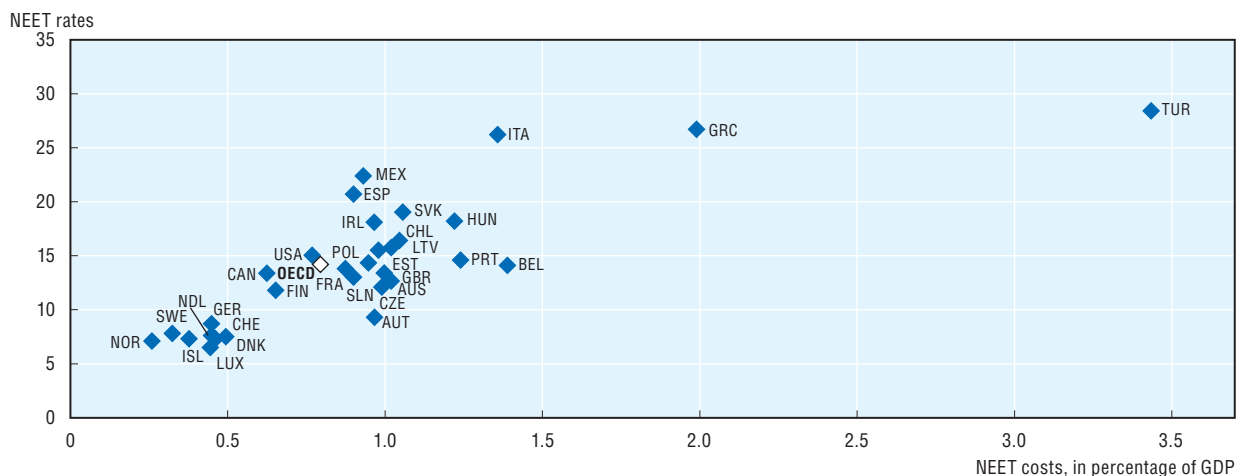
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than young people in employment – e.g. NEETs tend to have a lower educational background than other youth, and are more likely to have care responsibilities (see Chapter 3).<sup>7</sup> The upper bound estimate assumes that if employed, NEETs would on average receive the same wages and would choose to work the same hours as employed youth of the same gender and age. The lower point estimate assumes that NEETs could only command a “low-wage”, defined as two-thirds of the median wage among youth of the same gender and age-group.<sup>8</sup> Hence, both the upper and lower bounds ignore differences in other characteristics, such as education.

This exercise estimates the gross labour cost that could have been generated by NEETs in the OECD in 2014 between USD 360 billion and USD 605 billion, with the point estimate at USD 560 billion. This corresponds to between 0.9 and 1.5% of the OECD GDP. Figure 1.8 depicts the lower bound estimate for each country as a share of GDP.<sup>9</sup>

**Figure 1.8. NEET costs are significant in many OECD countries**

Annual NEET rate and estimation of the cost of NEETs as a percentage of GDP, 2014



Source: OECD calculations based on the EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), SOEP (Germany), ENIGH (Mexico), SILC (Turkey) and the CPS (United States). Data are for 2014 except for Chile and Switzerland (2013), Turkey (2012) and Canada (2011). GDP data from OECD.Stat, <http://stats.oecd.org>. StatLink  <http://dx.doi.org/10.1787/888933404877>

The total costs of NEETs are a function of both NEET rates and wage levels. Countries with the highest NEET rates suffer the highest costs – Turkey at 3.4% of GDP, and Greece at 2%. However, relatively high wage levels can cause significant costs for countries with moderate NEET rates: Belgium, which has a mid-table position with regard to NEET rates (see Figure 1.5), has a similar relative NEET cost as Italy where the NEET rate is nearly twice as high. The countries with the lowest relative NEET costs are Northern European countries with low NEET rates, such as Norway, Sweden or Denmark.

These estimates only provide a proxy for the actual net social cost of the NEET phenomenon, since it disregards that some NEETs might prefer not to work, and their families and wider communities might also benefit from them not working. On the other hand, high NEET rates might affect individuals and the community negatively, e.g. through deteriorated health or more crime. It also ignores the out-of-work benefits paid to some of these NEETs. A further complication is that wages and prices could change if all NEETs were to suddenly take up employment, especially in countries with high shares of NEET youth.

## 2. Who are the NEETs? A profile of jobless youth

Policies to prevent and curb youth unemployment and inactivity require an understanding of the obstacles that keep NEETs out of employment or education. Only then can they be effectively designed and tailored to needs. NEETs are a diverse group, as are the challenges they face within and between countries. Some young people struggle to secure employment because they left school early, while others – particularly women – have caring obligations. Those affected by illness or disability may face practical difficulties in engaging in education or employment, while migrants may face language barriers.

This section seeks to draw an in-depth profile of NEETs, looks at how long young people stay inactive or unemployed, and identifies the risk factors for being a long-term NEET.

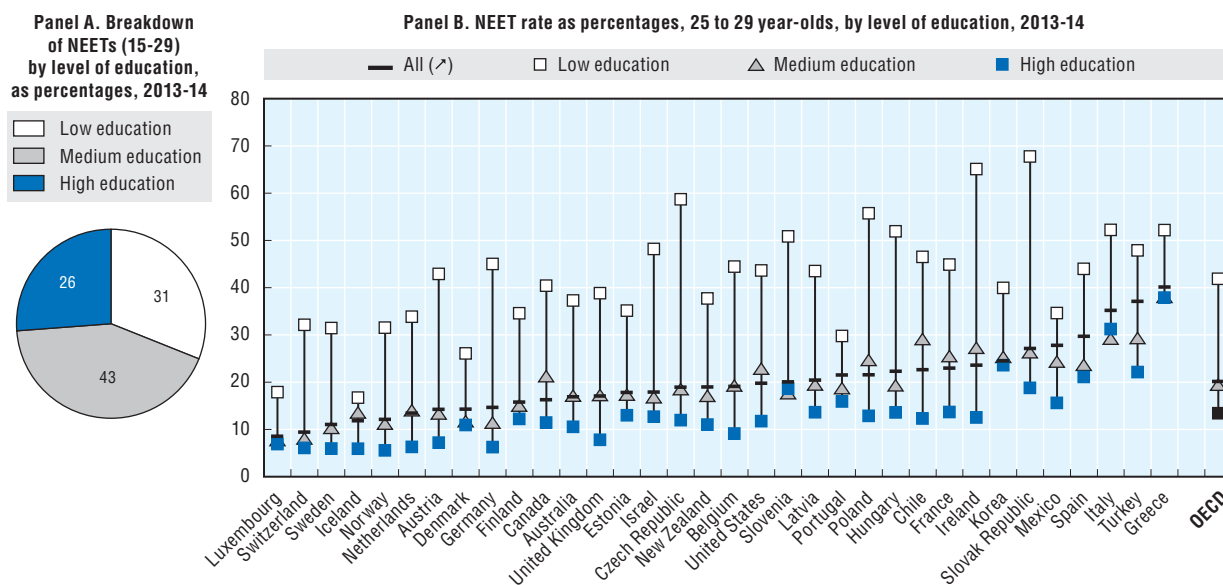
### Low levels of education and skills heighten the risk of becoming NEET

As the labour market demands ever higher levels of educational attainment and skills, low education levels are decisive factors in becoming NEET. On average, NEET rates in the OECD are three times higher among young people educated to lower-secondary level and 1.5 times greater at medium level (upper-secondary) than among their highly educated peers with university-level (or tertiary) degrees. Because too many young people fail to complete upper-secondary school – 17% of young adults (25-34) had a maximum of lower-secondary education in 2014 – this means that a large share of NEETs is not fully educated. Actually, just under one-third of all NEETs have only reached lower-secondary school (Figure 1.9, Panel A), while 43% have gone no further than upper-secondary school. Only one quarter of NEETs have higher education qualifications.

The educational gap in NEET rates varies significantly from country to country. As the educational attainment levels of young people rise over time, the absence of qualifications becomes an ever more important impediment to employment. Poorly educated youth in Germany are, for instance, almost 7 times more likely to become NEET than the highly educated (Figure 1.9, Panel B). And in Chile, NEET rates are 2.4 times higher among young people educated to medium level than among the highly educated. In a word, a good education helps protect young people from becoming NEETs, while leaving school early puts them at considerable risk especially when most other young people attain upper secondary or higher education.

Basic skills are also an important determinant of NEET status. The OECD Programme for International Student Assessment (PISA) also finds a strong link between pre-primary education attendance and better performance in reading, writing and maths later in life.

Figure 1.9. NEET rates are substantially higher among young people with low education



Note: Data in Panel B refer to 2014, except for Australia, Chile, Germany, Israel, Korea, Mexico, New Zealand and Turkey (2013). No data were available for Japan.

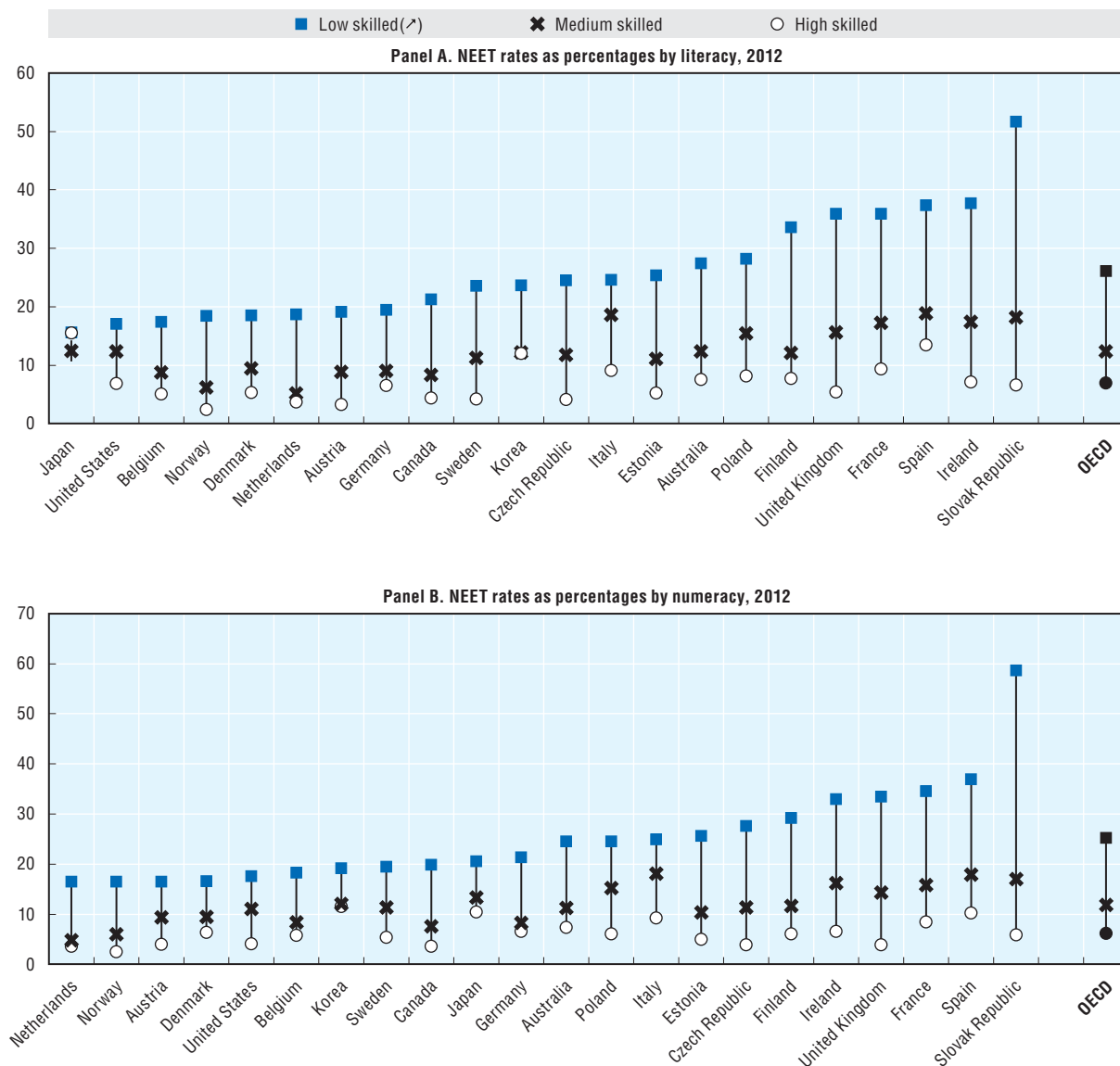
“Low-education” denotes lower-secondary school and lower (Levels 0-2 in the International Standard Classification of Education [ISCED]); “medium education” refers to upper- or post-secondary education (ISCED Levels 3-4); and “high education” means higher, or tertiary, education (ISCED Levels 5-6).

Source: OECD calculations based on the European Labour Force Survey and national labour force surveys; for Australia, Germany, Israel, Korea, Mexico, New Zealand and Turkey, OECD Education Database [https://stats.oecd.org/Index.aspx?datasetcode=EAG\\_TRANS](https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS).

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Education begets skills, and skills beget educational attainment. It follows, therefore, that leaving school early may result in low levels of literacy and numeracy, while students who have struggled from an early age with basic literacy and numeracy may also be more likely to drop out as they fall behind their peers. And poor literacy and numeracy also make it more difficult to find a job. Policies should seek to help young people master basic skills to reduce the risk of becoming NEET. Across the OECD, young people with low and medium levels of literacy and numeracy are four times more prone to becoming NEETs than their highly skilled peers (Figure 1.10, Panels A and B).

Figure 1.10. **Poor literacy or numeracy skills also greatly increase young people’s risk of being NEET**



Note: Literacy and numeracy are rated in accordance with the skills levels in the OECD’s Programme for the International Assessment of Adult Competencies (PIAAC): “Low-skilled” – Level 1 or below, “Medium skilled” – Levels 2 and 3; and “High skilled” – Levels 4 and 5. Low literacy skills, as measured by PIAAC, indicate that an individual can only undertake tasks of limited complexity and is less able to integrate information from multiple sources; low numeracy skills indicate that an individual is less capable of performing complex mathematical tasks and uses fewer problem-solving strategies.

Source: OECD (2015), *OECD Skills Outlook 2015: Youth, Skills and Employability*, OECD Publishing, Paris (based on the Survey of Adult Skills, PIAAC 2012).

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Non-cognitive skills, too, have been shown to be highly predictive of educational and labour market outcomes (Heckman et al., 2006). Traits such as conscientiousness, emotional stability or openness to new experience are factors that can be as important as IQ in completing school and higher education, finding a job and earning wages (see Box 1.2). They also have a strong impact on health, law-abiding behaviour and other social outcomes. Similarly, it has also been found that non-cognitive skills are more malleable than cognitive abilities in adolescence, and many successful youth programmes emphasise them. In the United States, learning self-discipline, the ability to work in groups and the self-regulation of emotions are, for instance, at the centre of many approaches, including two important national programmes: “Head Start” for children in kindergarten and the “Jobs Corps”, a second-chance programme for teenagers and young adults (see Box 1.6).

#### Box 1.2. **Non-cognitive skills, education and labour market outcomes**

While the effect of years of schooling and cognitive abilities (such as attention, memory, and problem-solving as measured by IQ and other ability tests) on income and health has been recognised for many years, the role of personality traits, or non-cognitive skills, is less well known.

A growing body of research finds that non-cognitive skills are associated with educational attainment and outcomes like early school leaving. Of the “big five” personality traits – conscientiousness, openness to experience, extraversion, agreeableness and neuroticism (also referred to as emotional stability) – the first two best predict overall educational achievement (Goldberg et al., 1998 for the United States; Baron and Cobb-Clark, 2010 for Australia; and Van Eijck and De Graaf, 2004; Almlund et al., 2011; and Brunello and Schlotter, 2011 for European countries). Heckman, Stixrud and Urzua (2006) find that personality traits like conscientiousness affect earnings beyond their influence on education, particularly among individuals in lower-skilled jobs. Conscientiousness is also as closely associated with good grades as intelligence is (Poropat, 2009), while a number of studies have found that emotional stability is also often a good predictor of high levels of attainment in school.

Non-cognitive skills can be seen as “internal assets” that will eventually improve academic, family, social and employment outcomes (Almlund et al., 2011; Cunha and Heckman, 2007). Job and academic performance share a number of determinants. For example, both require completing work on time and involve intelligence to varying degrees. It is not surprising, therefore, that non-cognitive skills are also associated with labour market performance. The importance of intelligence increases with the complexity of an occupation, while conscientiousness may be demanded in jobs that range from skilled to semi-skilled and unskilled labour. The principal finding to emerge from the literature is that non-cognitive skills are just as predictive as cognitive ability of education, labour market and other social outcomes, even after controlling for family background and cognition.

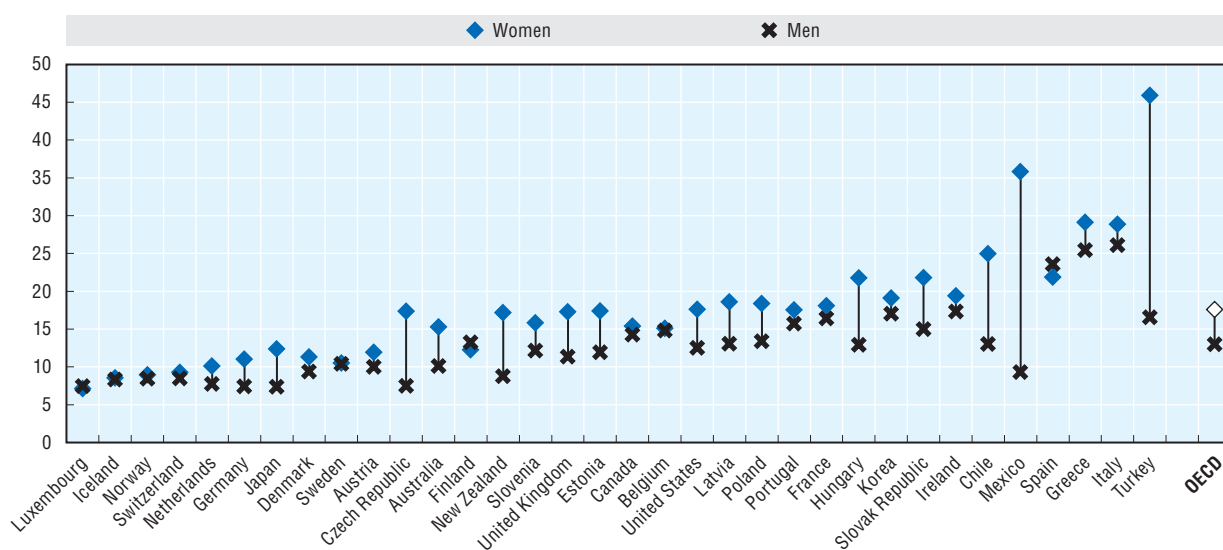
Studies show that at least half of non-cognitive abilities stem from children’s home and school environments, with the rest attributable to hereditary factors. Personality traits can, therefore, be changed by experience and specialised interventions, while cognitive abilities form early in life and are more difficult to shape. Many successful interventions for disadvantaged students seek to improve non-cognitive traits, often together with measures to enhance cognitive skills. Such approaches open new directions for social, employment and education policy (Carcillo et al., 2015). Innovative school programmes, after-school support, mentoring, apprenticeship schemes, work experience and second-chance programmes can thus all help to influence non-cognitive skills.

