

PROMOTING DISADVANTAGED YOUNG PEOPLE'S EMPLOYMENT – WHAT CAN BE DONE?

Target 16 of the Millennium Development Goals commits the international community *'in cooperation with developing countries, [to] develop and implement strategies for decent and productive work for youth'*. Compared with the goals of halving income poverty, achieving universal primary education and cutting child mortality by two-thirds, this target is almost unknown. Few PRSPs, for example, commit governments to practical action in this area. Reducing youth unemployment would contribute to achieving many of the other Millennium Development Goals – on poverty, hunger, empowerment of women and child mortality, for example. At present, however, the situation is worsening, and globally youth unemployment rose significantly between 1993 and 2003.

I. THE SCALE OF THE PROBLEM...

- Young people aged 15–24 make up 27 per cent of the world's working age population but 47 per cent of unemployed people. There are an estimated 88 million young people without work today, and in most countries, they are between twice and four times as likely as people over 25 to be unemployedⁱⁱ.
- In much of the world, young women are at greater risk of unemployment than young men, and minority ethnic groups even more so. In Latin America, young people 15–19 have double the unemployment rates of their counterparts aged 20–24, who in turn were much more likely than people over 25 to be unemployedⁱⁱⁱ.
- Although in some countries, it is only better-off young people who can afford to be unemployed, evidence from Latin America and transition countries shows that the poorest and least educated young people are most likely to be unemployed. In Latin America as a whole, the poorest young people are three times as likely to be out of work as their rich counterparts^{iv}.
- Millions more young people are underemployed or employed as casual labour, often working in very poor conditions, with no job security and low wages.

...AND ITS CONSEQUENCES

Unemployment among disadvantaged young people has substantial social and economic consequences, including:

- an increased risk of poverty, potentially affecting the next generation as well as young people themselves. This is often related to difficulty acquiring relevant skills, meaning that young people may be trapped in unemployment or low paid employment with little prospect of escape from poverty.

- a significant impact on the world economy – the ILO estimates that halving the world's youth unemployment rate could add between \$2.2 and \$3.5 trillion to the world economy. The greatest gains would be in Sub-Saharan Africa, with an estimated 12–19 per cent increase in GDP^v.
- a waste of young people's potential, which can lead to low morale and self-esteem. As well as its psychological consequences, damaged morale can lower aspirations and make it harder to find work.
- large scale youth unemployment can lead to social unrest and other social problems – for example, in urban Africa, Latin America and the Caribbean, gangs are largely made up of unemployed young men, while the presence of disadvantaged, unemployed young people who could easily be recruited as combatants may have fuelled recent conflicts in Africa^{vi}.
- unwillingness among young people and their parents to invest in education, which seems a waste of money if job opportunities are limited.

2. WHY ARE YOUNG PEOPLE AT SUCH RISK OF UNEMPLOYMENT?

The most critical factor for young people is the scale of overall employment opportunities. Globally, rates of unemployment have been rising. Furthermore, urbanisation has created a growing pool of people seeking employment in both formal and informal sectors. At the same time, shifts in the structure of some economies have meant fewer opportunities in unskilled or semi-skilled work which typically employ young people. In Chile and Costa Rica, for example, this has been an important factor^{vii}. Elsewhere, although young people are a declining proportion of the population in many countries, job growth has simply not kept pace with population growth.

In addition, young people face a range of specific barriers to employment. For example:

- Young people may lack skills that are valued in the labour market – this may reflect a lack of good information about the skill requirements of particular jobs, leading young people to acquire irrelevant skills, or the fact that training is simply too expensive to obtain. In particular, poorer young people are often less skilled in areas necessary for well-paying formal sector jobs, such as ICT, foreign languages etc. This also reflects the substantially poorer quality of education available to disadvantaged young people compared to their better-off peers, and their much lower participation in higher education.



- Employers often have negative perceptions of young people – for example that they are not productive, that they need too much training, that they are too likely to move to another job, or for young women, that they may be unreliable due to the demands of pregnancy, child care etc. Thus they may prefer older workers.
- Young people often have more limited social capital networks than their older counterparts, which can make it harder to find work.

3. WHAT CAN BE DONE?

The macro level context

The extent of overall employment opportunities for young people depends fundamentally on levels of employment opportunities in an economy as a whole. This, in turn, depends on whether the economy is growing. Growth alone is not enough – where it takes place matters. For disadvantaged adults and young people, whether growth is pro-poor or not – ie based in sectors and creating the kinds of jobs which expand their opportunities and the returns to their labour – is critical. For example, both Chile and Costa Rica had high average rates of growth over the 1990s, but this had little impact on youth unemployment rates, since few of the jobs created demanded semi-skilled labour. By contrast, growth in Guatemala and Mexico reduced youth unemployment significantly since it was partially based on semi-skilled industrial employment^{viii}. How far this has contributed to poverty reduction, and how far this could be termed 'decent work' is another matter, since working conditions are notoriously poor^{ix}.

