Press release

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Switzerland and Germany top the PwC Young Workers Index in developing younger people

Potential OECD GDP gain of $1.2 trillion

Latest report from PwC economists compares participation in employment, education and training of younger people across 34 OECD countries and finds that:

- ***Switzerland** and **Germany** top the table of most successful countries in 2014, followed by **Austria**, **Iceland**, **Norway** and **Canada***
- *Most countries saw a decline in their index scores between 2006 and 2011, reflecting the adverse impact of the global financial crisis on young workers; many countries have seen a marked improvement since 2011, but others have not, so **average index scores in 2014 across the OECD remain well below pre-crisis levels in 2006***
- *If countries could reduce the proportion of their 20-24 year olds not in employment, education or training to German levels, **most OECD nations could achieve substantial long term boosts to their GDP levels** ranging from around 1% in Sweden and Denmark to around 3% in the US and the UK and up to around 7-9% of GDP in Spain, Greece, Italy and Turkey.*
- *At 2015 GDP values, the **potential long term boost to total OECD GDP could be around $1.2 trillion**.*

Bucharest, 9 November 2015 – The core European countries of Switzerland, Germany and Austria take the top three places in the newly-launched PwC Young Workers Index, which charts the success – or otherwise - of countries in developing the potential of their under-25 year olds.

And countries further down the rankings can add billions of dollars to their economies in the long run if they follow best practice in harnessing this potential, according to the report. The message is similar to that contained in the Golden Age Index launched by PwC in June 2015 in relation to older workers.

The PwC Young Workers Index is a weighted average of 8 indicators that reflect the labour market activity and participation in education and training of people aged under 25 in 34 Organisation for Economic Co-operation and Development (OECD) countries.

“In contrast to our earlier research on older workers and female workers, where Scandinavian countries consistently topped our indices, it seems that the core European countries like Germany, Switzerland and Austria offer the best role models in developing the potential of younger people. These countries suffered smaller rises in youth unemployment after the global recession because their systems of education, vocational training and apprenticeships minimise the number of young people falling through the labour market net”, comments John Hawksworth, PwC Chief Economist and co-author of the report.

Table 1: PwC Young Workers Index – country rankings and trends over time

Rank			**Country**	**Index**		
2006	**2011**	**2014**		**2006**	**2011**	**2014**
1	1	1	Switzerland	69.8	70.2	69.4
8	2	2	Germany	58.4	66.3	66.3
4	3	3	Austria	65.6	66.0	65.4
10	8	4	Iceland	56.9	56.4	63.0
6	7	5	Norway	63.0	58.0	61.5
5	6	6	Canada	63.0	59.0	59.4
3	4	7	Netherlands	67.4	64.2	58.3
2	5	8	Denmark	68.1	59.4	57.5
32	27	9	Israel	30.7	37.6	56.4
14	9	10	Japan	55.1	53.2	54.8
9	12	11	United States	58.3	51.9	53.9
11	15	12	Estonia	55.9	48.7	52.8
12	11	13	Finland	55.5	52.4	52.6
18	14	14	Czech Republic	50.9	50.3	51.8
17	18	15	South Korea	51.3	45.5	49.8
15	17	16	New Zealand	54.1	46.8	49.7
13	13	17	Australia	55.3	51.7	49.6
23	16	18	Sweden	45.4	48.2	49.2
16	10	19	Slovenia	53.1	52.6	46.3
28	21	20	Poland	40.0	44.6	44.7
20	23	21	United Kingdom	48.8	42.5	44.4
24	25	22	Chile	43.6	39.3	42.6
26	22	23	France	41.6	42.6	41.9
21	20	24	Belgium	46.5	45.1	40.4
25	24	25	Hungary	43.6	39.3	40.3

27	19	26	Luxembourg	41.5	45.4	39.9
30	26	27	Mexico	39.1	38.7	38.1
29	29	28	Slovak Republic	39.2	34.0	36.3
7	30	29	Ireland	60.5	31.8	35.8
34	31	30	Turkey	13.7	28.5	31.5
22	28	31	Portugal	46.2	37.5	29.1
31	32	32	Greece	37.5	28.4	21.2
19	33	33	Spain	49.9	25.3	19.2
33	34	34	Italy	30.7	21.5	12.9
			Average	**50.0**	**46.6**	**46.6**

Source: PwC analysis based on data from the OECD

The report also estimates the potential long-term boost to OECD economies if they can match the relatively low share of young people (aged 20-24) who are not in employment, education or training (NEETs). As Table 2 shows, the potential gains could range from around 1% of GDP in Sweden and Denmark, up to around 3% of GDP in the US, UK and France, with the highest potential gains being in Turkey, Italy, Greece and Spain of around 7-9% of GDP. Across all OECD countries the potential long term boost to total GDP could be of the order of $1.2 trillion (at 2015 GDP values).