### NEET rates are higher among women, mainly due to family responsibilities

While the lack of education is the foremost factor leading to non-employment among young people, being a woman worsens the risks. Women are indeed more likely to become NEET than men – 1.4 times more OECD-wide (Figure 1.11). Behind that average figure, there are variations from country to country. In some, particularly the Nordics, the gap is negligible. By contrast, in Mexico or Turkey, for example, women are at three to four times more risk of becoming NEETs than men. One reason may be the traditional gender-related assignment of roles, with women doing most of the unpaid domestic work and caring for children. However, some higher-income countries like New Zealand and the Czech Republic also have wide gender gaps in their NEET rates, with female rates twice those of men.

Figure 1.11. **Young women are more likely to be NEET than young men**


NEET rates for women and men as percentages of the 15-to-29 year-old population, 2014



Note: Age group for Japan is 15 to 24 years old, and the United States 16 to 24 years old. For Chile and Turkey, data apply to 2013. In all other countries, the data relate to 2014.

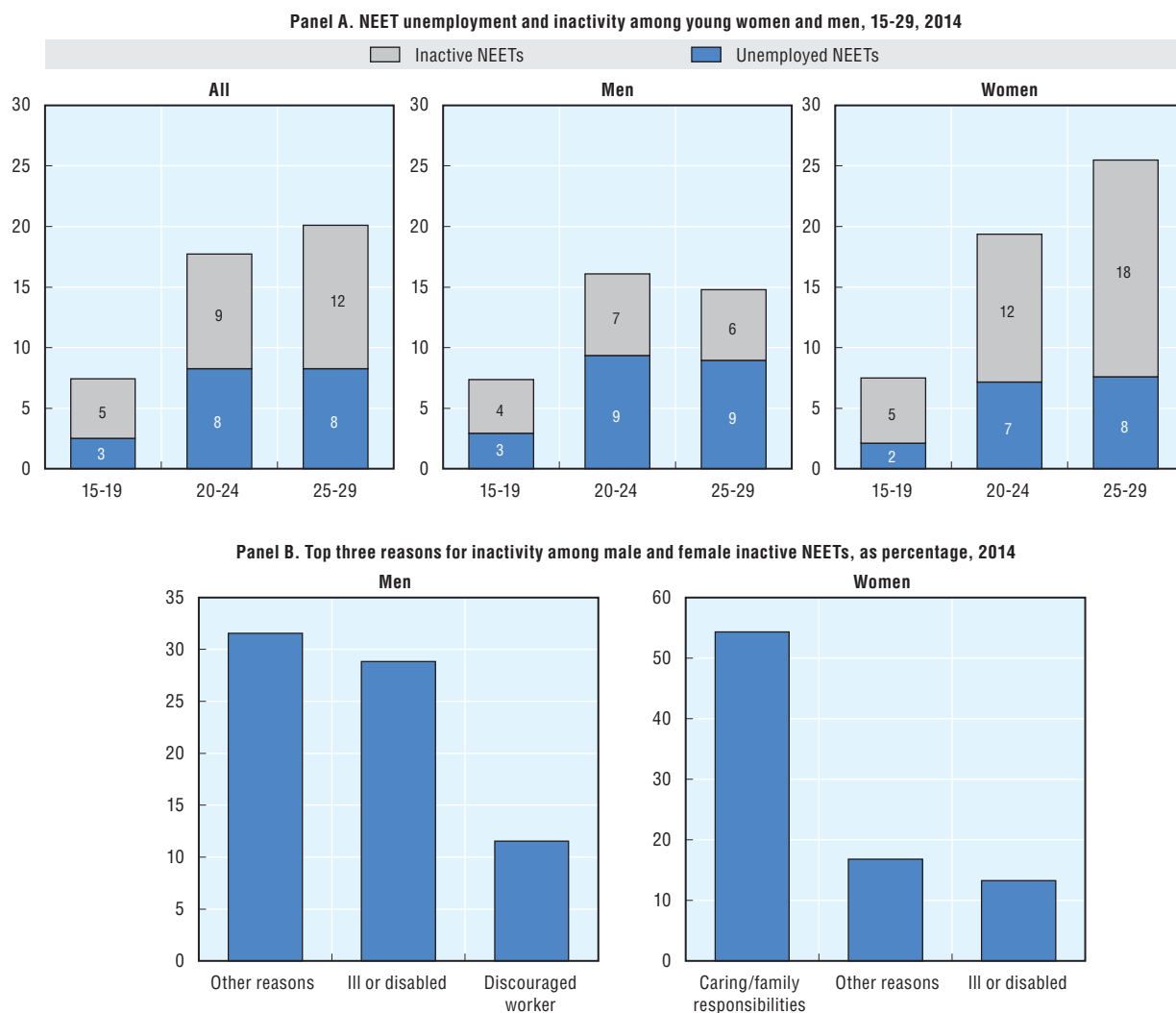
Countries are sorted, from left to right, in ascending order of the overall NEET rate.

Source: OECD calculations based on the European Labour Force Survey (EU LFS), Canada's Labour Force Survey, Chile's National Socio-Economic Characterisation Survey (CASEN), Mexico's National Occupation and Employment Survey (ENOE), the US Current Population Survey (CPS), the Japanese Labour Force Survey and the OECD Education Database (for Australia, Germany, Korea and New Zealand [https://stats.oecd.org/Index.aspx?datasetcode=EAG\\_TRANS](https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS)).


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Cultural differences aside, the main reason for inactivity among women most often relates to childcare responsibilities, while poor health is the single most widespread cause among males. More than half of women ascribe their inactivity to care-giving and family responsibilities (Figure 1.12, Panel B), which probably means looking after small children, as employment rates are generally low among mothers of very young children – only about half of those with children under 3 years of age are in employment in OECD countries (Figure 1.13). Only small minorities of inactive women attribute not working to poor health or “other” reasons, contrary to men. Some might simply prefer caring for children at home while they are young – more mothers take up employment as children get older (Figure 1.13). Others, however, have no choice because they cannot access or afford childcare for their small children. There is typically a greater, more affordable provision for

Figure 1.12. **NEET rates are particularly high for women in their late 20s, often because of caring responsibilities**



Source: OECD calculations based on the European Labour Force Survey (EU LFS), Canada's Labour Force Survey, Chile's National Socio-Economic Characterisation Survey (CASEN), Mexico's National Occupation and Employment Survey (ENOE), the US Current Population Survey (CPS), the Japanese Labour Force Survey and the OECD Education Database (for Australia, Germany, Korea and New Zealand [https://stats.oecd.org/Index.aspx?datasetcode=EAG\\_TRANS](https://stats.oecd.org/Index.aspx?datasetcode=EAG_TRANS)). Australia, Germany, Israel, Japan, Korea, Mexico and New Zealand excluded from Panel B due to a lack of information.

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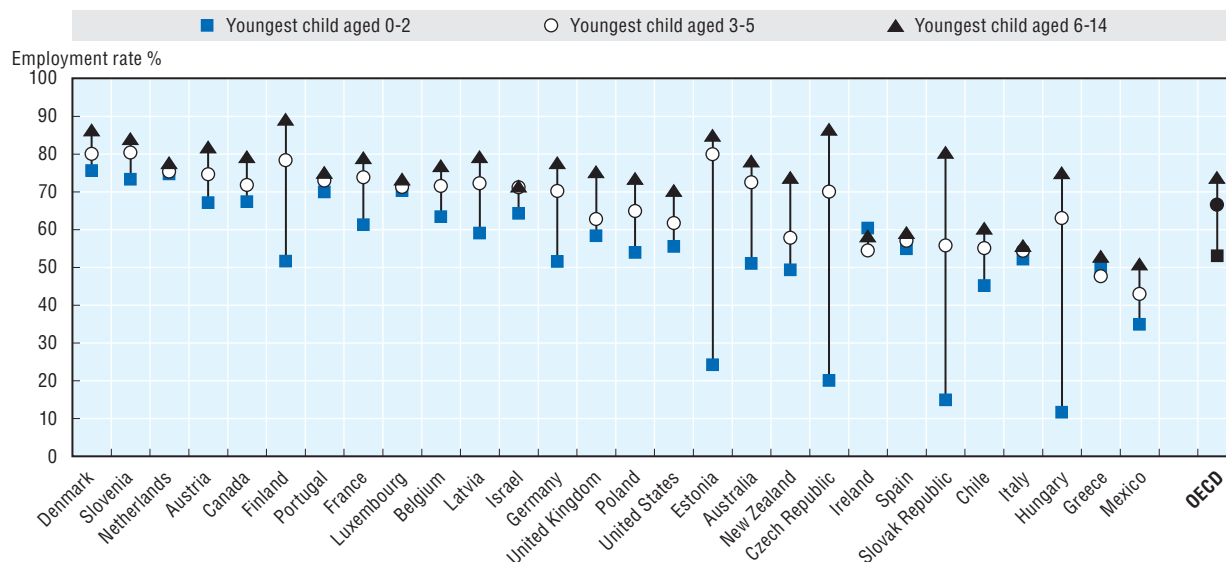
older children. Indeed, affordable childcare and child-friendly employment arrangements are key requirements for greater labour market participation among young mothers (Box 1.3).

Because young people in older age brackets are more likely to have children, the gender gap in NEET rates is more visible here. Male and female NEET rates are the same in the younger 15-to-19 age group, when most young people are still at school (Figure 1.12, Panel A). Later, though, driven by female inactivity rates which are double those of males, a 3 percentage point gap opens up among 20-to-24 year-olds. As for the 25-to-29 age group, female NEET rates stand at 26% – 11 percentage points higher than men's. And within that percentage, the share of inactive NEETs is more than three times higher than among men.



Figure 1.13. **Employment rates are low among mothers of young children**

Maternal employment rates by age of youngest child, 2013



Note: Data for Australia refer to 2011 and for Denmark and Finland to 2012.

No data are available for Sweden, Iceland, Japan, Korea, Norway, Switzerland or Turkey.

Countries are sorted, from left to right, in descending order of the employment rate of mothers whose youngest child is aged 0 to 14 years old.

Source: OECD Family Database, [www.oecd.org/social/family/database.htm](http://www.oecd.org/social/family/database.htm).

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### Box 1.3. High childcare costs: An obstacle to paid work for mothers

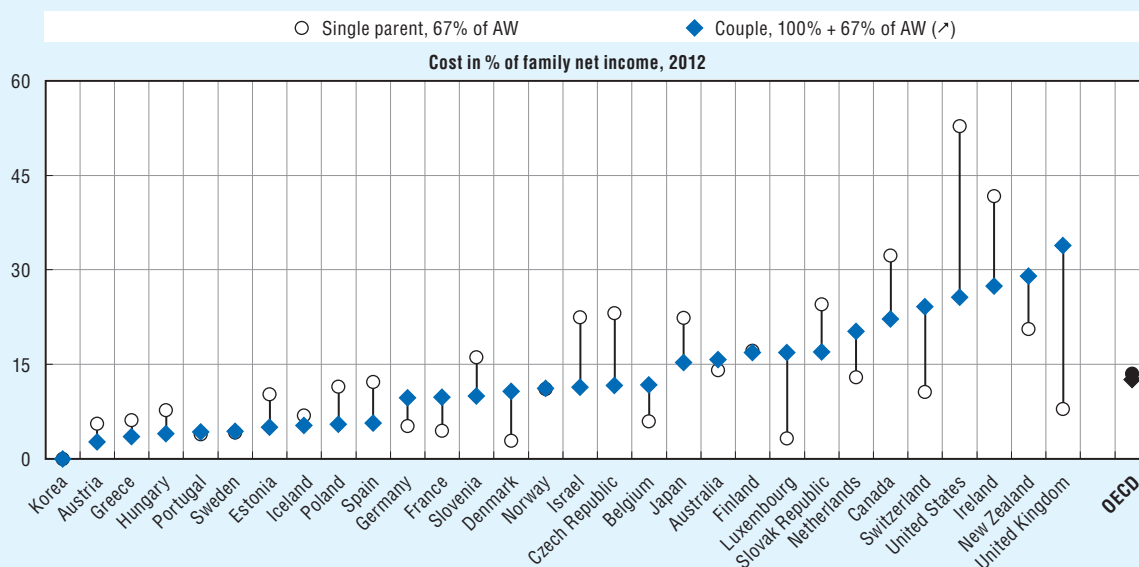
OECD-wide, childcare costs claim an average of 15% of the net family income of an employed single parent or a dual-earner couple (Figure 1.14). Costs vary across the OECD, however, particularly for single parents. In the United States, childcare costs for a lone parent account for over half of net income, while in Ireland the figure is 42%. Couples in New Zealand and the United Kingdom spend around one-third of their income on childcare costs. Such high costs are a strong deterrent to employment. It may not be financially worthwhile for both partners to work, especially in families with several children, and it is usually the mother who stays at home. Resuming employment after some years out of the workforce is difficult, and women often face wage penalties upon their return to work (Budig and England, 2001).

In order to help NEETs with children, particularly females, into employment or facilitate a return to education and training, it is therefore essential that childcare costs are kept to an affordable level, and that childcare, including after-school care, is easy to access. The provision of childcare services may also have an equity role to play – high-quality, formal childcare, particularly at an early age, has been shown to have a positive effect on social development and child cognition and these effects have been found to be stronger for children from lower socio-economic backgrounds (Heckman, 2008). As is shown throughout this chapter, NEETs are not only more likely to have lower educational attainment and skills, but are also more likely themselves to have parents with low educational attainment and parents who are out of work. Ensuring access to high quality childcare can, therefore, help to break the cycle of disadvantage from one generation to the next.

Several OECD countries offer good examples: Denmark operates a system whereby municipalities are obliged to offer all children older than six months a place in publicly-subsidised childcare. In Sweden, municipalities must provide at least 15 hours of childcare per week to children over one. This obligation rises to full-time hours in cases where both parents are employed or in education. Other countries provide additional support for single parents with Iceland (specifically Reykjavik) providing reduced childcare fees and Belgium (Flanders region) providing priority access to childcare services for lone parents.

## Box 1.3. High childcare costs: An obstacle to paid work for mothers (cont.)

Figure 1.14. Childcare costs are around 15% of net family income across the OECD



Note: Data relate to i) out-of-pocket childcare costs for full-time care at a typical childcare centre for a single parent with full-time earnings of 67% of average earnings and ii) for a couple with full-time earnings of 100+67% of average earnings. "AW" stands for average wage. The OECD average is unweighted.

Source: Tax and Benefit System: OECD Indicators, [www.oecd.org/social/benefits-and-wages.htm](http://www.oecd.org/social/benefits-and-wages.htm).

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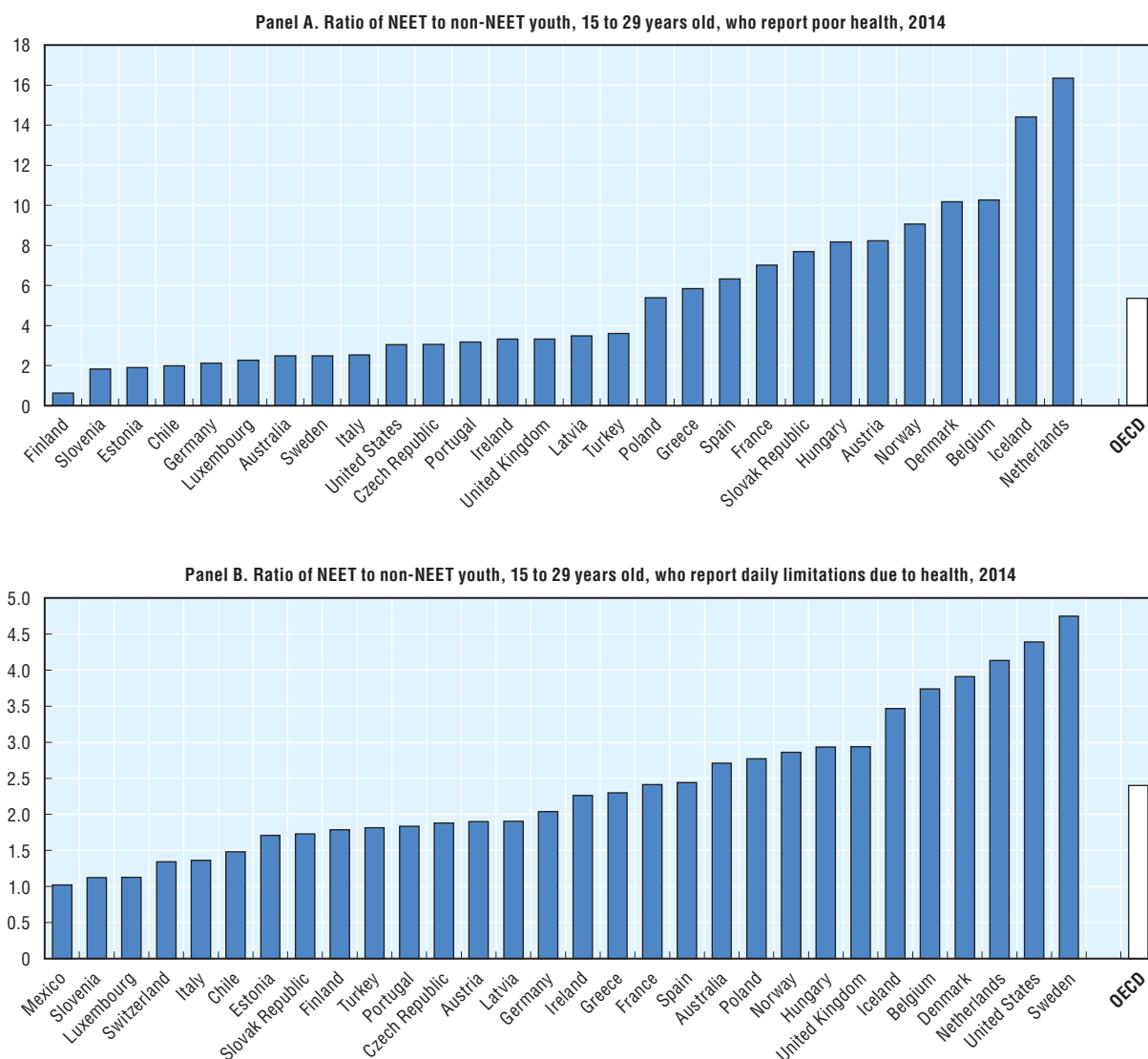
Source: European Commission/EACEA/Eurydice/Eurostat (2014), *Key Data on Early Childhood Education and Care in Europe. 2014 Edition. Eurydice and Eurostat Report*, Publications Office of the European Union, Luxembourg; Eurydice (2016), *Description of National Education Systems*, Eurydice, Brussels, <https://webgate.ec.europa.eu/jpfis/mwikis/eurydice/index.php/Countries>; OECD (2016), *Tax and Benefit Systems: OECD Indicators*, OECD Publishing, Paris, <http://www.oecd.org/els/soc/benefits-and-wages.htm>.

### Young people with poor health are four times more likely to be NEET

A relatively small proportion of NEETs – 7% on average across the OECD – report being in poor health while a larger proportion, just over one fifth, report limitations in their daily activity due to health. But even if a minority of NEETs report poor health, at the individual level illness or disability is a strong predictor of the NEET status, especially among males. Physical or psychological problems often represent serious obstacles to finding employment and accruing work experience. NEET youth are over five times more likely on average to complain of poor health than their non-NEET peers (Figure 1.15, Panel A) and more than twice as likely to report limitations in their daily activity due to their health (Panel B, Figure 1.15). Indeed, a substantial proportion of male and, to a lesser extent, female inactive NEETs state that ill-health or disability is the prime reason for not working (Figure 1.12, Panel B).


Some NEETs may be permanently unable to work, some able to do only certain types of jobs or a certain number of hours, while others may require special workplace adjustments. They may also have to contend with practical difficulties such as physical restrictions or a lack of flexible working arrangements. Illness and disability may also make going to school or university more difficult if they affect attendance and performance.