Growth which undermines rural economies and fuels rural-urban migration is likely to exacerbate youth unemployment problems. Furthermore, many unemployed or underemployed young people live in stagnating rural areas with limited educational and work opportunities. Growth strategies thus need to emphasise rural and regional job creation, (for which incentives may be needed), education and skills development, as well as tackling urban unemployment.

Even where economies are growing, disadvantaged young people may face too many structural barriers for this to be a solution on its own. A range of other 'preventative' and 'curative' measures are needed to address these barriers and these are discussed in the sections below.

Preventing Barriers to Youth Employment

Addressing skills gaps

Where limited basic skills undermine young people's opportunities of decently-paid employment, improving the quality of schooling and extent of time young people spend in education can be important. For example, an Economic Commission for Latin America study of the region shows that 12 years of education (ie completing secondary school), protects 80 per cent of young people against poverty^x. This may require some provision through centres that give more general support to young people, since young people who have dropped out of education may be unwilling to return to formal schools.

Integrating vocational education into mainstream schooling may also help prevent young people entering labour markets with skills of no relevance to employers. The advantages and disadvantages of vocational education in school are much debated. However, this may be a practical way to promote young people's acquisition of relevant skills in an overall context where vocational education is seen as a lower priority than universalising primary and subsequently secondary education. School-based vocational education must draw on lessons of good practice for training more generally, discussed in the section below, and must not prevent young people from acquiring the more academic credentials that many young people and their parents see as passports to formal sector employment. An alternative is to combine formal schooling with work-based skill training, as in Germany and some pilot programmes in Latin America.

Specific skills gaps may be more effectively addressed through targeted training programmes, discussed below.

Addressing discrimination

Enforcing laws against discrimination in recruitment and treatment of employees, and public awareness campaigns can help tackle the specific barriers faced by women, disabled young people and ethnic minorities, as can programmes designed to address particular skill gaps or other needs of these groups. Typically a combination of such measures is required.

Programmes to Enhance Youth Employment

Programmes to enhance youth employment are part of a range of 'active labour market programmes' aimed at tackling unemployment. This section presents general conclusions from evaluations of youth employment programmes in different contexts. These have focused on cost-effectiveness of different interventions and on the extent to which programmes have led to sustained reductions in unemployment, rather than, for example, simply leading employers to substitute younger workers for older workers. The positive social benefits of active labour market programmes – such as increased social integration of employed youth – have generally been considered less important than their economic returns. As a result, the experiences of some of the specific programmes mentioned below are often at odds with, and generally more positive than, these more general conclusions. It is these general evaluations, however, which generally inform policy scepticism about the value of specific measures to promote youth employment.

• Youth training and apprenticeships

Many evaluations are sceptical of the value of youth training programmes, considering them expensive, and often poorly matched to labour market demands. This is indeed often the case, particularly where vocational training centres continue to provide the same curriculum every year in isolation from real work experiences. Good quality subsidised training programmes often disproportionately attract better-off young people, even where they are aimed at disadvantaged youth. However, these are design failings and not intrinsic to youth training, which can be effective in enabling young people to develop employable skills. A World Bank review concludes that youth training programmes are most effective when integrated with other services, such as help with job searching,

and basic education for youth who have missed out on formal schooling^{xi}. Some of the most effective programmes such as Chile Joven have combined training with work placement, wage subsidies and financial support to young disadvantaged participants so that they are not forced to drop out.

• **Job search assistance**

Overall, such programmes are seen to be a cost-effective way of tackling unemployment and can be particularly useful to young people whose contact networks are limited. However, some evidence from Latin America suggests that these are less effective for disadvantaged young people, compared to better-educated young people who may be easier to match to jobs^{xii}. In general, job search assistance is less effective where there are high levels of structural unemployment rather than simply difficulties in matching workers to jobs. It is also generally less effective where most opportunities are in the informal sector, with which formal programmes of this nature are generally less well connected.

• **Job/wage subsidies and placement schemes**

These are incentives to employ young people, usually with some requirement of on-the-job training. Though received wisdom rejects this approach as not cost effective, there is evidence that it has helped young people get initial employment experience in Europe and Asia. Similarly, Argentina's *Proempleo* programme, which provided employment subsidy vouchers to disadvantaged unemployed people was particularly successful in encouraging employers to take on young people under 30, and women. Voucher recipients used the vouchers as introductions to employers where they wanted to gain experience; evaluations suggest that a substantial proportion were still employed after the subsidy period ended. Where certain groups are particularly disadvantaged, such as disabled young people, vouchers can be targeted to them.

• **Self-employment**

In the context of large-scale structural unemployment, promoting self-employment among youth is clearly an attractive option to policy makers. Most evaluations suggest that older youth and adult workers are better able to run profitable enterprises than young people aged 15–19, and recommend targeting self-employment programmes to older youth. However, even with this group, enterprises have a high rate of failure, though this can be reduced with relevant training. Investment in programmes to enhance agricultural productivity and employment opportunities may be a more effective way of promoting rural self-employment than microcredit and training programmes.