Table 2: Estimated long-term boost to OECD economies from matching German NEET levels for 20-24 year olds

Country	**NEET gap with Germany (ppt)**	**Potential long term boost to GDP (%)**	**Estimated value at 2015 GDP levels ($ billion)**
Turkey	25.6	8.8	66
Italy	23.4	8.0	148
Greece	22.8	7.8	16
Spain	22.0	7.5	93
Hungary	15.8	5.4	7
Mexico	14.9	5.1	63
Chile	14.6	5.0	12
South Korea	12.2	4.2	60
Portugal	11.7	4.0	8
Ireland	11.7	4.0	9
Slovak Republic	10.7	3.6	3
Poland	9.9	3.4	17
France	9.1	3.1	77
UK	8.8	3.0	86
US	8.5	2.9	525
Belgium	8.4	2.9	13
Israel	7.8	2.7	8
Estonia	6.5	2.2	1

New Zealand	5.3	1.8	3
Finland	5.2	1.3	4
Czech Republic	3.9	1.2	2
Australia	3.6	1.2	15
Canada	3.6	1.2	20
Slovenia	3.4	1.1	0.5
Denmark	3.1	1.1	3
Sweden	2.6	0.9	4
Norway	0.5	0.2	1
Austria	0.3	0.1	0.4
Total: OECD			**1264**

Source: PwC analysis based on OECD data on NEETs (mostly for 2013) and latest IMF estimates of GDP in 2015. Switzerland, Netherlands, Iceland and Luxembourg are not included as they already have NEET rates in line with or slightly below Germany. Japan is excluded due to lack of comparable data on NEETs from the OECD. The final column shows impacts in 2015 values, but it should be stressed that these benefits could only be realised in the long term not immediately.

"Our analysis shows there are large potential long-term economic benefits to be gained by reducing the number of 20-24-year-olds who are not in employment, education or training – known as NEETs. Across the OECD, the potential long term gain could be over $1.2 trillion if all countries could match German levels of performance. Governments and business need to work together to ensure that all young people have the skills and opportunities needed to realise these gains in a modern, globalised economy", stated John Hawksworth.

Other government policy measures to boost scores could include raising the proportion of apprenticeships and vocational courses for young people, and more emphasis on social inclusion to reintegrate those in danger of dropping out of school and employment. The PwC report highlights, for example, several German government initiatives relating to this younger age-group, concluding that other countries could benefit substantially from adopting international best practices.

The PwC report also looks at the opportunities and challenges for business that the index highlights and links this to earlier PwC research on skill shortages and the different working characteristics of the millennials.

"Businesses can face short-term challenges in the form of skill shortages due also to high youth unemployment, but this can also have a long-term impact in the form of lower productivity and less innovation. It is vital for businesses that they adapt their organisations to attract and retain new, young talent – by, for example, investing more in apprenticeships and professional training of younger workers", stated Ionuţ Simion, Country Managing Partner for PwC Romania.

"Romania could also benefit immensely from increasing young workers' participation on the labour market. As we already know, almost a quarter out of Romania's young workers under 24 years old are not in education, employment, or training. These young people hold a huge reservoir of creativity and productivity which should be capitalized by us, as a nation. In order to improve this situation, more coherent educational policies are needed, along with raising investments in this area, aligning the school curricula to the labour market needs, and involving the private sector in the educational and professional training systems," further added Ionuţ Simion.

Notes:

1. Methodology: The PwC Young Workers Index is a weighted average of eight indicators, including NEET rates, employment and unemployment rates, incidence of long-term unemployment, school drop-out rates and educational participation rates. The age range covered is generally between 15 and 24, but varies as appropriate by indicator.

   These indicators are normalised, weighted and aggregated to generate index scores for each country. The index scores are rescaled to values between 0 and 100, with the average value across all 34 OECD countries set, by definition, to 50 in 2006. Index scores were also calculated for 2011 and 2014 (or the closest years for which internationally comparable data were available).

   Further details of the methodology, including the calculation of potential long-term boosts to GDP from lower NEET rates, is contained in the full report.

2. A copy of the PwC Young Workers Index will be available from 21st October 2015 at www.pwc.co.uk/youngworkers.

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