As for mental disorders, they are widespread among young people – about one in four 15-to-24 year-olds are affected (OECD, 2012a). Onset often occurs well before any labour market transition – before 14 years old in half of all mental illnesses. Mentally unwell young people are more prone to dropping out of school (OECD, 2015c). A fifth of those with

Figure 1.15. **NEETs are more likely to suffer from poor health**

Note: Data are for 2014 except for Chile (2013) and Turkey (2012).

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), Germanys Socio-economic Panel (SOEP), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Chile's National Socio-Economic Characterisation Survey (CASEN) and the US Current Population Survey (CPS).

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moderate mental health issues – and a quarter of sufferers with severe conditions – do so, compared with only 14% of pupils and students with no such issues. Given the link identified above between early school leaving and drifting into unemployment or inactivity, it is essential that policy measures support mentally unwell young people and keep them fully engaged in education (Section 4).

### **Migrant youth are more at risk of being NEET...**

Similarly, a relatively small proportion of NEETs – 13% on average across the OECD – are foreign-born youth. Nevertheless individually foreign-born young people are significantly more exposed to the risk of being NEETs than the native-born. In most OECD countries, youth born outside their country of residence are 1.5 times more likely to be NEET than native youth. Foreign-born young people are more at risk of becoming NEETs because they

might not be sufficiently proficient in the host country’s language, have lower levels of educational attainment, or suffer from discrimination. Indeed, a poor command of language can lead to low educational attainment and thus feed a vicious circle of disadvantage.

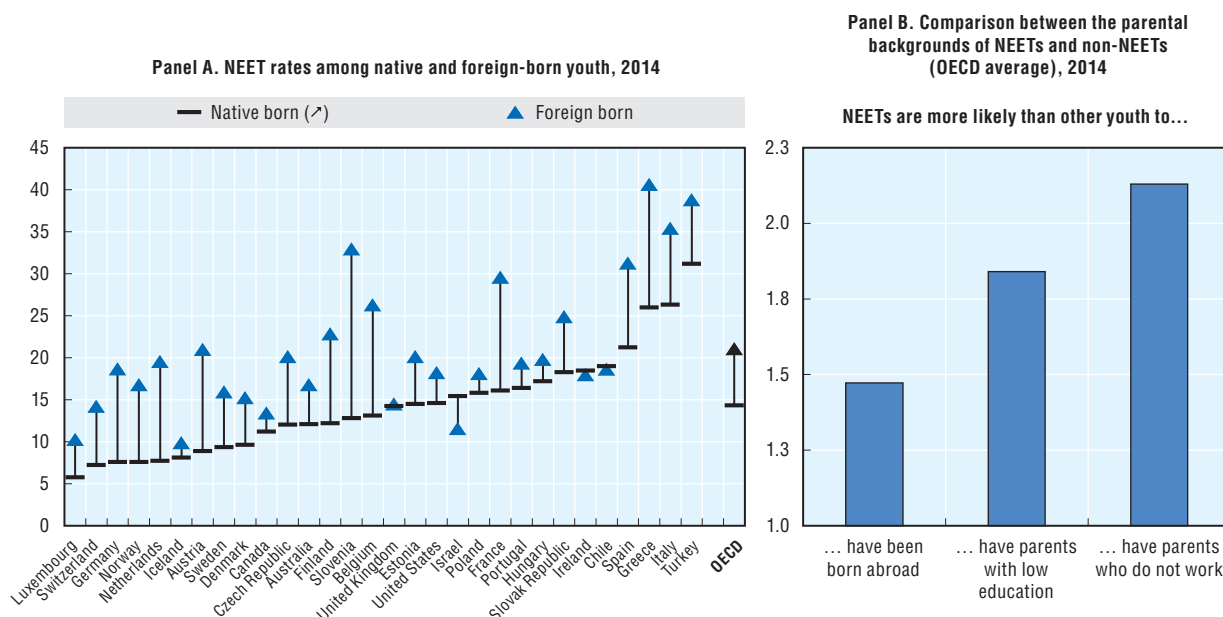
The relative risk of becoming NEET is relatively higher in a number of countries with low NEET rates like Germany, Austria, the Netherlands, and Norway, where foreign-born young people are around 2-2.5 times more prone to be NEET than their native-born peers (Figure 1.16, Panel A). In countries such as Poland or the United Kingdom, there is scarcely any gap at all, while in Israel, Ireland and Chile, foreign-born youth are actually less likely to be NEET. This disparity is likely to depend on the country of origin and the reason for migrating. Young people who head abroad to pursue education or employment opportunities are necessarily less likely to be NEET than those who arrive as refugees. And those from countries with high levels of educational attainment are more likely to come equipped with the skills necessary to find a job. Speaking the host country language is also an advantage.

**... as are young people with poorly educated or unemployed parents**

Many of the disadvantages leading to unemployment or inactivity reviewed so far – e.g. low education, poor skills, health problems such as mental disorders or early pregnancy – are often transferred from parents to children. Parents’ socio-economic status is thus a strong predictor of their children’s (Clark, 2014). NEETs are 80% more likely than other young people to have parents with no upper-secondary schooling and twice as likely to have parents who do not work (Figure 1.16, Panel B).<sup>10</sup>

For this reason, at the aggregate level, a significant share of unemployed or inactive youth have a disadvantaged background. About a third of NEETs have parents with at most lower secondary education or jobless parents (twice the rates of non-NEET youth).<sup>11</sup>

**Figure 1.16. NEETs are more likely to have been born abroad and to come from disadvantaged backgrounds**



Note: In Panel A, countries are arranged, from left to right, by ascending order of overall NEET rate. The OECD average is unweighted. Panel B depicts, for each attribute, the ratio of NEETs to all young people who share that attribute. Information on parental education and employment status are available only for young people living with their parents. No information on country of birth is available from Japan, Korea, Mexico and New Zealand. Family background information is not available from Canada, Israel, Japan, Korea, Mexico, Switzerland and Turkey. Source: OECD calculations based on national labour force surveys (Panel A); OECD calculations based on national household surveys (Panel B).

A number of factors drive the replication of socio-economic disadvantage. Parents' low educational attainment might directly affect the level of schooling their children attain, for example, if they are less inclined to encourage their pursuit of higher education or less able to help them with schoolwork. Similarly, jobless parents might not have the professional (or other) connections that would help further their children's career opportunities, which could increase the risk that they become NEET.

Parents may not have passed on to their children desirable social skills, either. Recent research shows that such skills are a key component in matching workers with firms and that the young and poorly educated are at a particular disadvantage (Pellizzari, 2010; Kramarz and Skans, 2013). It often takes intensive, closely targeted programmes with specific methods from a very early age to overcome disadvantage. For instance, some early childhood interventions among poor children in the United States – such as the Perry School Project<sup>12</sup> and, more recently, “Head Start” – have been found to have significant, durable effects on personality traits and social outcomes (Lee, 2008; Heckman et al., 2009). As Section 4 argues, there is also evidence that specialised interventions for adolescents from underprivileged backgrounds can improve skills and social and economic outcomes (also see Kautz et al., 2015).

### **NEETs are generally less likely to live with their parents**

Beyond the risk factors reviewed so far, living arrangements are important in understanding the situation of young NEETs. Living with their parents may help relieve young people of possible financial strains, but might also relieve them of the need to work. NEET status itself may, of course, influence household formation, as low incomes make it more difficult to move out. On the other hand, in countries where a high proportion of NEETs do not live with their parents, they may be at a higher risk of poverty, particularly if they live alone or in a household where nobody earns an income.

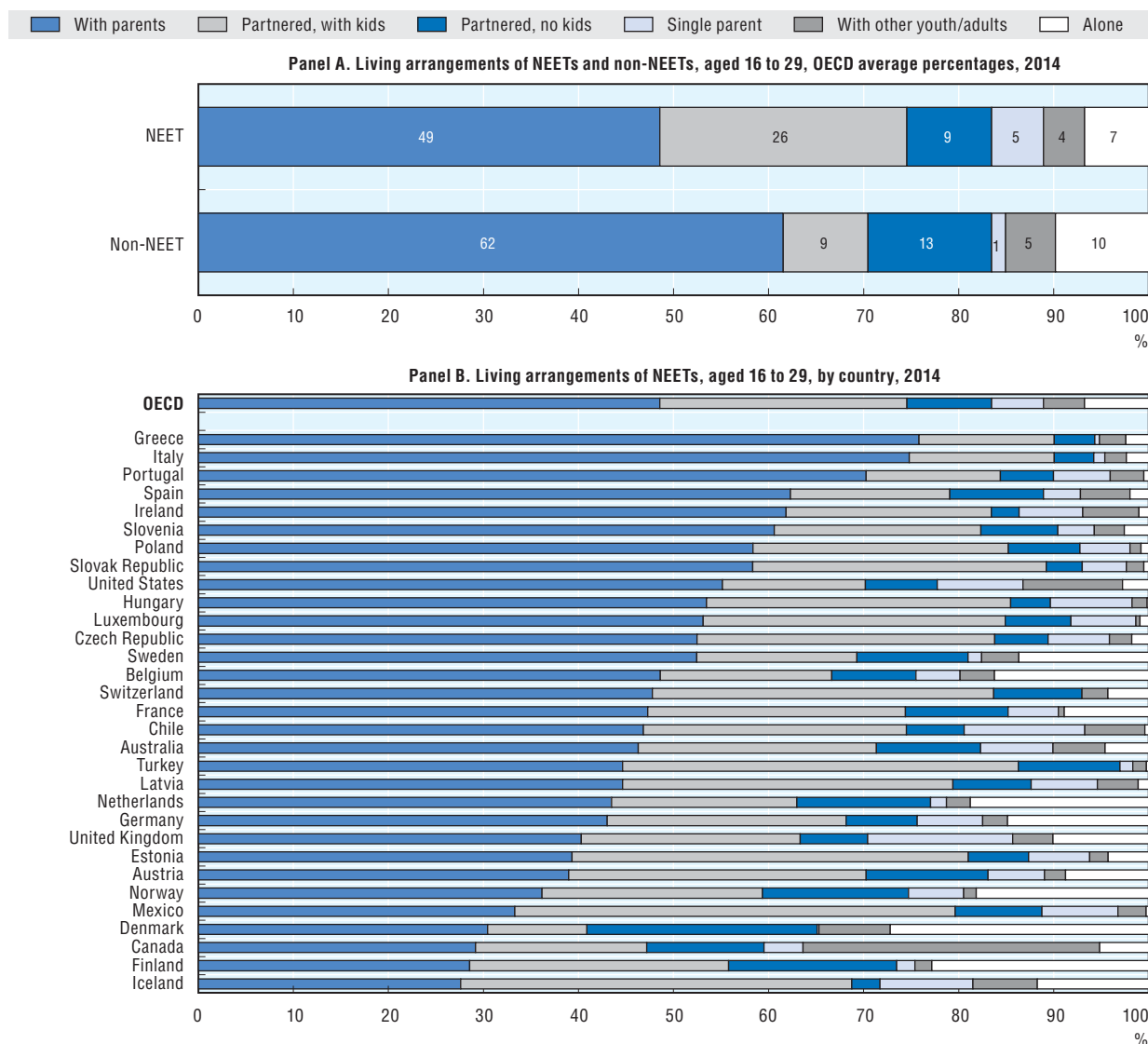
On average, though, young unemployed and inactive NEETs are less likely to live with their parents than non-NEETs (Figure 1.17, Panel A). About half of all NEETs live with their parents, while the figure for non-NEET youth is almost two-thirds. The latter include students, however, who may be more likely to live in the parental home. A substantial proportion of NEETs, 26%, live with a partner and at least one child compared to just 9% of non-NEET youth. This may be an important factor in not being in employment nor education. The link between NEET status and parenthood has been shown above – if one partner is working the other, usually the mother, may be more likely to stay at home with the child, particularly where childcare costs are high.

Some single young people living with children may have no choice other than inactivity. Lone parenthood amongst NEETs is five times higher than for non-NEET youth – 5% versus 1%. The lone parent rate amongst NEETs is highest in the United Kingdom where 15% of NEETs are lone parents. They may choose to stay at home to take care of their children rather than seek employment. They might well find it harder to organise childcare than couples who can co-ordinate their work hours and have wider extended families to help them. And, of course, they may well struggle to afford childcare. In addition, many countries run minimum-income support programmes for single parents with young children on very low incomes. Such schemes have little or no activity requirements at all. One example is the Income Support Benefit in the United Kingdom, which is payable to lone parents who care for a child under five years and has no activity requirement.

### **Most people are not NEET in their youth, although 20% of young people are long-term NEETs**

So far, this chapter has sought to profile young NEETs and their attributes without considering how long young people might actually remain NEET. Being NEET for a short

Figure 1.17. **NEETs are less likely to live with their parents, although the practice varies from country to country**



Note: In Panel B, countries are sorted, from top to bottom, in descending order of the share of NEETs living with their parents. In Panel B “alone” denotes a young person living on their own; “with other youth/adults” denotes a young person living with at least one other young person or adult over 30 who is not their partner (and possibly with children); “single parent” means that the young person lives with at least one dependent child and no partner; “partnered, no kids” indicates that the young person lives with a spouse/partner but no children; “partnered, kids” indicates that the young person lives with a spouse/partner and at least one child; “with parents” indicates that the young person lives in the same household as their parent(s).

It was only possible to identify lone parents or couples with children in Canada if they were not living with others, e.g. their own parents or sharing with other adults. The single parent rate and rate of NEETs living with their partners and children may therefore be underestimated. Data for Chile and Switzerland relate to 2013, data for Turkey relate to 2012 and for Canada to 2011.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), Germany's Socio-economic Panel (SOEP), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canada's Survey of Labour and Income Dynamics (SLID), Chile's National Socio-Economic Characterisation Survey (CASEN), Mexico's Household Income and Expenditure Survey (ENIGH), and the US Current Population Survey (CPS).

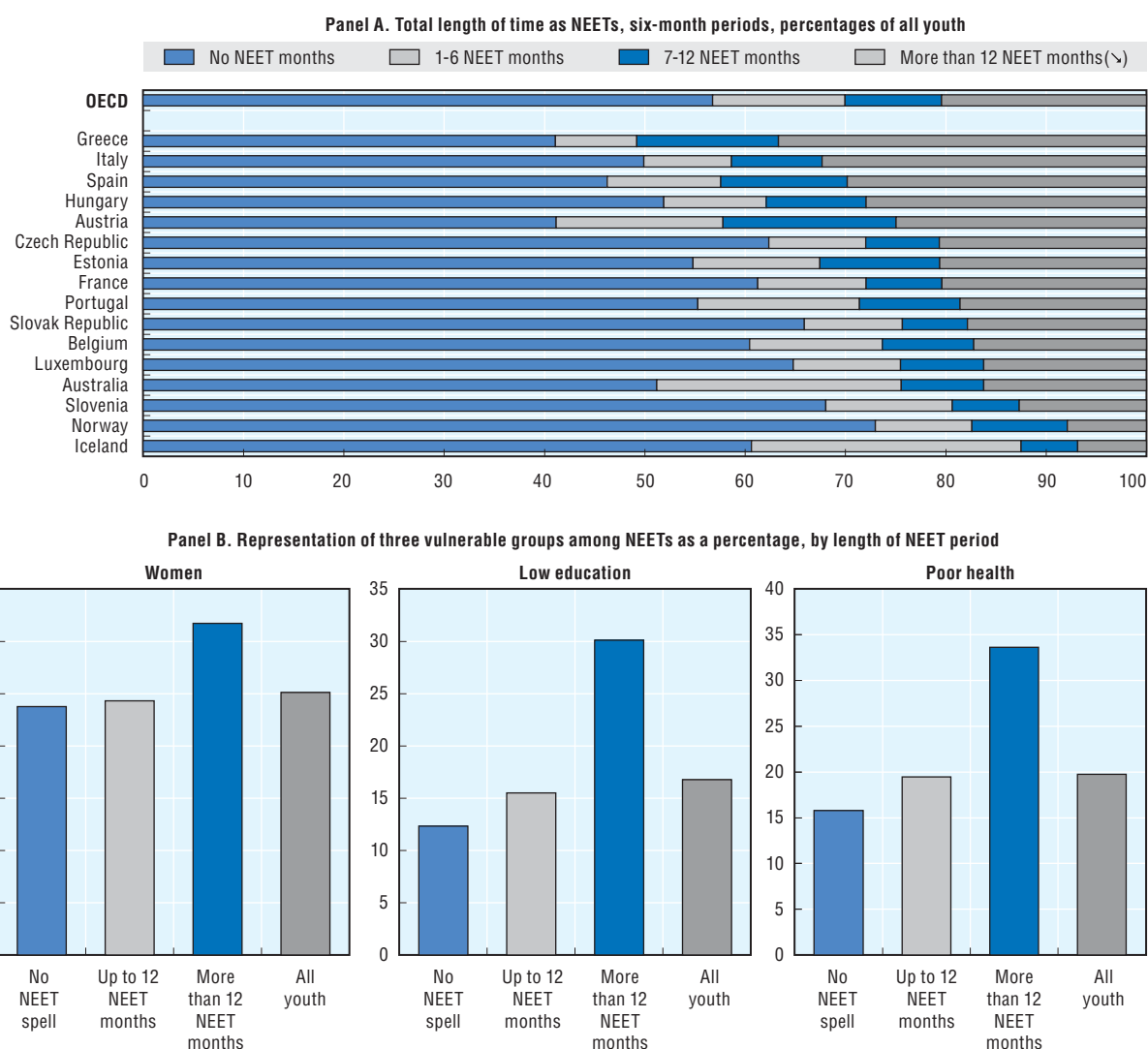
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time may not in itself be a negative outcome at all – a young person may take time out to care for children or travel, for example. Moreover, many young people go through short bouts of inactivity or unemployment after completing their education, as it takes time to find work and jobs tend to be more unstable at the outset of a career. Longer stretches out of employment or education are, however, more problematic and may even have scarring

effects, negatively affecting future employment opportunities and income. This section looks at the duration of NEET periods in 16 countries for which the necessary information is available.<sup>13</sup>

On average, nearly half of all young people experience spent time outside of employment, education or training – either long or short – over a four-year period (Figure 1.18, Panel A). The picture ranges, however, widely – from Norway, where nearly three-quarters (73%) of young people were never NEETs between 2009 and 2012, to Greece, where only a minority, 41%, spent no time as NEETs.

**Figure 1.18. Half of all young people become NEETs at some point in time, and a substantial minority remains NEET for a year or longer**



Note: The necessary data to measure long-term NEET status is not available for all OECD countries. In Panel A, countries are arranged, from top to bottom, in descending order of the percentage young people with over 12 months as NEETs in the four-year period. Censored NEET periods are included in the calculations with their observed lengths. The OECD average is based on the countries where data are available and is unweighted.

Sample groups were young people aged 15 to 29 years-old in January 2009. They were observed for 48 consecutive months until December 2012. In Estonia, the observation period was January 2008 to December 2011.

Source: OECD calculations based on the longitudinal 2012 European Union Statistics on Income and Living Conditions (EU-SILC) and the Household, Income and Labour Dynamics in Australia (HILDA) Survey, 2009-12.

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Among NEETs, many remain out of employment, education or training for longer. About one-third (31%) of all NEETs across OECD countries are unemployed or inactive for at most six months over the four-year period. Nearly half (47%) remain out of education or work for more than a year. This corresponds to one-fifth of all young people. Youth in the countries affected worst by the crisis are most at risk, with more than 30% of youth in Greece, Italy and Spain spending a year or more as a NEET.

In most cases, times of unemployment or inactivity for young people take the form of one single, uninterrupted NEET “spell”. Only a very small proportion of youth (5%) cycle in and out of being a NEET, i.e. become NEET for a time, resume employment or education, and then become NEET again (not shown).