• **Community development and/or joined up services**

Some recent analysis suggests that an approach which tackles the multiple problems faced by disadvantaged youth in an integrated manner may be more effective than individual employment focused programmes. This may be achieved through a community development approach, or by effective linkages between different services. For example, a joined-up approach might help improve child care, transport, basic educational skills, and community violence and safety, all of which impact on disadvantaged young people's to find and retain jobs. For maximum effectiveness, they need to link with directly employment focused programmes.

As a rule, all programmes work best in the context of economic growth and expanding demand for labour, particularly young workers. However, in many countries, employment opportunities overall are stagnant or declining. In this context, it may be more effective to focus on overall employment creation in sectors where young people are likely to benefit (these will be country-specific, depending on the structure of the economy), rather than initiating programmes which only reach relatively few young people.

Issues

With all active labour market programmes to promote disadvantaged young people's employment, several cross-cutting concerns and issues arise:

Not undermining adult employment prospects

If programmes simply substitute young people for older workers, poverty levels may well increase rather than reduce. The challenge is therefore to combine measures to promote youth employment with wider job creation measures.

Developing training and job placement schemes in collaboration with employers

so that they focus on relevant workplace skills and trainees gain transferable skills. This may require a major reorientation from current practice.

Ensuring decent pay and working conditions

Although it is widely believed that a minimum wage, or a minimum youth wage, reduces young people's employment opportunities, there is little evidence that this is the case. As the ILO puts it, 'there is a growing literature to suggest that the employment reducing effects of minimum wages have been greatly exaggerated'.^{xiii} Globally young people's wages have actually declined relative to those of older workers, at a time when youth unemployment rates have risen. Furthermore, minimum wages play an important role in reducing poverty^{xiv}, while job security and safe working conditions can prevent employees falling into poverty.

In Summary...

- **Pro-poor growth** is the single most important measure for tackling youth unemployment.
- To be most effective, it must be **combined with measures to tackle the specific disadvantages young people face in labour markets** such as gaps between their skills and those required by employers or lack of information about job opportunities. This means both skills training, and enhancing both the quality of education, and the length of time disadvantaged young people spend in education, and thus their opportunities to acquire good quality basic skills.
- **Community development measures or joined up services** which promote childcare for working parents and tackle other barriers to young people's employment are rarely seen as part of active labour market programmes, but also have a vital role to play.

4. USEFUL WEBSITES

- UN- ILO- World Bank Youth Employment Network homepage: <http://www.ilo.org/public/english/employment/strat/yen/index.htm>
- A series of papers presented at a World Bank youth employment seminar in 2003: <http://wbln0018.worldbank.org/HDNet/HDdocs.nsf/0/CF861243EAB060D185256D34005466B2?OpenDocument>
- Youth Employment Summit: <http://www.yesweb.org/>

i This briefing is based on a review of literature on youth employment which mostly focuses on urban young people and largely draws on experiences in Latin America, and to a lesser extent, Eastern Europe. The briefing does not address specific issues related to boosting youth employment opportunities through agriculture and investment in rural livelihoods.

ii ILO, 2004, *Global Employment Trends for Youth*, Geneva: ILO. All statistics are based on ILO definitions of employment and unemployment. These may underestimate unemployment among young women who define themselves as housewives but who would work if there were opportunities to do so.

iii ILO, 2004, *Global Employment Trends for Youth*, Geneva: ILO.

iv Godfrey, M., 2003, *Youth Employment Policy in Developing and Transition Countries. Prevention as well as Cure*. Paper presented at World Bank Youth Employment Seminar, June 2–3 2003

v ILO, 2004, *Global Employment Trends for Youth*, Geneva: ILO

vi Okojie, C., 2003, *Employment Creation for Youth in Africa: the Gender Dimension*, paper prepared for Expert Group Meeting on Jobs for Youth: National Strategies for Employment Promotion, 15-16 January 2003, Geneva

vii Fawcett, C., 2003, *Building a Bridge for the Road too Far: Policy Analysis for School-to-Work Transition in Latin America*, Paper prepared for conference “Youth Explosion in the Developing Countries”, Woodrow Wilson Center, February 10, 2003.

viii *Ibid.*

ix See www.maquilasolidarity.org

x ECLAC, 1997, *Social Panorama of Latin America*, Santiago de Chile: ECLAC cited in Carlson, B., 2001, *Education and the Labour Market in Latin America: why measurement is important and what it tells us about policies, programmes and reforms*, DP 144, Santiago de Chile: ECLAC

xi Betcherman, G., Olivas, K. and Dar, A., 2004, *Impacts of Active Labour Market Programs: New Evidence from Evaluations with Special Attention to Developing and Transition Countries*, Social Development Discussion Paper 0402, Washington DC, World Bank

xii *Ibid.*

xiii ILO, 2000, *Employing Youth. Promoting Employment Intensive Growth*, Geneva: ILO, page 9

xiv Lustig & McLeod, 1997, cited in ILO, 2000, *Employing Youth. Promoting Employment Intensive Growth*, Geneva: ILO

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