Young women are especially vulnerable (Figure 1.18, Panel B). The inference may be that, in some OECD countries at least, women may be more prone to long-term NEET status when they have children and little opportunity to resume or take up employment later on. Young people with low levels of education (who did not complete upper-secondary school) are also more likely to be long-term NEETs. The poorly educated account for 17% of the youth population, but 30% of those who spend more than 12 months as a NEET. Young people with poor health are also overrepresented.

### ***NEETs have lower levels of happiness and trust and are less interested in politics***

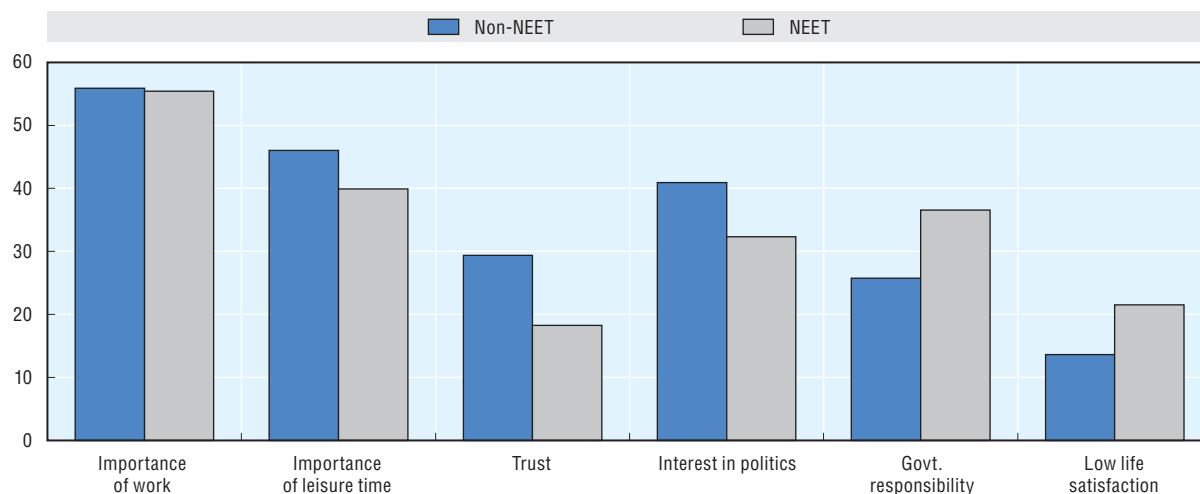
The views on society and the values of NEETs may differ from other youth and this may have long-term consequences on social cohesion. Interestingly, even though they are deprived from employment, NEETs value work as much as other youth. They are just as likely as non-NEETs to think that work would be very important in their life (Figure 1.19). Besides, NEETs are actually less likely than non-NEET youth to think that leisure time is very important, likely due to the fact that those youth in employment or education have less time available for leisure activities due to work or study. Therefore, the lack of a job is likely to have an impact on life satisfaction. NEETs are indeed more likely to report higher levels of dissatisfaction with their lives – 22% of NEETs report low levels of life satisfaction compared to just 14% of non-NEETs. This suggests that for a majority of youth unemployment or inactivity is not a choice and that they would be willing to integrate into the labour market if they could.

Long periods of involuntary inactivity or unemployment do not only have individual consequences but also create a challenge for social cohesion. Over time being a NEET can lead to isolation, a lack of interest in society and a feeling of distrust. Indeed, only 18% of NEET youth report that they feel others can be trusted compared to 29% of non-NEET youth. NEET youth are also less likely to display an interest in politics with just under one-third reporting they are somewhat or very interested in politics compared to 40% of non-NEET youth. Despite this lower interest in politics, NEET youth are more likely to think that it is the government’s responsibility to provide for everyone in the country as opposed to it being the responsibility of individuals themselves – only 26% of non-NEET youth feel the government should take this responsibility compared to 37% of NEETs. This difference in opinion is likely influenced by the higher reliance of NEETs on the benefit system for financial support compared to young people in employment or education.



Figure 1.19. **NEETs have less trust in others, lower life satisfaction, less interest in politics and are more likely to feel it is the government's responsibility to provide for citizens**

Average of positive answers for 18 selected countries



The graph shows differences in views of NEET and non-NEET youth in 18 OECD countries. Any country with less than 30 NEETs present in the values surveys used has been excluded from the analysis. The countries excluded are: Australia, Austria, Chile, Denmark, Finland, Iceland, Ireland, Japan, Netherlands, New Zealand, Norway, Poland, the Slovak Republic, Slovenia, South Korea, Sweden and Switzerland. NEET/non-NEET differences in “importance of leisure time”, “trust”, “interest in politics”, “government responsibility” and “low life satisfaction” are statistically significant at the 95% level.

All measures shown are binary – the importance of work and leisure show the proportion reporting they are “very important”; the trust measure shows the proportion reporting that most people can be trusted; the interest in politics measure shows the proportion reporting they are very or somewhat interested in politics; the government responsibility measure was answered on a scale of 1 (people should take more responsibility) to 10 (the government should take more responsibility) – in the analysis here the measure has been divided into those replying at the most extreme end of the scale i.e. the top 25% which equals those responding 8-10; the low life satisfaction measure shows the proportion reporting their life satisfaction is at the lower end (5 or less) on a scale of 1 (dissatisfied) to 10 (satisfied).

Source: Wave 6 (2010-13) of the World Values Survey for Australia, Chile, Estonia, Germany, Japan, Mexico, the Netherlands, New Zealand, Poland, Slovenia, Korea, Spain, Sweden, Turkey, the United States; Wave 5 (2005-09) for Canada; Wave 4 (1999-04) for Israel. Wave 4 of the European Values Survey (2008-10) for Austria, Belgium, the Czech Republic, Denmark, Finland, France, the United Kingdom, Greece, Iceland, Ireland, Italy, Latvia, Luxembourg, Norway, Portugal, the Slovak Republic and Switzerland.

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### 3. Safety nets for low-income youth

While the long-term goal of public policies is to help young people on the path to self-sufficiency, those on low incomes, especially the NEETs, may require support to avoid poverty. One way to achieve both objectives is to tie income support payments to young people’s efforts to find a job or upskill. Benefits should allow young people to meet their basic needs so they stay healthy and do not withdraw from society. In that regard, income support programmes have played an important role to protect the most vulnerable groups in the recent crisis and its aftermath.

This section looks at the principal types of benefits available to young people in OECD countries, and how the share of young people in receipt of benefits has evolved since the onset of the crisis. It also discusses the adequacy of income support.

#### **Out-of-work benefits may be less accessible to young people**

Only few OECD countries operate income support benefits that exclusively target young people. Instead, young people in most of the OECD have access to the principal income support programmes for working-age individuals:<sup>14</sup>

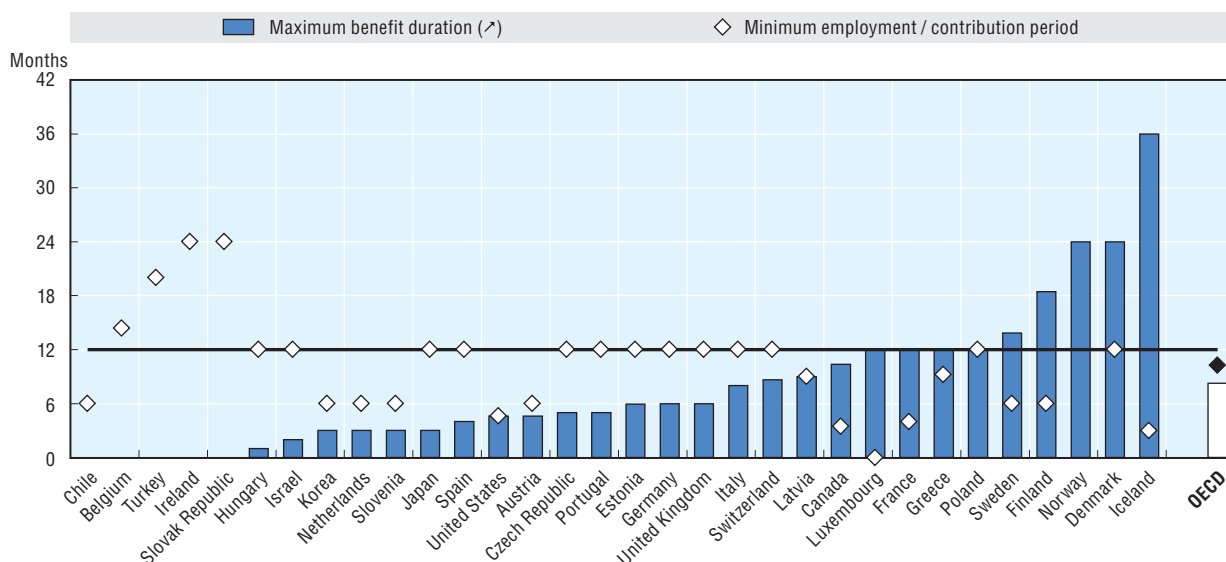
- Young jobseekers with a previous work and contribution history are typically entitled to unemployment benefits, the primary safety net for unemployed jobseekers.<sup>15</sup> Since benefit eligibility is usually, however, tied to a minimum contribution period – often

12 months, sometimes longer (Figure 1.20) – school leavers and young people with patchy employment records often fail to qualify. Moreover, unemployment benefits for young people tend to be available for shorter times, because the duration of benefit payments generally depends on the length of contribution period.

- Unemployed youth who lack a sufficient employment history, those who have exhausted their time-limited unemployment benefits, and those living in low-income households are often entitled to social assistance or housing benefits. Such benefits are usually means-tested at household level, so the incomes of the young person's parents and spouse or partner are taken into account. Social assistance and housing benefits tend to be less generous than unemployment benefits, but are available for unlimited periods in most countries. In eight countries, young people with no employment record can also receive unemployment benefits (Annex Table 1.A2.1).
- Young people who live with their parents often receive family benefits, paid up to the age of 16 in the OECD on average. In most countries, family benefits last longer if the young person is in education (Annex Figure 1.A2.1). Young people with children may also be entitled to child allowances or maternity/paternity benefits.
- Youth with permanently reduced work capacity can typically draw disability benefits. In a number of countries, including Austria, Canada and Sweden, invalidity pensions do, however, require a minimum contribution period – youth with limited work capacity who do not fulfil that requirement may receive means-tested disability assistance.

Figure 1.20. **Twelve months of work experience nearly always bring entitlements to unemployment insurance benefits, but the duration of benefit payments is often short**

Minimum employment/contribution period in months and maximum duration, in months, of unemployment insurance benefits for a 20-year-old with one year of previous employment, 2014



Note: 20-year-olds with a contribution record of one year do not qualify for unemployment insurance benefits in Belgium, Ireland, the Slovak Republic and Turkey. Norway has a minimum earnings requirement instead of a minimum contribution period. In Luxembourg, reduced benefits are paid to school graduates without employment record after a waiting period. No maximum benefit duration applies in Chile.

No unemployment insurance benefit programmes exist in Australia and New Zealand.

For the United States, results are for the State of Michigan.

Source: OECD Tax-Benefit models, [www.oecd.org/social/benefits-and-wages.htm](http://www.oecd.org/social/benefits-and-wages.htm).

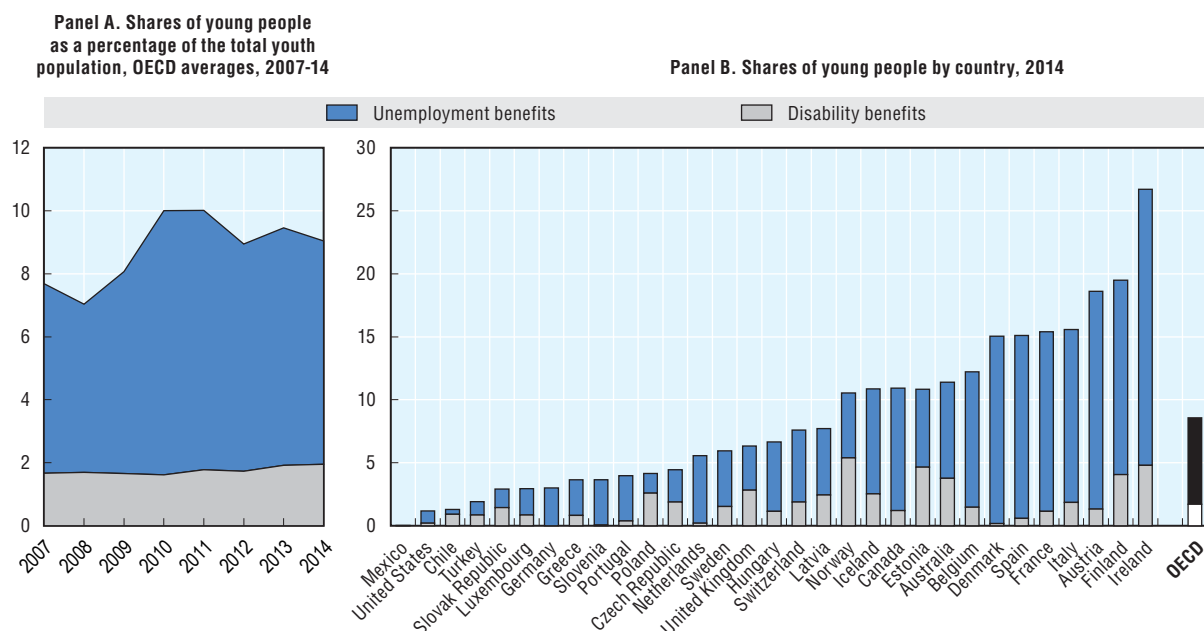
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### Actual income support benefit receipt among youth tends to be low

Unemployment benefits played an essential role in cushioning young people from the blow of the crisis. In response to rising NEET rates, the share of the young in receipt of unemployment benefits rose by 60% between 2008 and 2010 across the OECD (Figure 1.21, Panel A), reflecting increases in receipt rates in essentially all OECD countries. Furthermore, as a result of the weak recovery, especially in many European countries, receipt rates declined only slightly from their crisis-related peak, and appear to have plateaued at a higher post-crisis level since 2012.

The widespread destruction of youth employment has not, by contrast, prompted any particular increase in disability benefit receipt. This is unlike in previous crises, when long-term unemployed youth were moved in large numbers to disability benefits once their unemployment benefit entitlements had expired. Discouraged jobseekers might welcome such a move, as disability benefit programmes usually come with much less rigorous activity requirements and payments are more generous than means-tested social assistance benefits. Public employment services, which may struggle with lack of capacity and few suitable programme options in times of high unemployment, might also wish to see the long-term unemployed youth removed from their records. The approach is dangerous, however, because experience shows that it is extremely difficult to bring young people back into the labour market once they have been on health-related benefits for a while (OECD, 2010, 2012a). Stable receipt rates since the start of the crisis indicate improved gatekeeping mechanisms across OECD countries, which have made progress in restricting access to disability benefits to claimants who are indeed unfit for work.


Figure 1.21. Proportions of young people (16-29) in receipt of unemployment and disability benefits are generally low



Note: Results are for 16-to-29 year-olds except for Germany (17-29 years) and the United States (16-24 years).

Panel B: Results are for 2014 except for Chile and Switzerland (2013) Denmark and Turkey (2012) and Canada (2011).

Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU-SILC), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canada's Survey of Labour and Income Dynamics (SLID), Chile's National Socio-Economic Characterisation Survey (CASEN), the German Socio-Economic Panel (SOEP), Mexico's Household Income and Expenditure Survey (ENIGH), and the US Current Population Survey (CPS).

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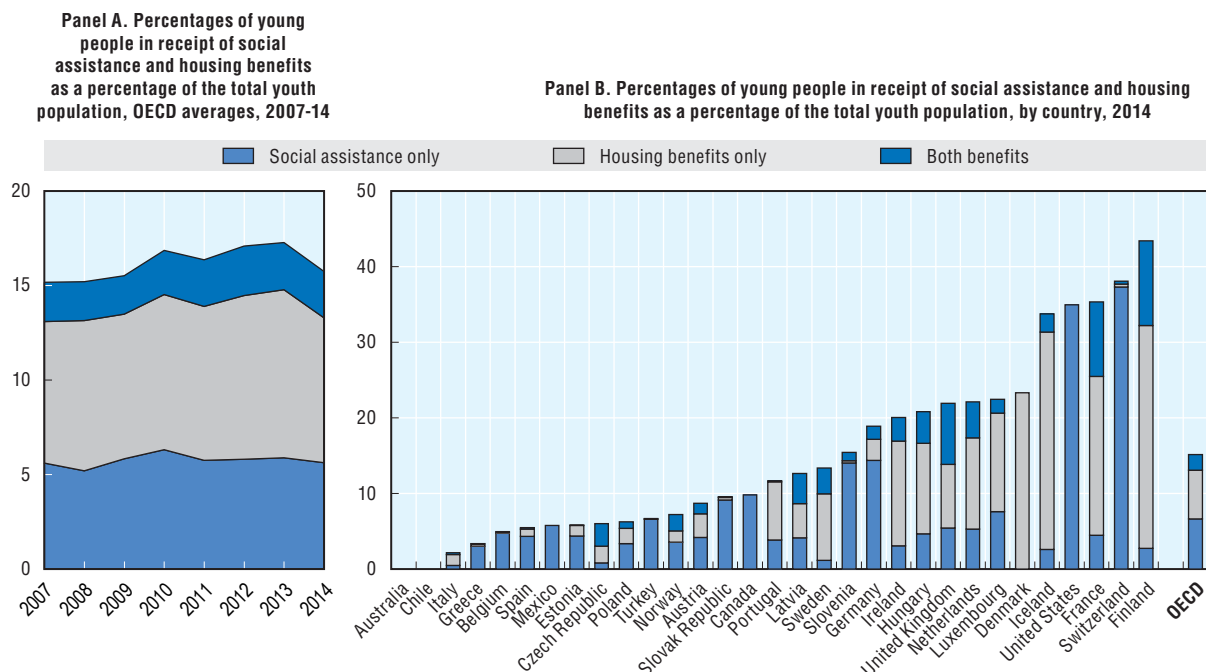
The share of young people in receipt of unemployment and disability benefits is relatively low in most OECD countries in spite of the recent surge in unemployment benefit receipt rates (Figure 1.21, Panel B):

- On average, fewer than one in ten young people received either unemployment or disability benefits in 2013 across the OECD. The proportion was 33% lower than that observed among the general working-age population (aged 15 to 64), and the pattern was consistent across all countries (not shown in Figure 1.21).
- Most young recipients receive unemployment benefits. Receipt rates are highest in countries where young people were hit hardest by the crisis – such as Italy, Ireland and Spain. They have also risen, however, in Finland, where youth employment deteriorated more recently, and in Austria and France, where low contribution requirements make benefits more accessible. Receipt is lowest in the Americas – in Chile, Mexico and the United States, though not Canada – and in Turkey.
- Few young people receive disability benefits. High receipt rates in some Northern European countries (such as Estonia, Finland and Norway) and in Ireland, however, may be cause for concern.

The rise in receipt rates with the advent of the crisis has been more gradual for means-tested income-support benefits (Figure 1.22):

- Rates of social assistance benefit receipt rose during the crisis but have declined since back to their pre-crisis levels. These benefits play an important role, particularly in Switzerland as well as in the United States, where few young people are in receipt of

Figure 1.22. **Many young people live in households receiving social assistance or housing benefits**



Note: Young people are considered benefit recipients if they received social assistance or housing benefits in the previous year or if they live in a household where any member received such benefits.

Results are for 16-to-29 year-olds except for Germany (17-29 years) and the United States (16-24 years).

Panel B: Results are for 2014 except for Australia, Chile and Switzerland (2013) Denmark and Turkey (2012) and Canada (2011).

Source: OECD calculations based on European Union Statistics on Income and Living Conditions (EU-SILC), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canada's Survey of Labour and Income Dynamics (SLID), Chile's National Socio-Economic Characterisation Survey (CASEN), the German Socio-Economic Panel (SOEP), Mexico's Household Income and Expenditure Survey (ENIGH), and the US Current Population Survey (CPS).

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unemployment benefits and the Supplemental Nutrition Assistance Program (SNAP, formerly known as “Food Stamps”) as well as the Temporary Assistance for Needy Families (TANF) afford support to low-income youth.

- The share of young people living in households that receive housing benefits has been trending upwards, but dropped substantially in 2014. This reflects primarily a notable fall in the share of young beneficiaries in Iceland, Ireland and Spain, where many young people live in households receiving housing benefits. Receipt is widespread also in other Northern European countries (Denmark and Finland) and in France, where households with low earnings may receive housing benefits.

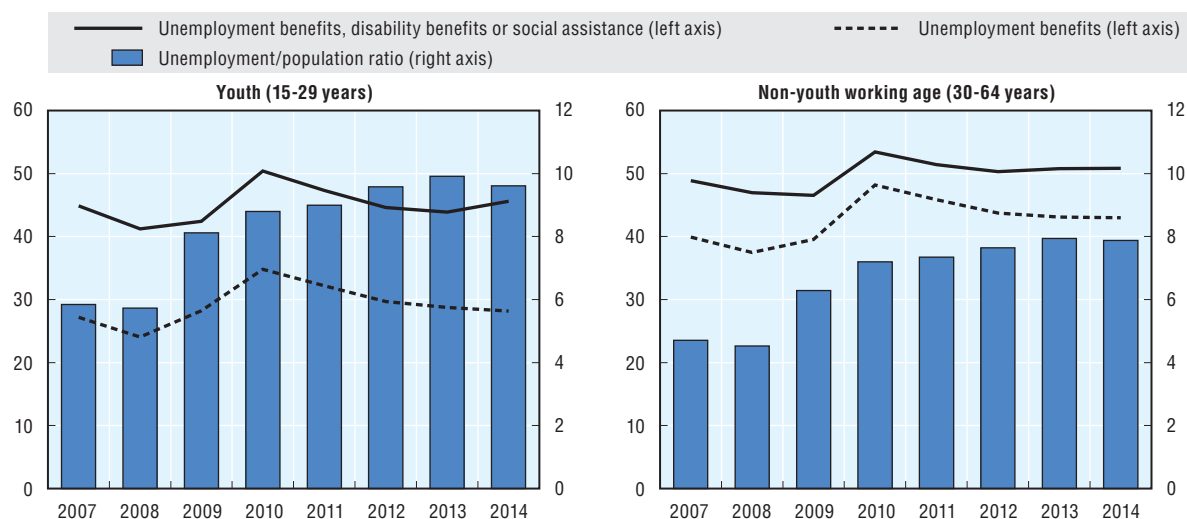
More than one-third of all young people are recipients of some type of family allowance (Annex Figure 1.A2.2).

### Young people are less well covered by out-of-work benefits

As a result of relatively low receipt of unemployment benefits among young people, benefit coverage – i.e. the share of *unemployed* youth who receive benefits – is low as well (Figure 1.23). Less than 30% of all young jobseekers receive unemployment benefits, compared to a share of 43% among older jobseekers. Once disability benefits and social assistance are accounted for, the share of unemployed youth in receipt of benefits rises to around 45%, still lower than the 50% rate among jobless adults aged 30 and above.

Figure 1.23. **The share of unemployed people covered by benefits is lower among young people than prime-age adults**


Percentages of youth and non-youth working-age unemployed in receipt of unemployment benefits or unemployment benefits, disability benefits or social assistance and the unemployed as a percentage of the population in the same age groups, OECD averages, 2007-14



Reading note: In 2014, the unemployed accounted for 10% of all youth (grey bars) on average in the OECD. The share of unemployed youth in receipt of unemployment benefits (dashed line) was 28%. The proportion of unemployed youth in receipt of unemployment benefits, disability benefits or social assistance (solid line) was 46%.

Note: People in formal education are not counted as unemployed.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) Survey, Household, Income and Labour Dynamics in Australia (HILDA) Survey, Chile's National Socio-Economic Characterisation Survey (CASEN), the German Socio-Economic Panel (SOEP) and the US Current Population Survey (CPS).

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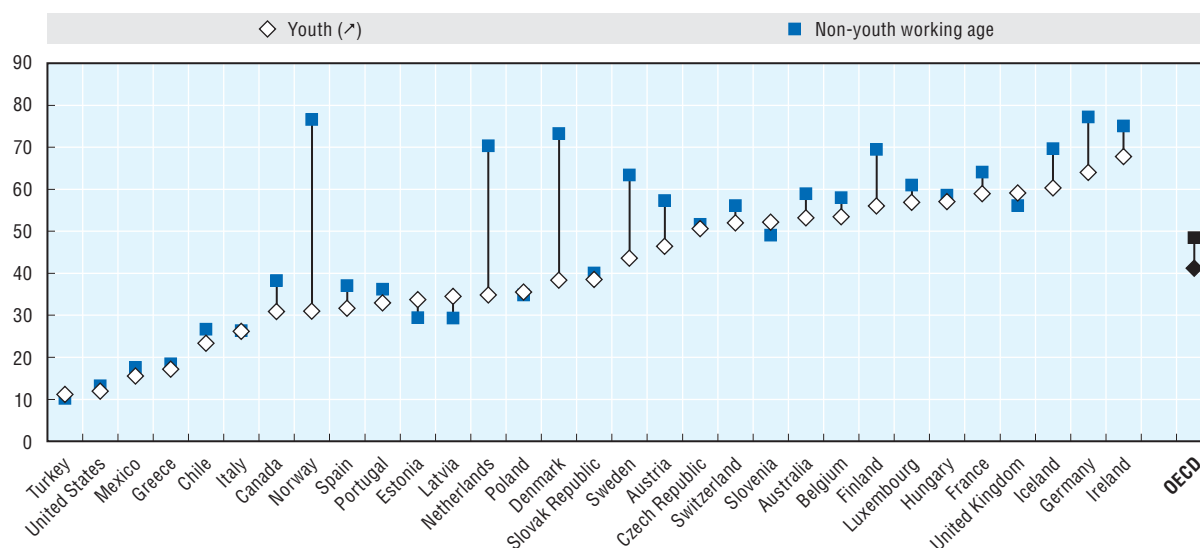
### Benefit adequacy tends to be lower for youth

The effectiveness of a benefit system cannot be evaluated based on coverage alone – *benefit amounts* are crucial for household resources. One way to look at a benefit system’s success in fighting poverty is to ask how many households it shields from poverty. How many households are not poor thanks to benefits?

Across the OECD, 22% of working-age adults under 30, and 18% of those over 30, would be poor if they did not receive benefits. Figure 1.24 illustrates how many of these individuals receive benefits that are high enough to lift their income above the poverty line.<sup>16</sup> An average of 49% of working-age adults over 30 who would be poor if they did not receive benefits, receive benefits that are high enough to keep them out of poverty. At 41%, this share is significantly lower for young people. The countries most successful in fighting working-age poverty show the widest differences between the over- and under-30s rescued from poverty. In Norway and Denmark, for example, public transfers keep over three quarters of working-age adults over 30 who are at risk of slipping below the poverty line above it. The proportion is less than one-third for young people. Only in Estonia and Latvia, and to a smaller extent in Slovenia and the United Kingdom, proportionately more under-30s than over-30s are kept out of poverty by public assistance.

Figure 1.24. **Income support is less effective in keeping youth out of poverty**

Shares, in percentages, of individuals with pre-transfer incomes below the poverty line who are above the poverty line after receiving public transfers, young people (16-29 years old) and non-youth working age (30-64 years old), 2014



Note: United States youth data relate to 16-24 year-olds.


Data for Canada relate to 2011, for Turkey to 2012, and for Chile and Switzerland to 2013.

Individuals are “poor” if they live in a household with an equivalised household income (i.e. adjusted for the number of household members) that is less than 50% of the median income.

The figure shows the percentage of youth and non-youth working-age individuals who were poor *before* public transfers and who are no longer poor *after* public transfers.

Public transfers include family allowances, disability benefits, unemployment benefits and social assistance. They exclude public pensions only.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) Survey, Household, Income and Labour Dynamics in Australia (HILDA) Survey, Chile’s National Socio-Economic Characterisation Survey (CASEN), and the US Current Population Survey (CPS).

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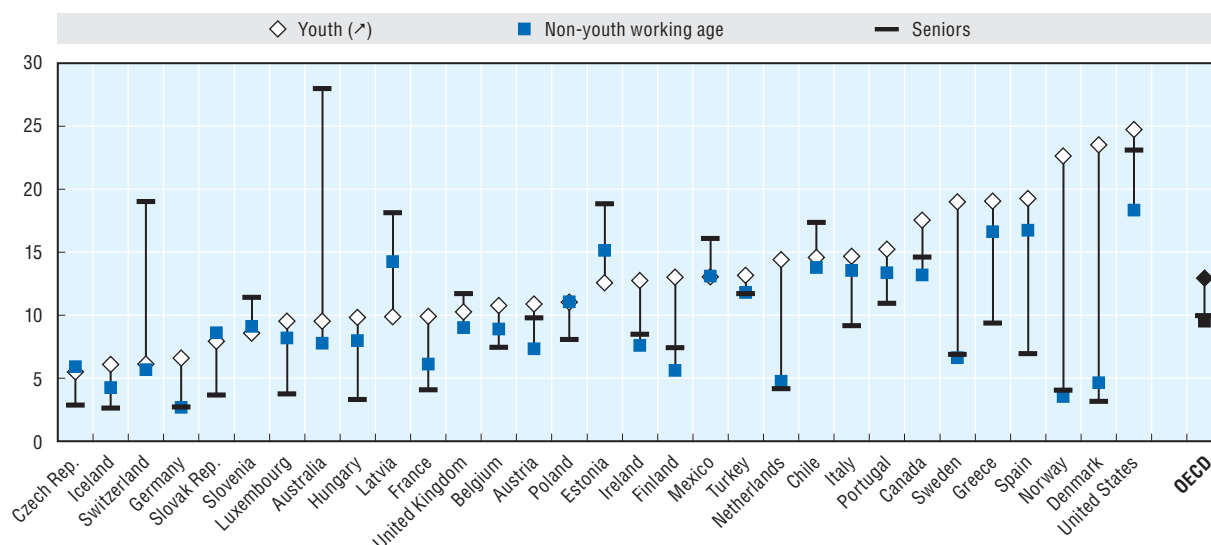
### Young people face a greater risk of poverty than older age groups

Young people are now more likely to be poor than seniors (Figure 1.25). With the exception of Australia, where many retirees draw their pensions as a lump sum instead of receiving monthly payments,<sup>17</sup> the youth poverty rates are higher than seniors' rates in most OECD countries.

Roughly every eighth young person lives in poverty OECD-wide. Youth poverty rates are particularly high in the Nordic countries, where the young tend to move out, so no longer benefit from their parents' income, earlier than in other countries. They are high in the United States, too, although the population is somewhat younger (see figure note on the age bracket of young people in the United States). The Czech Republic, Iceland and Switzerland enjoy the lowest incidence of youth poverty – at around 5%.

Figure 1.25. **Young people are now more likely to be poor than the elderly in most OECD countries**

Poverty rates among young people (16-29), non-youth working-age individuals (30-64) and senior citizens (65 and over), in percentages, 2014




Note: Individuals are defined as poor if they live in a household with an equivalised household income (household income adjusted by the number of household members) below 50% of the median income.

United States youth data relate to 16-24 year-olds.

Data for Canada relate to 2011, for Turkey to 2012, and for Chile and Switzerland to 2013.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC) Survey, Household, Income and Labour Dynamics in Australia (HILDA) Survey, Chile's National Socio-Economic Characterisation Survey (CASEN), and the US Current Population Survey (CPS).

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## 4. Policies to promote self-sufficiency among young people

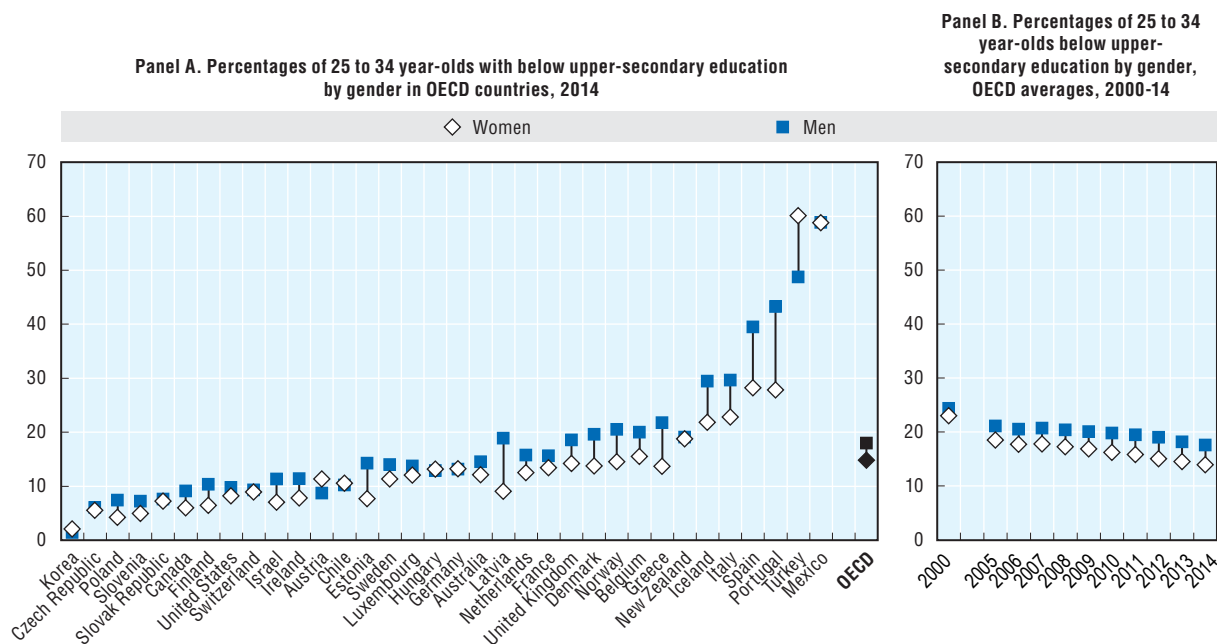
While income support is essential in the fight against youth poverty by itself, it is seldom enough to put young people back on the path to self-sufficiency. The best way to achieve lasting financial security is to secure stable employment. A lack of affordable childcare is the chief obstacle to labour market participation for many young women (see Box 1.3). Many others, however, lack the skills to find a job, as Section 2 shows. The situation is especially difficult in the lingering aftermath of the crisis, with high numbers of young people requiring new skills to match employers' needs in sectors where they have never worked before. Public support must therefore seek to ensure that all young people get the qualifications they need to succeed in the labour market. To that end, policy must provide intensive, targeted social support to prevent at-risk young people from slipping through the cracks.

This section discusses policies that look to address the NEET problem and to promote self-sufficiency among young people. It presents strategies to avert early school leaving and facilitate successful school-to-work transitions through high-quality vocational education. It then looks at outreach programmes for disengaged youth and schemes to bring NEETs back into employment or education. The discussion draws on evidence from research into youth programmes and findings from the ongoing series of OECD *Investing in Youth* country reviews.

**Fighting early school leaving is essential for tackling the NEET challenge**

To tackle the NEET challenge effectively, governments must ensure that all young people obtain at least an upper-secondary degree that entitles them to pursue their studies or gives them the vocational skills to succeed in the labour market. OECD countries have made considerable progress over the past decade in reducing rates of early school leaving, i.e. the shares of young people who fail to complete upper-secondary schooling (Figure 1.26). Yet, around one in six 25-to-34 year-olds still do not have an upper-secondary qualification, and the rate is substantially higher in Southern European countries such as Italy, Portugal, Spain and Turkey.

**Figure 1.26. Early school leaving has declined but remains high, especially in Southern Europe**



1. "Below upper-secondary education" denotes a level no higher than Level 3C short of the International Standard Classification of Education (ISCED). The ISCED classification has a structural break in 2014.  
 2. There are no data for Japan. In Panel B, the OECD average excludes Australia, Chile, Israel, Korea, Mexico and New Zealand for the years 2000-14 and Austria, Iceland and Norway for 2000.  
 Source: OECD calculations based on the EU-LFS and national labour force surveys, OECD National Educational Attainment Classification (NEAC) Database 2015, [https://stats.oecd.org/Index.aspx?datasetcode=EAG\\_NEAC#](https://stats.oecd.org/Index.aspx?datasetcode=EAG_NEAC#).

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To further reduce the number of young people who leave school without an upper-secondary qualification, policies need to ensure that signs of disengagement are detected early, and that young people at risk of dropping out of school receive the support they need to complete their education.



### ***Systematic monitoring of school attendance helps identify at-risk youth***

Strategies for keeping at-risk students in education yield the most promising results when they address barriers to educational participation at an early stage. Dropping out is generally not a sudden, unexpected event, but rather the consequence of a longer process of gradual disengagement (Lyche, 2010). It can be driven by a range of different factors – learning difficulties, mental health issues, problems in the family, parents’ attitudes towards education or the school experience – which tend to interact and build up over time (OECD, 2012b). To prevent a young person from dropping out, these challenges need to be addressed as soon as they arise.

Schools should systematically monitor student attendance and keep key stakeholders – notably parents and social services – informed to ensure that troubled pupils are detected and receive the attention they need. In Latvia, for instance, most secondary schools use privately-provided web-based platforms to collect information on students’ timetables, class attendance, performance and any homework due. Teachers enter the information in the system, but it can be accessed by the students and their parents, teachers and the school administration. While the monitoring and reporting of attendance is standard during the years of compulsory school in most countries, such practice is, however, less common in non-compulsory upper-secondary education. A good practice can be found in Sweden, where upper-secondary schools are legally bound to report early school leavers under 20 and students with high absenteeism to the local authorities as part of their so-called “activity responsibility”. The municipalities then try to establish contact with the student, find out about their situation, and offer them activities to help return to upper-secondary education.

Requirements to report attendance to the national education authorities can ensure that teachers, schools and municipalities take non-attendance seriously. At times, schools can, indeed, be slow to react to a student’s poor attendance, either because of a lack of resources or because a “difficult” student’s non-attendance may be perceived as beneficial to the classroom environment. In Sweden, municipalities are required to report to the national education authorities on the situation of the young people identified as being at risk, and on how they have intervened, every six months. In Norway, primary and lower-secondary schools have to transmit attendance figures to the national authorities three times per year, and have to indicate whether they have managed to follow up on students who miss classes. At the national level, such non-attendance data can be a valuable resource to policy makers, for instance for evaluating the quality of educational programmes and the adequacy of student support. One challenge to the reliability of regular attendance information collection can be that schools may not have an incentive to report drop-out promptly, in particular if their funding depends on student enrolment.

### ***At-risk students and their families require comprehensive support***

If poor school performance and absenteeism are caused, or aggravated, by non-educational factors – such as problems in the family, health concerns, or substance abuse – they need to be addressed if there is to be a sustainable improvement in educational outcomes.

Specialised support staff in schools is key to quickly identifying and addressing the challenges that a troubled young person may face. Trained psychologists or social workers can be an important first point of contact for students, parents and teachers when problems arise. Where schools lack the resources for such specialised staff, designated teaching staff who have received the appropriate training can provide important support.

In Norway, for instance, schools have the freedom to exempt teachers from some of their teaching duties so that they can attend to troubled students and absentees. Such teachers might take students who have concentration or behavioural problems out of the classroom for an hour, or drive out to a student's home in the morning to pick up a pupil who has failed to show up.

Support networks outside of schools – e.g. social and health services, public employment services and, possibly, NGOs – play an important role in addressing more severe or long-lasting problems that schools are incapable of dealing with on their own. Depending on young persons' needs, social workers or other support staff might help address family problems, resolve a difficult housing situation, put a young person in touch with health services, or act as a mediator between the young person and the police or courts. Social services sometimes have previous working relationships with a young person's family, for instance because their parents are benefit recipients. In Portugal, the Educational Territories of Priority Intervention (TEIP) programme, creates partnerships between “priority” schools in certain underprivileged areas and public and private entities like health centres, voluntary associations, and different support agencies. The aim is to provide pupils at risk of dropping out with vocational courses and alternatives to traditional schooling. The Ministry of Education regularly monitors principal outcomes such as improvements in academic achievement, attendance, behaviour and the risk of drop-out. School non-completion rates in priority areas steadily declined after TEIP was introduced, and by 2010, four years after the second version was rolled out, they had converged with national rates (Dias and Tomas, 2012).

External expert support is especially important for helping students with mental health issues. A significant proportion of young people in OECD countries report feeling stressed on a regular basis (OECD, 2013), and the prevalence of conditions like eating disorders, anxieties or depression is high and rising, especially among young women (OECD, 2012a). Identifying mental health problems, however, is not straightforward, as parents and teachers are often not sufficiently familiar with the symptoms. Young people themselves may, moreover, be reluctant to seek help from a person they know out of a sense of embarrassment or shame. Psychological services in schools have a vital role to play in recognising mental health issues when they arise and in providing information and support to teachers, students and parents. External health centres, like those run by the Australian National Youth Mental Health Foundation *headspace*, are an innovative approach to spotting and treating mental health issues among youth. At *headspace* centres, young people can confidentially seek help outside their immediate social and educational environment. *headspace* also provides sex education and contraception to young people (see Box 1.4).

### ***Flexible schooling environments can benefit more disadvantaged youth***

Most countries seek to curb the marginalisation of young people with mental and physical disabilities by keeping them in the regular school system and giving specialised support (OECD, 2007). Students with learning difficulties generally benefit from attending mainstream schooling, where they mix with other young people, all the way through to upper-secondary level (OECD, 2012c). Policies should therefore, as far as possible, foster a learning environment that is flexible and supportive enough to cater for at-risk students in standard schools, and keep the share of young people taught in separate special-education programmes to a minimum. But creating such an integrative learning environment is difficult and costly, and mainstream schools may often not have the resources to lend disadvantaged students the support they need.

#### Box 1.4. *Headspace*: Mental health support for youth in Australia

The National Youth Mental Health Foundation *headspace* was established by the Australian Government in 2006 to respond to a deficit in access to primary-care mental health services for young people. It provides integrated early-intervention services for 12-to-25 year-olds with, or at risk of, mild to moderate mental illness. Its aim is to promote and facilitate improvements in health, social well-being and economic participation. There are currently 95 *headspace* centres across the country (as of July 2016), where young people receive help from professionals such as psychologists, social workers, alcohol and other drug workers and GPs, as well as career counsellors, vocational officers and youth workers. Support is provided in four core areas: mental health, physical health, alcohol and other drug use, and work and study support.

The service is designed to be youth-friendly and to provide easy, low-threshold access to health counselling and treatment. *Headspace* centres tend to be conveniently located, and practice an open-door policy that allows any young people and their families to drop in and receive anonymous help. Services are provided largely free of charge, or at a low cost, and ensure high confidentiality. Online and telephone counselling is provided through *eheadspace* for young people who live in an area with no local *headspace* centre or for those who hesitate to go in and seek help.

*Headspace* has been successful at reaching out to its target population. An independent evaluation considered the frequent referrals to *headspace* from health, education and community services and concluded that *headspace* had been effective at creating community awareness (SPRC, 2009). An OECD review team formed the same impression during a fact-finding mission perceiving *headspace* services to be well-integrated with their local communities. Recent data show that *headspace* is strongly accessed by youth from marginalised and at-risk groups, including homeless, Indigenous, or lesbian, gay, bi-sexual, transgender or inter-sex youth (SPRC, 2015). Most young people (72.7%) come to *headspace* with mental health or behavioural issues, primarily anxiety or depressive symptoms, situational problems like bullying, and relationship concerns (13.4%). The vast majority received some form of mental health support, in particular cognitive behaviour therapy and counselling (Rickwood et al., 2015a,b).

There is unfortunately limited evidence at this stage on the impact of *headspace* services. A recent study into the first 30 centres showed that few measured the effectiveness of their co-ordinated, integrated services or carried out clinical audits (Rickwood et al., 2015c).

The Australian Government has committed a substantial AUD 411.7 million of funding to the programme over the five years from 2013-14. The number of *headspace* offices is scheduled to increase to 100 in 2016.

Source: OECD (2015), *Mental Health and Work: Australia*, OECD Publishing, Paris; OECD (2016), *Investing in Youth – Australia*, OECD Publishing, Paris.

A number of avenues have been explored in efforts to improve support for disadvantaged students in mainstream schooling environments:

- Smaller class sizes can help the most disadvantaged, though younger children tend to benefit more than adolescents. An experiment carried out in the state of Tennessee in the United States showed that putting very young pupils (from kindergarten to third grade) into smaller classes is associated with positive personality changes and higher later-life earnings measured up to the age of 27 years.<sup>18</sup> The observed improvement was, moreover, twice as high among children from minorities than for their peers from majority populations (Dee and West, 2008; Chetty et al., 2011). A key factor seems to have

been that the higher teacher-to-student ratios helped improve such non-cognitive skills as concentration, diligence or initiative. Piketty and Valdenaire (2006) found similar results in France, as did Angrist and Lavy (1999) in elementary schools in Israel.

- Adapting teaching methods and programme contents to the needs of disadvantaged students can also help improve achievement. In the United States, so-called “charter schools” are public schools that enjoy greater leeway to manage staff, adapt curricula and organise teaching time. They are also set pre-defined outcome targets and are required to report on a range of performance indicators. Charter schools often target students from disadvantaged backgrounds who may not have access to quality public schools in their neighbourhoods or who struggle with traditional curricula. They usually provide better resources (as reflected in smaller class sizes and/or more hours of teaching), complementary services, and better trained teachers for at-risk youth. A substantial body of research finds that charter schools can exert a significant, lasting impact on educational attainment and later employment (Abdulkadiroglu et al., 2009; Angrist et al., 2016; Dobbie et al., 2011).

To what extent the lessons learned from such approaches can be applied on a general scale remains an open question. Every school has its unique features, and charter schools are especially diverse in their methods. Angrist et al. (2012) for instance report a wide range of estimated “charter effects” in a sample of Massachusetts schools, and experience also suggests that certain teaching methods can significantly improve the performance of the most disadvantaged students. Which particular aspects of those successful practices show the greatest promise for helping disadvantaged students to narrow the educational achievement gap remains to be identified.

### ***After-school programmes are particularly valuable for disadvantaged young people***

Well-designed after-school programmes can make a considerable contribution to the educational and social development of young people. Attractive opportunities for young people to engage in sports, learn a musical instrument or get involved in handicraft and other practical activities can help build social and professional skills, while countering the risk of isolation. Empirical evidence confirms the positive effects of extracurricular activities on schooling outcomes and career prospects (OECD, 2012b,d; Carcillo et al., 2015), and these effects tend to be largest for youth from deprived backgrounds (Heckman, 2008). As participation in private after-school schemes is often at the parents’ initiative, however, the young people who take part in such activities tend to come overwhelmingly from well-off backgrounds (OECD, 2011).

Ideally, after-school activities should be offered to all young people, regardless of background, to ensure that the more disadvantaged participate, while averting the possible stigma that attaches to schemes specially for young people from deprived backgrounds. Linking after-school programmes to school establishments can make them easier to access. In Latvia, for instance, municipalities provide an extensive system of extra-curricular “interest education”, in many cases offered on school premises. Activities are voluntary, but since they are attractive and often free of charge, most young people sign up. Where activities are not public like in Latvia, but offered by private organisations such as sports clubs or music schools, schools and private providers can co-ordinate to help channel pupils into the activities that will benefit them most. Municipalities may need to subsidise some activities to enable young people from lower-income groups to pay for fees and any material or equipment needed.

Smaller programmes tailored specifically to the needs of more disadvantaged youth can sometimes be very beneficial, however. Attractive afternoon programmes in problematic neighbourhoods can help get young people “off the streets” and engage them in meaningful activities. Such programmes may also provide assistance with homework and specialised health or psychological support.

A range of successful schemes combine after-school activities for underprivileged youth with a mentoring component. The concept behind them is to provide guidance and propose positive role models to young people who may distrust their teachers and lack authority figures at home. One of the oldest and largest such programmes is “Big Brothers Big Sisters of America” (BBBS), founded in the United States in the early 1900s. The programme operates to a tightly monitored template. Mentors and young participants are selected through an elaborate screening process, then matched by their common interests. Specialised staff keep close track of the mentor-mentee relationships and advise mentors on how to improve their communication, diversify activities, promote child development and address any difficulties that arise. An evaluation demonstrated that adolescents in mentoring relationships that lasted a year or longer reduced their violent behaviour and substance abuse and though their school performance did not improve, their attendance did (Grossman and Rhodes, 2002).<sup>19</sup> BBBS has expanded to 14 other countries, including Australia, Austria, Canada, Ireland, Israel, the Netherlands, New Zealand and Poland.<sup>20</sup>

A number of recent initiatives use sports as a vehicle for reaching out to young people, with educators not only teaching sports, but acting as trained mentors. A pilot intervention in the United States, for instance, called “Becoming a Man” (BAM), gives disadvantaged young people with behavioural problems non-academic support during the school year. BAM combines social skills training that draws on cognitive behavioural therapy (CBT) and sports. It has proved cost-effective by reducing crime and improving schooling outcomes (Heller et al., 2015). In Australia, the Sporting Chance Programme, founded in 2006, encourages Indigenous youth to transfer the competitive spirit, discipline and positive mindset of rugby to other areas of life, in particular to schooling. Participants are assigned a personal mentor with an Indigenous background and, together, they develop a plan that commits the young person to a step-by-step improvement in school behaviour and performance using explicitly specified targets and termly evaluations. The impact of the programme is currently being evaluated.

### ***Support for at-risk youth is often difficult to co-ordinate***

Comprehensive support for young people with multiple barriers often requires various different actors to work together. For a 360-degree view of a young person’s individual, social and educational attributes and circumstances, all the parties involved should share their knowledge and expertise. To that end, the social services need to co-ordinate with the young person’s parents and school and, if need be, with the police, representatives of the judicial system and even with providers of extracurricular activities.

Managing collaborative work that brings together a large number of actors can be difficult (OECD, 2015e). Responsibilities for youth policies are typically spread across a range of branch ministries, while policy implementation may be located at different tiers of government (local, regional and national). As a result, policies are often poorly co-ordinated and cross-communication is found wanting. Common databases with client information accessible to all government services at all levels can help. They are often unavailable, however, out of privacy concerns or for political reasons. Information therefore has to be shared ad hoc, on a case-by-case basis, and often requires the explicit consent either of the young person concerned or of their parents.

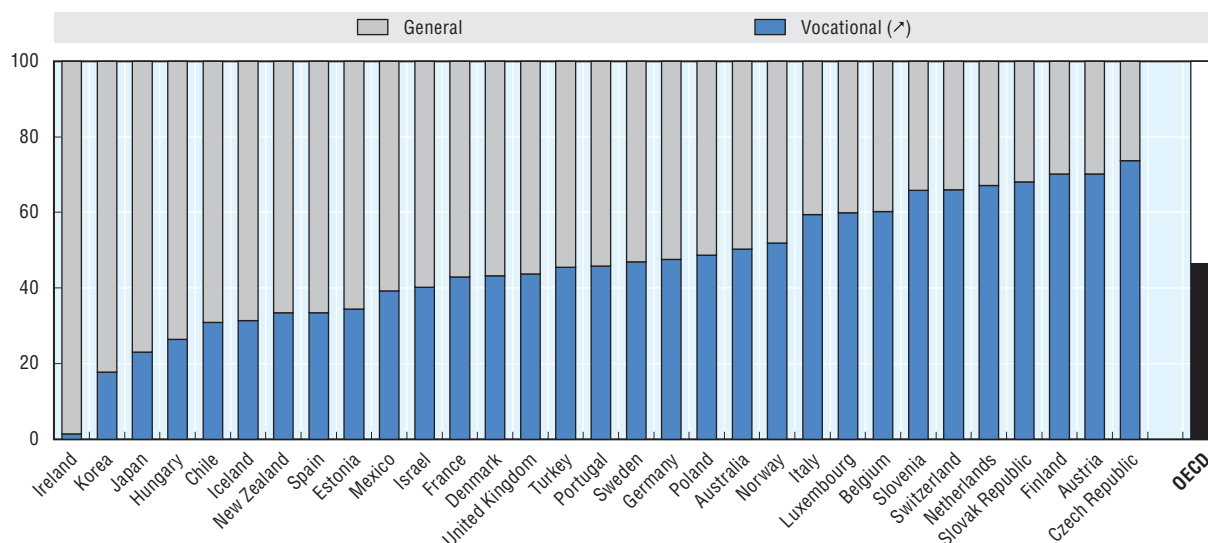
Effective institutional structures can greatly contribute to rapid information exchange and close co-operation between actors. The Australian Commonwealth Government responded to the need to better co-ordinate support policies for young people by placing so-called “partnership brokers” into over a hundred regions.<sup>21</sup> The partnership brokers were commissioned to facilitate and strengthen local connections between schools, businesses, community groups and families in order to promote educational attainment, social participation and successful school-to-work transitions of young people. Some of their main tasks were, depending on the local circumstances, to help disadvantaged young people access and navigate local support systems, to improve the collaboration of various actors involved in delivering youth support services, and to identify and help bridge gaps in service delivery. In Norway, a range of different social and employment services were integrated under the umbrella of the Norwegian Labour and Welfare Administration (NAV) established by the so-called “NAV Reform” rolled out from 2006 to 2010. NAV’s state-level arm pays insurance benefits and provides employment services to registered jobseekers, including active labour market policies (ALMPs) for unemployed youth. NAV’s municipal arm pays means-tested social assistance benefits and delivers social services to persons above the age of 18 years.

### Quality vocational education and training can help smooth school-to-work transitions

Quality vocational education and training (VET) plays an essential dual role: it prepares young people for the workplace and responds to the skills needs of the labour market. VET enables the young to develop a mix of general and job-specific skills, so helping them to acquire the knowledge and tools that they need to enter employment. Moreover, the combination of classroom learning and practical training is an attractive learning pathway that helps smooth the transition from school to work. To ensure quality and relevance, the practical training component of VET should ideally be in the workplace. On average, slightly less than half of upper-secondary students in the OECD follow a VET course, though proportions vary considerably from country to country (Figure 1.27).


Figure 1.27. **There are wide differences between countries in rates of participation in vocational education and training courses**

Percentages of upper-secondary students enrolled in general vs. vocational programmes, 2013



Note: There are no results for Canada, Greece and the United States.

Source: OECD (2015), *Education at a Glance 2015: OECD Indicators*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/eag-2015-en>.

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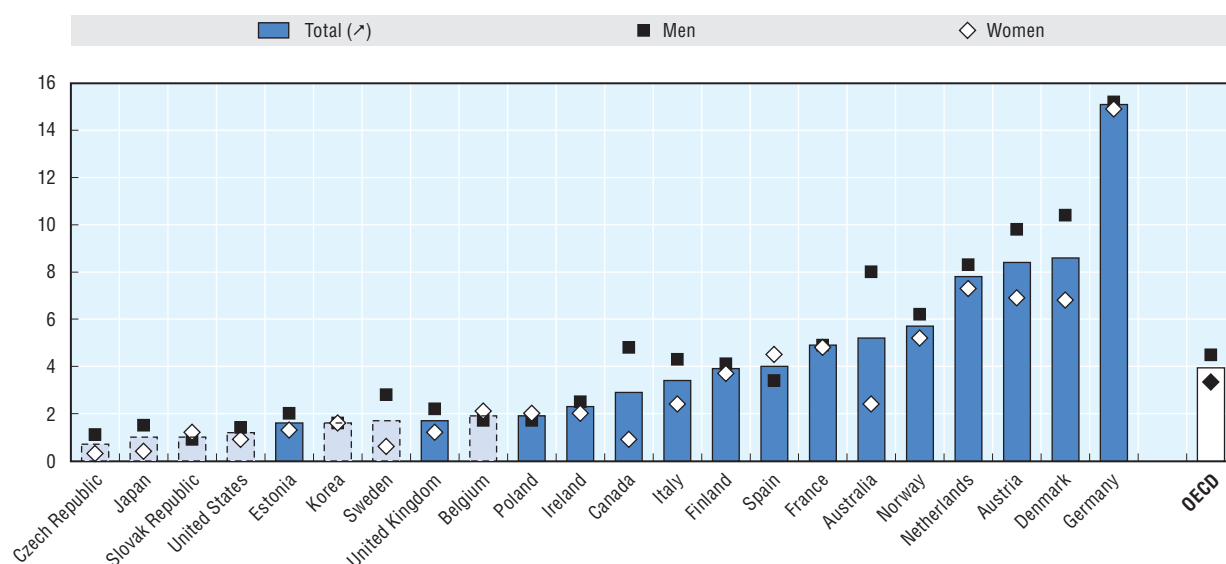
### *Apprenticeships are an ideal way of providing relevant practical training*

Apprenticeship courses, which match students with private- or public-sector employers early on in the programme, typically for a period of several years, are often regarded as best practice. The combination of on-the-job training and classroom learning, together with the involvement of social partners in drawing up curricula, help ensure that training meets employers' needs while affording apprentices important initial work experience. Ideally, successful apprentice-employer relationships convert into regular employment. Indeed, empirical research suggests that apprenticeships yield positive returns in the shape of good wages and steady jobs (Carcillo et al., 2015). Apprenticeships may also be effective against early school leaving: they appeal to more practically-minded young people who may lack the motivation for much additional classroom-based learning, and reduce incentives to leave school for paid work.

The positive results produced by apprenticeship programmes – in particular favourable youth labour market outcomes in countries with a tradition of strong apprenticeship systems like Austria, Germany and Switzerland – have revived interest in apprenticeship training. Many governments had long shifted their focus away from VET towards academic education as the preferred path to quality employment. Vocational education programmes in many countries consequently lack appeal (European Commission, 2011) and are viewed as the fall-back choice for young people who fail to succeed in an academic setting. Participation in apprenticeship training tends to be weak in all but a few countries (Figure 1.28). The trend is changing, however, with governments being increasingly concerned with promoting the attractiveness and relevance of VET programmes to boost participation. A number of European countries, such as Italy and Spain, are working closely with Germany to reform their VET systems, and Korea introduced an apprenticeship system inspired by the German, British and Australian systems in 2014. The most

**Figure 1.28. Participation in apprenticeship programmes is low in all but a few countries**

Percentage of young people aged 16 to 29 years who were apprentices in 2012 in selected OECD countries



Note: Estimates shown in light blue are based on less than 30 observations for the total and less than 15 observations by gender. These estimates should be interpreted with caution.

The results for Belgium and the United Kingdom refer to Flanders and England plus Northern Ireland, respectively.

Source: OECD calculations based on the OECD Survey of Adult Skills (PIAAC), 2012.

StatLink <http://dx.doi.org/10.1787/888933405075>

disadvantaged young people may, however, struggle to be admitted to apprenticeships because they lack the educational qualifications or basic skills, employers may be reluctant to take them on, or they have to compete with more highly skilled peers.

Strong employer commitment is crucial to allow apprenticeship systems expand into a recognised pathway for the transition from school to work. In many countries, the main challenge does not necessarily lie in the provision of quality training facilities, but in the insufficient number of apprenticeship places offered by firms. The financial burden in terms of wage and non-wage costs deters some companies from taking on apprentices. Accordingly, a number of OECD countries have introduced financial incentives to make it more attractive for employers to create apprenticeship places (Box 1.5).

### ***Pre-apprenticeships can prepare young people who are not yet ready***

Pre-apprenticeship programmes can prepare more disadvantaged young people for VET programmes, by helping them to brush up on patchy literacy or numeracy skills, build motivation, familiarise them with the work routine, and even give them short spells of work experience.

In Germany, young people who cannot find an apprenticeship – because of their poor school results, learning difficulties or other disadvantages – can apply for pre-vocational training. Such programmes last up to one year, introduce trainees to various occupational fields, and place them in companies for subsidised internships. They teach the curriculum of the first year of vocational training. Pre-vocational courses are also open to young people without a lower-secondary qualification, who can attend school part-time during the pre-apprenticeship to obtain their school-leaving certificate. The goal is to help participants to transition into regular apprenticeships after they have completed the programme (OECD, 2012e). Employment outcomes of the German pre-vocational training have been good, albeit not among the most disadvantaged students (Caliendo et al., 2011).

Pre-apprenticeships are also an important feature of Australia's VET system. They focus on particular occupations or a range of fields, and typically involve classroom-based VET courses and work placements. Students who are still at school can participate part-time. Australia's pre-apprenticeships seek to introduce young people to a trade, strengthen their motivation before they commit to an apprenticeship, build their basic skills, and increase their technical knowledge and, thereby, their chances of securing an apprenticeship place.<sup>22</sup>

Apprenticeship-style programmes can also be built into standard secondary school curricula to give disadvantaged pupils a better chance of being admitted to VET programmes. In the United States, a wide network of Career Academies, located in about 5 000 high schools, seek to keep students engaged in school and prepare them for the transition to post-secondary education and employment. They combine academic and technical training related to a career theme, and form partnerships with local employers to build students' career awareness and afford them work-based learning opportunities. Career Academies operate as small learning communities of around 150 to 200 students from Grades 9 or 10 through Grade 12 in a larger school. Research suggests that Career Academy graduates benefit from an earnings increment of around USD 2 000 per year over the eight years of follow-up. The programme has also been shown to positively affect a range of social outcomes, such as the likelihood of living independently with children and a partner or spouse. Educational attainment does not benefit, however (Kemple, 2008).



**Box 1.5. Providing employers with incentive to offering apprenticeships****Direct subsidies**

Several countries subsidise employers directly to take on apprentices. In the United Kingdom, the National Apprenticeship Service offers apprenticeship grants of GBP 1 500 to employers with up to 1 000 employees who recruit 16-to-24 year-olds. Eligible employers are those who have never before employed an apprentice and those who have not recruited one in the previous 12 months. Up to 10 grants can be made to any 1 employer. In Austria, companies are financially rewarded for every additional apprentice they take above the number hired in the previous year. They also receive a grant if they resume hiring apprentices after a break.

Under the Australian Apprenticeships Incentives Programme, companies are eligible for incentive payments when their apprentices start and complete the programme – up to AUD 4 000 in total. Employers of apprentices and trainees who have faced particular barriers to training and employment can receive additional support. An evaluation found that these subsidies had a significant effect on commencements, although more needed to be done to retain apprentices and prevent them from dropping out (Deloitte Access Economics, 2012).

**Tax credits and social security rebates**

Another way to subsidise the provision of apprenticeship places is to grant tax credits and/or social security rebates. The French government grants certain firms receive a tax credit of EUR 1 600 per apprentice, which increases to EUR 2 200 if the apprentice has a disability or is considered disadvantaged. Firms may also be exempted from social security contributions for the apprentices they take on. On top of the tax credits, each region offers additional subsidies for hiring apprentices. In Canada, employers can claim up to CAD 2 000 per year for each eligible apprentice under Apprenticeship Job Creation Tax Credit scheme.

**Minimum wage**

The cost of hiring apprentices can also be lowered by agreeing a special sub-minimum wage. Several countries make use of the practice. In France, the minimum wage for apprentices depends on their age and the year of training they are in, starting at 25% of the national minimum wage for 18-year-olds in their first year and rising to 93% for the over-2s in their fourth year. In Germany, a “training allowance” is agreed upon by the social partners, which also varies according to the apprentice’s age and experience with the firm.

**Levy financing**

An interesting indirect mechanism for incentivising companies to offer apprenticeships is to require them to contribute to a special training fund, from which only firms who take on apprentices benefit. All companies in Denmark pay a yearly contribution of nearly EUR 400 per employee into the Employers’ Refunds for Apprentices Fund (AER). The AER then compensates companies every 24 months for each apprentice hired. In France, workplace training is funded through an apprentice tax paid by all businesses. It is set at 0.05% of the payroll for firms with fewer than 250 employees and 0.06% for firms with more than 250 employees. Companies may be exempted from the tax if they train a certain number of apprentices.

Source: OECD (2014), *Investing in Youth: Brazil*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264208988-en>.

### ***Internships can give students early insights into the labour market***

Summer internship programmes can be opportunities for young people to try out trades in which they are interested, to get first work experience, and build links with local employers. They can be of particular benefit to disadvantaged young people, who are more likely than their well-off peers to spend their summer holidays idle. By involving young people in meaningful work experience, internships can help to offset the knowledge lost during school holidays and prevent young people from engaging in illicit activities. Finding a quality internship is not easy, however, especially for young people whose parents lack connections. Available internships may not have a strong enough training component to be valuable, or they are unpaid and hence difficult to afford for low-income youth.

Targeted public programmes are sometimes the solution. New York City has been subsidising summer jobs for disadvantaged students since the 1960s through its Summer Youth Employment Program, the largest of its kind in the United States. It offers a combination of work experience and training geared to equipping youth with the skills necessary for academic success or regular employment. It is open to 14-to-24 year-olds from low-income families or living in poor areas. In 2015, there were 130 000 applicants, of whom 54 000 were placed in a job. The scheme has been shown to be cost-effective – poverty, crime and mortality were lower among participants than among unsuccessful applicants (Gelber et al., 2016).<sup>23</sup> Spurred by the positive results of the programme and similar initiatives, the United States Department of Labor is currently developing a Summer Opportunity Project in conjunction with the business community that will provide disadvantaged youth with employment opportunities and class-based training.

### ***Career guidance helps ensure that students make the right choices***

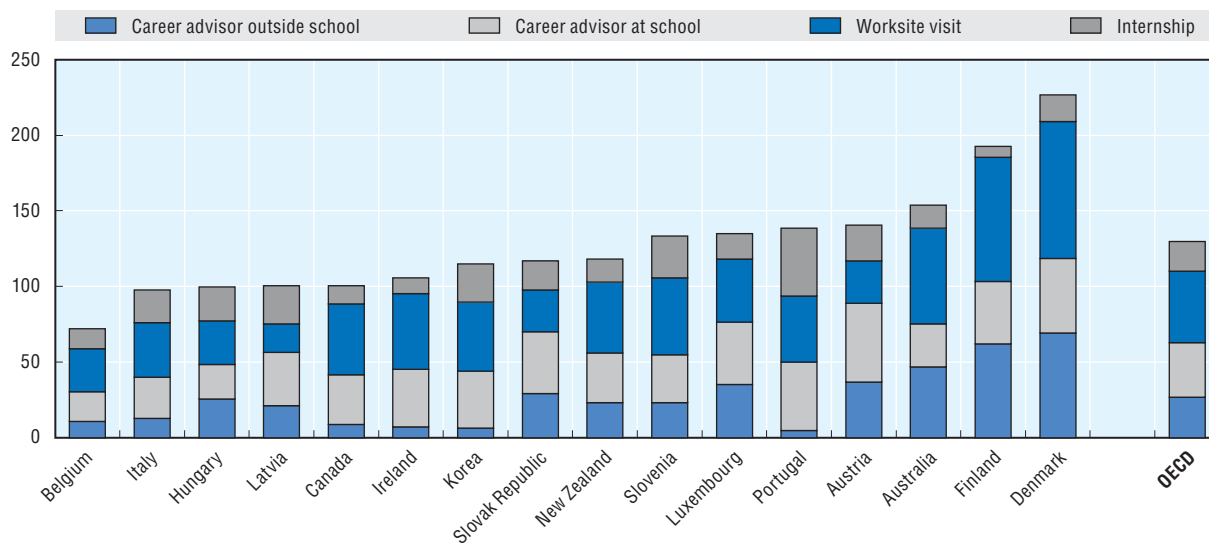
Quality career guidance can boost education and training completion rates by improving the match between young people and their chosen path. It can strengthen social mobility by informing young people of career paths that their family and social networks may not suggest, and encouraging them to choose paths more likely to lead to stable employment. Career guidance is of special importance to young people who consider VET programmes – including apprenticeships – as they affect students' career prospects more directly than general secondary programmes.

Young people's participation in career guidance is easiest to ensure in the case of school-based career counselling. One downside to it is that counsellors within school tend to show a pro-academic bias emphasising general education programmes at the expense of VET (OECD, 2014a) or to show a preference for programmes offered by the same school over external alternatives (Watts, 2009). The involvement of employers or outside specialists in career guidance helps make information more comprehensive and truer to the realities of the labour market (Sweet, 2009).

In Denmark, the Ministry of Education operates regional guidance centres and services such as the national guidance portal and call centre. Guidance centres work with stakeholders – including the social partners in industry and commerce and local municipalities – to offer a range of activities in various settings in and out of school (workshops, seminars, career fairs, one-to-one counselling, etc.). The centres' collaboration with educational and labour market institutions makes their guidance relevant to stakeholders in the education system and the labour market (Field et al., 2012), and student participation in career guidance is high (Figure 1.29).

**Figure 1.29. Most young people benefit from some form of career guidance**

Percentages of 15-year-olds who report having accessed different types of career guidance, selected OECD countries, 2012



Note: Countries are sorted in ascending order of the share of students who accessed all four forms of career guidance.

Source: OECD PISA 2012, [www.oecd.org/pisa/pisaproducts/pisa2012database-downloadabledata.htm](http://www.oecd.org/pisa/pisaproducts/pisa2012database-downloadabledata.htm).StatLink <http://dx.doi.org/10.1787/888933405084>

### **Comprehensive programmes such as youth guarantees are needed to re-engage NEETs in employment, education or training**

Given the negative consequences of early-life unemployment and inactivity on young people's career prospects, it is important that all NEETs who have trouble finding employment or a suitable educational option participate in active programmes that address their educational and non-educational barriers. Many countries have committed themselves – through so-called “youth guarantees” – to providing all young NEETs with a suitable offer, the most prominent case being the European Union's Youth Guarantee scheme, introduced in 2013.<sup>24</sup> It is meant to ensure that all young people under the age of 25 years – whether registered with employment services or not – receive a good-quality offer of employment, continued education, an apprenticeship or a traineeship within four months of leaving formal education or becoming unemployed. Such initiatives can be a valuable tool to help improve young jobseekers' employment prospects. Their success relies, however, on effective outreach to inactive and disconnected youth. The quality of options offered, moreover, is important, and solutions must be tailored to young jobseekers' individual needs.

### **Reaching out to NEETs not registered as jobseekers is challenging**

Reaching out to NEETs as early as possible is critical if they are not to slip into long-term inactivity. For many jobless young people, the availability of benefits – be it cash payments or in-kind support like housing and health care – is an incentive to seek contact with social or employment services and register as unemployed. Some of them may hesitate, however, to claim benefit from government agencies, trying instead to get by on their own for a while or to seek help from family or friends. Opportunities for reaching out to these young people can vanish quickly, as disengagement from school or work may coincide with them moving out of their parents' home and some even ending up “sleeping rough”. In some cases, disaffected young people may also lose access to a mobile phone or

Internet for a while. Re-engaging young people in education or work becomes increasingly difficult after long periods of inactivity, as they slip out of their routine and no longer get up early or take part in structured activities.

Collaboration between schools and public employment services (PES) is often an important component of successful outreach strategies. Together with school management and class teachers, the PES can give early career advice, raise young people's awareness of the services available through the PES, and spot at-risk youth early enough to provide timely support and lessen the risk of inactivity after school leaving. While in many OECD countries, the PES and schools are only weakly integrated, Japan and Norway operate models of close collaboration that hold promise:

- The Japanese PES “Hello Work” reaches out to students at high schools and universities through specialised youth services (“Hello Work for New Graduates”) to offer counselling, job-search assistance (e.g. interview training and preparation, seminars and student job fairs) and placement. It also informs schools of vacancies, offers regular on-site counselling in schools, and supports school career guidance counsellors. The collaboration between schools and the PES has been extremely successful: virtually all Japanese students who choose not to pursue tertiary education and would like to work have a job offer when graduating from senior high school.
- Norway currently runs a pilot project which places youth specialists from the national welfare and employment agency, NAV, into upper-secondary schools for four days a week. The aim of the project is to prevent and reduce school drop-out by providing career guidance, helping students to find work experience opportunities, and supporting the school-to-work transition. A further focus is early detection of and support for young people with multiple barriers.

In many countries, non-governmental actors also play a central role in reaching out to disaffected young people. While their former teachers, municipal youth workers and other public authorities may struggle to track them down and get them to re-engage, disengaged young people may still go to the local youth centre or sports club. A tight network of non-governmental youth activity providers can therefore be helpful in preventing young people who do not regularly engage in education or work from disconnecting entirely. If such actors are aware of the social and educational situations of the young people they deal with, they can work towards putting them in touch with the social services (OECD-LEED, 2014).

A number of countries run active outreach strategies which draw on the services of non-governmental institutions. As part of the former Youth Connections programme, the Commonwealth of Australia paid private providers – many of whom were not-for-profits – to support young people at risk of disengaging from education or training and failing to make the transition into employment.<sup>25</sup> Youth Connections used a one-to-one case management approach to provide services such as counselling and mentoring. Providers also performed street outreach, visiting locations frequented by young people to engage with them and bring the disaffected into their programmes. In Japan, outreach to *hikikomori* youth, i.e. socially withdrawn young people, who sometimes do not leave the family home for months, or even years, is organised through non-governmental Community Hikikomori Support Centres funded by the prefectures.

A very promising, though costly, approach is to explicitly devolve outreach to a single actor who screens all young people to detect those at risk of disengagement. In Norway, county-level Follow-up Services are responsible for contacting all under-21-year-olds who leave school (with or without a qualification) to assess their activity status. Those whom

they can track down and who are not in education or employment are either offered counselling or training, or they are put in touch with social support services or the local employment office. As part of their “activity responsibility”, Swedish municipalities are required to establish contact with early school leavers under the age of 20 to determine what they are currently doing and help them back into upper-secondary school. A challenge for follow-up services is that information on the reasons for a student leaving school early is often unavailable. They may therefore spend much of their time chasing students who merely failed to de-register with their municipality when moving to a different city and who do not require any support.

### ***Profiling NEETs is needed for adequate support, and it can save costs***

Once young jobseekers register with the public employment service, they should be extensively profiled to ensure that they receive the type and intensity of support they need. Profiling helps caseworkers to determine young jobseekers’ work readiness and assess their skills and training needs. It is also an opportunity for identifying any material barriers such as lack of housing or restricted mobility, social issues and physical or mental health problems that might be obstacles to taking part in a programme or working.

In Australia, all benefit claimants are assessed for their level of disadvantage and anticipated difficulty in finding and keeping employment. This procedure may include screening by a health professional, typically a psychologist or nurse. Jobseekers are then allocated to one of three different-intensity support “streams”, according to the results of the assessment. Similarly, NAV, the Norwegian public employment and welfare service, assigns all clients to one of four jobseeker categories, depending on the expected level of support needed.

Careful profiling should also be considered part of cost control, helping to effectively target expensive interventions at jobseekers who need them and are likely to benefit the most. In Australia, the resources made available to non-governmental employment service providers vary substantially according to stream, with providers receiving more for placing more disadvantaged clients into employment. In Norway, assistance through NAV is primarily directed at jobseekers in the two acutest-needs categories, for whom programme participation can start as soon as they have registered at the public employment office. Jobseekers in the two lower-intensity categories typically simply attend a short job search seminar and are then expected to find work with little or no assistance for the first two or three months. Such strict guidelines also lessen the risk of caseworkers cherry-picking young jobseekers for programme participation, focusing their attention and resources on the least disadvantaged who, although highly motivated, might not necessitate expensive intervention to find employment.

### ***Successful programmes for NEETs have to be targeted tightly***

The impact of the many different interventions to improve NEETs’ educational and employment outcomes in OECD countries depends heavily on how well they are designed and targeted. Empirical studies show that sustainable improvements in labour market and social outcomes are difficult to achieve, especially for the most disadvantaged youth, and that effective programmes tend to be very costly. Given the limited financial resources, the capacity constraints that weigh on public employment and welfare services, and the fact that successful programmes are often not easily expanded or replicated, it is vital that existing programmes target those most likely to benefit.

The type of intervention best suited to a young jobseeker depends on the educational and non-educational barriers:

- “Education first” is the approach of many countries to early school leavers who have little chance of finding quality employment. The social services or public employment services work with the educational authorities to re-integrate them in mainstream schooling. Some countries even tie eligibility for income support benefits to a return to education. Examples are Australia, through its “learn or earn” requirements, and Denmark.
- Comprehensive, full-time, second-chance educational programmes can be a suitable alternative for early school leavers who are unable or unwilling to return to a standard school, possibly because they have been out of school for too long or face additional hurdles, such as family issues or mental health problems. These programmes combine catch-up courses in foundation skills with vocational classes, counselling and career guidance, and often enable participants to obtain their upper-secondary qualification (Box 1.6). Second-chance programmes may be suitable also for young people who have an upper-secondary qualification, but lack the basic skills required to participate in training or find employment.
- Work experience programmes or short training courses with a strong practical component may be attractive to NEETs who cannot or will not go back to school because they are frustrated by their previous schooling experience or, possibly, struggling with social and health issues. They can help disadvantaged young people regain self-esteem and build a working routine. And they can prepare them for later participation in education or training programmes.

Work experience measures should, however, always target the most disadvantaged youth. There is now plenty of international evidence that short public-sector employment programmes do not generally improve jobseekers’ prospects of employment in the regular labour market (Card et al., 2010, 2015; Kluve, 2010). Likely reasons are that many schemes have, at best, a weak training component and that private-sector employers think little of the experience gained from these programmes. Some programmes have even been shown to have detrimental effects, as participants eased up on their job seeking during training – the so-called “lock-in” effects. There is also a risk of regular employees being replaced, or “crowded out”, by programme participants who work without pay or for a subsidised wage.

- Subsidies for private businesses that hire jobseekers have proven an effective tool for brightening jobseekers’ employment prospects, particularly the programme participants are young. Subsidies should, however, target only low-skilled jobseekers and the long-term unemployed to lessen the risk of employers pocketing the subsidy to recruit jobseekers whom they would have hired anyhow – the “deadweight effect” (Cahuc et al., 2014).
- Low-cost, low-intensity interventions like job search assistance, counselling and short training courses (in CV writing and interview techniques) can be sufficient for clients with low barriers to labour market entry. They may also be useful for testing a young person’s readiness for participation in more intensive activity.

Active programme participation should ideally begin as soon as a young person has registered as jobseeker. One way of securing their continued commitment is by adopting a mutual obligation approach, which links regular income support to a jobseeker’s efforts to find suitable education or work or to their active programme participation.<sup>26</sup>

**Box 1.6. Second-chance learning options for early school leavers: Opportunities and challenges**

Early school leavers typically find it very hard to return to school, as the educational, social or personal factors that caused the initial drop-out often persist and remain an obstacle. Depending on their level of schooling and how long it is since they dropped out, young people may also lack the elementary literacy and numeracy skills required to continue schooling or follow a professional training programme.

Second-chance programmes offer a flexible learning environment – often with a residential component – that is well adapted to early school leavers’ needs and designed to help them back into education. They typically combine catch-up classes in literacy and numeracy skills with vocational classes, intensive counselling, health support and career guidance. Simple work experience or community work components – in catering or elderly care, for example – can help them re-gain their work rhythm.

Probably the largest and best-known second-chance programme is the US Job Corps, which has been operating since 1964. It targets disadvantaged 16-to-24 year-olds, giving them academic tuition, vocational training, counselling, and social skills training. It also provides health care and organises job placements. Another important programme – and one which has expanded internationally from the United States – is YouthBuild, which provides skills and work experience in the construction sector. Both schemes rely on strong ties with local employers. And both contain a strong non-cognitive training component aimed at strengthening motivation, building conscientiousness, and coaching young people in interpersonal skills. For some young people, the US Job Corps and YouthBuild function as comprehensive pre-apprenticeships, while for others they are stepping stones to higher education. In France, the *École de la Deuxième Chance* offers similar curricula. The Swedish Folk High Schools provide young people aged 18 and over with a mixture of intensive counselling, coaching in social and life skills, and formal education. They use their own grading system that measures not only academic performance but also social skills, and public universities set aside quotas for Folk High School graduates. In Australia and the United Kingdom, smaller-scale second-chance programmes are offered in so-called “youth foyers”, which offer training, accommodation and social and psychological support to homeless young people, and which are often located close to the vocational training facilities.

An obstacle to the large-scale roll-out of second-chance learning programmes is that they are very costly. To be successful, they require well-trained and highly motivated staff able to provide intensive support and supervision. Infrastructure requirements are moreover substantial, because facilities for training, housing, leisure activities and even health care need to be provided in the same place. Despite their high immediate costs, second-chance programmes have proven cost-effective for specific groups in the medium and long run, permanently reducing benefit dependency and criminal activity and raising earnings among former participants (Schochet et al., 2008; Cohen and Piquero, 2010, 2015). Given the currently limited capacity of second-chance programmes, they need to be carefully targeted at young people who are motivated and suited to participation in such intensive programmes.

## Notes

1. Unless stated otherwise, “youth” or “young people” denotes 15- or 16-to-29 year-olds.
2. Contributory factors in the “scarring effect” are human capital depreciation and the loss of professional networks during out-of-work periods. Employers might also see early periods of unemployment as a sign that a young person is less productive or motivated. Scarring might even negatively impact young people’s preference for work (Heckman and Borjas, 1980; Ellwood, 1982).
3. The youth population shrunk markedly between 2007 and 2014 in several OECD countries, notably Ireland (-22%), Latvia (-20%), Spain (-19%), and the Czech Republic and Slovenia (both -16%).
4. This weighted average gives countries with a large youth population, such as Turkey and Mexico, a bigger weight, while the OECD average calculates the NEET rate for each country, and then takes a simple average.
5. NEETs are defined as youth who are
  - “not in employment”: youth who indicate that they are either “unemployed” or “inactive / not in the labour force”;
  - “not in education or training”: youth who are not enrolled in a course of formal education or training, such as school, university, or an apprenticeship programme. Youth who are in informal education only are not counted as being in education or training according to this definition.

Eurostat does define youth who are in informal education as non-NEETs, which leads to a significant drop in the NEET rate in some countries, e.g., in 2013, Spain (down by 5 percentage points), Denmark (down 4), and Sweden (down by 3). This report restricts the definition of education to formal education because the labour market connection of informal education is not clear as these could be hobby courses, and information on informal education is not available for non-European countries, which would distort cross-OECD comparisons.
6. The estimation disregards possible general equilibrium effects of an increase in youth employment rates – especially in countries with high NEET rates, bringing a substantial share of NEETs into employment would significantly increase overall labour supply, which could depress wages. But increasing youth employment would also stimulate demand, and affect aggregate prices and wages.
7. This estimate imputes wages for NEETs given their observable characteristics, such as education, age, work experience, gender and household characteristics, taking into account that youth who are offered higher wages are more likely to work. Wages are imputed using the *Heckman correction* which corrects for *selection effects* into employment. Wages are only observed for youth who are employed, and employed youth are likely to have a higher earnings potential and / or lower costs of working than non-working youth. Therefore, predictions of wages for non-working youth based on data on working youth can be biased. The *Heckman correction* remedies this by directly estimating the probability of working for each youth, and using this probability to adjust the estimates of the wage equation. The model estimates the hourly wages of NEETs using micro-data from the EU-SILC, HILDA (Australia), SLID (Canada), CASEN (Chile), SOEP (Germany), ENIGH (Mexico), SILC (Turkey) and the CPS (United States). For some countries, data from several years are pooled to increase the sample size. Explanatory variables are education (below upper secondary, upper secondary and post-upper secondary non-tertiary, and tertiary education) potential work experience (and a quadratic term), gender, region, whether the young person has a spouse or live-in partner, and a year control were applicable. For countries where information on potential work experience is not available or of poor quality, it uses age and its quadratic term. The selection equation controls for a variety of household characteristics: having a child under the age of five, living with parents, and income received by other persons in the household. The effect of having a child and having a spouse or live-in partner is also allowed to vary between men and women. Suffering from poor health is also allowed to influence the selection into employment. The model is estimated separately for each country. The imputed wages and costs only pertain to employment income, except for Turkey, where information on months worked during the year is only available for employment and self-employment. Data are for 2014 except for Chile and Switzerland (2013), Turkey (2012) and Canada (2011), however, these values are updated to 2014 USD. The necessary data for this estimation was not available for Israel, Japan, Korea and New Zealand.
8. Average annual wage costs (i.e. mean gross annual employment income plus employer’s social security contributions) are computed for each country for the age groups 15-19, 20-24, and 25-29, separately by gender. Multiplication with the number of NEETs of each gender and age-group yields the upper bound estimate. For the lower bound estimate, the number of NEETs in each age-group-gender cell is instead assigned a wage of 67% of the median wage in his or her group.
9. These estimates are in line with a recent estimate for EU countries in 2011 (Eurofound, 2012).
10. An important limitation of these statistical calculations is that parental education is observed only for young people who are living in their parents’ home. Results may therefore be unreliable if the decision to leave the parents’ home is related to the parents’ level of education (e.g. because parental education influences income) and if it differs between NEETs and non-NEETs.



11. Intergenerational transmission has been examined extensively in educational attainment and poverty – and a wide range of other beliefs and behaviour, e.g. Diekmann and Schmidheiny (2008) on the intergenerational transmission of divorce and Min et al. (2012) on the intergenerational transmission of values.
12. The Perry Preschool Program, which ran between 1962 and 67, was targeted at low-income black children with initial IQs below 85 at the age of 3. Preschool was provided each weekday morning in 2.5-hour sessions. The average child-teacher ratio was 6:1. The curriculum emphasised social skills and active learning, in which the children engaged in activities that i) involved decision making and problem solving, ii) were planned, carried out, and reviewed by the children themselves, with support from adults and iii) involved working with others when problems arose. In addition, there were home visits to promote parent-child interaction. The programme ended after two years of enrolment. Participants in the program were followed for over 40 years.
13. The analysis follows 15-to-29 year-olds over a four-year period, 2009 to 2012. Young people are tracked and their activity status examined each month over the four years (see the annex to this chapter for more information on the data and analysis). The data necessary for the analysis were available only for 16 OECD countries.
14. One exception is Australia's Youth Allowance, the main income support benefit for young jobseekers aged 16 to 21.
15. Unemployment benefits include unemployment insurance benefits as well as the less generous unemployment assistance available in some countries.
16. Public pensions (and, therefore, seniors) are excluded from this analysis, because pensions would just tautologically lift a large share of seniors out of poverty and would make a comparison between countries with public and capital-based pension systems difficult.
17. As poverty rates are based on monthly income, retirees drawing on their retirement funds "appear poor" in these statistics, because they do not receive regular income.
18. As part of the so-called project STAR (Student/Teacher Achievement Ratio), pupils were randomly assigned to classes with sizes ranging from 15 to 22 students on average. The experiment was implemented across 79 schools in Tennessee between 1985 and 1989, and the outcomes of young participants could be tracked to the age of 27 years.
19. Older adolescents and those who had suffered from emotional, sexual or physical abuse were most likely to be in relationships that terminated early.
20. The success of mentoring programmes depends crucially on the participation of charismatic and credible mentors. Mentors should have a background that the young person can relate to, and they need to be given the time to invest in their relationship with the mentee to build up trust for the programme to have an impact (DuBois et al., 2002; Rhodes, 2008). Accordingly, the main bottleneck to the expansion of mentoring programmes is the recruitment of suitable volunteer mentors. One promising approach has been to find mentors through partnerships with private companies. Meetings with the mentees can take place directly on-site, so saving the mentors commuting time. Partnerships with schools are an alternative approach: BIG Futures, a new initiative in Australia, will try to bring BBBS mentoring directly into Australian schools. The Australian iTrack programme provides high school students with mentors for an 18-week period to motivate them to complete school and provide them with career guidance.
21. The former School Business Community Partnership Broker programme was one component of the National Partnership for Youth Attainment and Transitions, a set of initiatives agreed upon in 2009 by the Commonwealth and State/Territory governments with the aim of improving educational outcomes and school to work transitions. The National Partnership expired in 2013, the Partnership Brokers programme was extended by another year before ending in 2014.
22. In 2010, an estimated 28% of all apprentices had completed a pre-apprenticeship.
23. This is true even though not all employment possibilities were in the private sector, which probably reduced the programme's impact.
24. Youth guarantees were first developed in the Nordic countries in the late 1980s.
25. Youth Connections, like the School Business Community Partnership Broker programme, was part of the National Partnership for Youth Attainment and Transitions, which expired in 2014. In principle, support for school-age youth is the responsibility of Australian States and Territories.
26. In fact, the concept of "mutual obligations" was initially introduced in Australia for employable young jobseekers only, requiring them to undertake an activity like part-time work, voluntary work or training in exchange for income support (OECD, 2012f).

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## ANNEX 1.A1

## *Data and methodology of the longitudinal analysis*

An analysis of the dynamics of the NEET status comes with substantial data requirements. Identifying young people's NEET trajectories needs to be based on individual-level longitudinal data determining educational status and labour market participation over a long time horizon and on a monthly basis throughout each year. Since the focus of the analysis is specifically on periods of unemployment or inactivity, the number of individuals in the sample moreover had to be large to identify a sufficient number of NEETs.

The data used in this analysis come from two different sources:

- the 2012 European Union Statistics on Income and Living Conditions (EU-SILC) survey of a selection of European countries;
- the 2009-12 waves of the Household, Income and Labour Dynamics in Australia (HILDA) survey.

Both surveys supply monthly information on activity statuses – including any periods of unemployment and inactivity – over the 48-month period from January 2009 to December 2012. The sample was restricted to people aged 15 to 29 years at the beginning of the observation period, irrespective of their initial activity status. Persons with missing information on labour market activity for one or several of the 48 months were dropped. A country was included in the analysis as long as no more than 10% of all observed trajectories were incomplete. While HILDA has been observing households since 2001 on an annual basis, the EU-SILC spanned only four years. The analysis was therefore restricted to four years.

The NEET spells studied were defined as consecutive months in which the young respondent reported having been out of employment, education or training. Two periods of NEET status that are interrupted by a single month in education or employment were defined as separate spells. No distinction was made between NEET inactivity and unemployment due to the small sample size.

## ANNEX 1.A2

## Overview of income support benefits

Table 1.A2.1. **Means-tested benefits are available almost everywhere to unemployed youth without employment record**

Benefits available to a 20-year-old without employment record, 2014

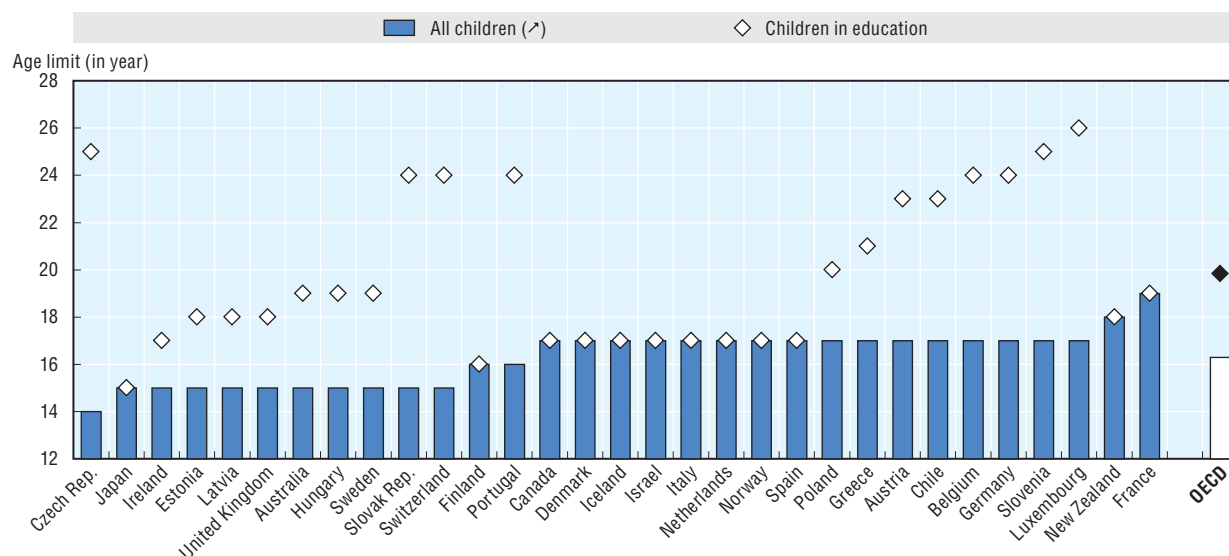
	Unemployment benefits (UB)		Minimum-income benefits		Additional child-contingent benefits	
	UI	UA	SA	HB	FB	LP
Australia		●	●	●	●	●
Austria			●	●	●	●
Belgium			●		●	
Canada			●		●	●
Chile					●	
Czech Republic			●	●	●	
Denmark			●	●	●	●
Estonia			●		●	●
Finland		●	●	●	●	●
France				●	●	●
Germany			●	●	●	●
Greece		●			●	●
Hungary			●	●	●	●
Iceland			●	●	●	●
Ireland		●	●	●	●	●
Israel			●	●	●	●
Italy				●		●
Japan			●		●	●
Korea			●	●		●
Latvia			●	●	●	●
Luxembourg	●				●	●
Netherlands				●	●	●
New Zealand		●		●	●	●
Norway			●	●	●	●
Poland			●	●	●	●
Portugal			●	●	●	●
Slovak Republic			●		●	●
Slovenia			●	●	●	●
Spain					●	
Sweden		●	●	●	●	
Switzerland			●	●	●	
Turkey						
United Kingdom		●	●	●	●	●
United States			●		●	

Note: "UI" = Unemployment insurance benefits; "UA" = Unemployment assistance benefits; "SA" = Social assistance benefits; "HB" = Housing benefits; "FB" = Family benefits; "LP" = Lone parent benefits.

Source: OECD Tax-Benefit Models, [www.oecd.org/social/benefits-and-wages.htm](http://www.oecd.org/social/benefits-and-wages.htm).

Figure 1.A2.1. **Family benefits are typically available to households with children up to the age of 16 or 17 years, except if children are in education**

Upper age limits for family cash benefits or non-wastable (i.e. refundable) tax credits for youth and youth in education living with their parents, 2014

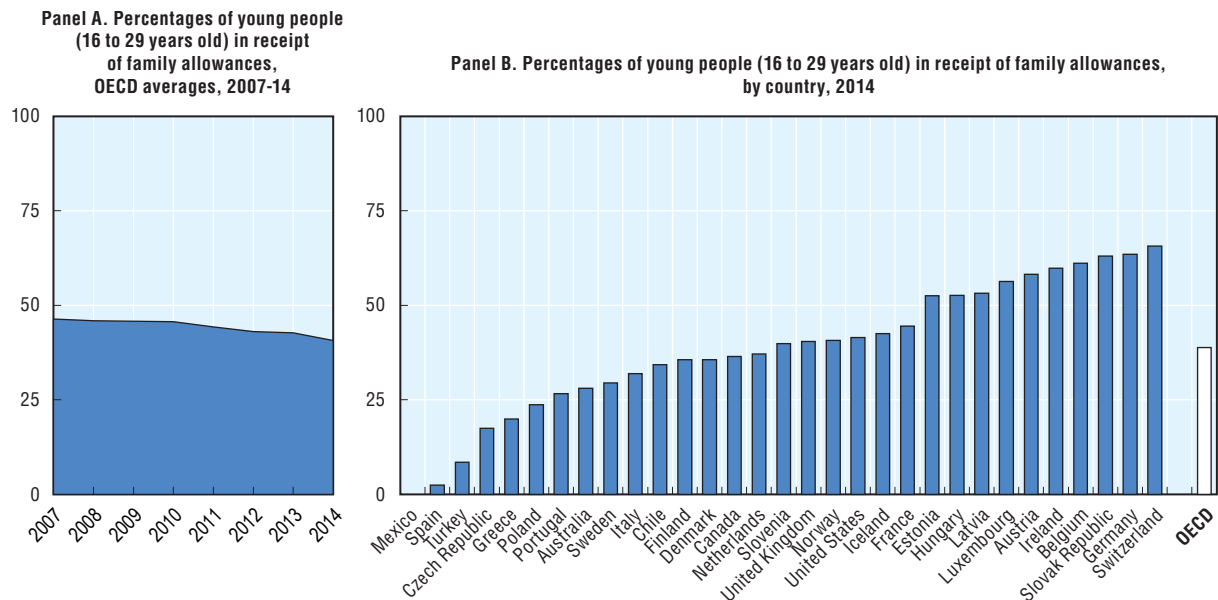


Note: For Canada: Province of Ontario; for Switzerland: Zurich.

Source: OECD Tax-Benefit Models, [www.oecd.org/social/benefits-and-wages.htm](http://www.oecd.org/social/benefits-and-wages.htm).

StatLink <http://dx.doi.org/10.1787/888933405096>

Figure 1.A2.2. **More than one-third of all youth receive family benefits**



Note: Young people are defined as benefit recipients if they live in a household that received benefits in the previous year.

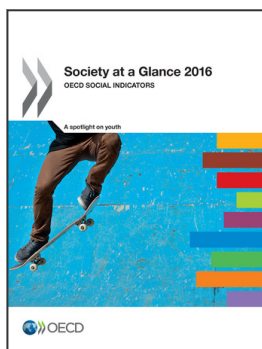
Results are for 16-to-29 year-olds except for Germany (17-29 years) and the United States (16-24 years).

In Panel B, results relate to 2014, except for Chile and Switzerland (2013) Turkey (2012) and Canada (2011). Countries are sorted, from left to right, in ascending order of the benefit receipt rate.

Source: OECD calculations based on the European Union Statistics on Income and Living Conditions (EU-SILC), Household, Income and Labour Dynamics in Australia (HILDA) Survey, Canada's Survey of Labour and Income Dynamics (SLID), Chile's National Socio-Economic Characterisation Survey (CASEN), the German Socio-Economic Panel (SOEP), Mexico's Household Income and Expenditure Survey (ENIGH), and the US Current Population Survey (CPS).

StatLink <http://dx.doi.org/10.1787/888933405104>





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