



The Youth Employment Network



3rd YEN Lead Country Meeting: Establishing Benchmarks for successful Youth Employment Policies/Programs

Background Note

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Introduction

The Youth Employment Network (YEN), a partnership uniting the UN, the ILO and the World Bank, brings together policy-makers, employers and workers, young people and other stakeholders to pool their skills, experience, knowledge and resources to find solutions to the youth employment challenge.

YEN Lead countries have committed to create opportunities for decent and productive for young women and men by developing National Action Plans on Youth Employment (NAPs) and sharing national experience with other countries and the international community. In the past three years the YEN has focused on supporting Lead Countries in developing National Action Plans on Youth Employment (NAPs) - a vehicle to prioritize and operationalize youth employment.

NAPs should define: the target groups for the intended interventions; the principles of policy coordination; the areas of intervention; and the institutional arrangements for implementing the strategy. **Youth employment action plans should involve a monitoring system which provides for regular review of implementation results. To achieve this, targets and impact indicators need to be defined.** In order for YEN Lead Countries to compare and improve their performance, a benchmarking¹ process should be initiated.

Benchmarks of successful youth employment policies and their underlying indicators are still missing or at an infant stage. There have been a number of requests for guidance on establishing goals and targets and means of measuring progress toward reaching these in order to determine best practice. Benchmarking allows for the identification of the most effective intervention policies, models, instruments and programmes for achieving the targets and pinpointing good/best practices for replication.

The process of benchmarking requires various steps:

- Identification of a point of reference and corresponding performance to measure the success of policies/programmes.
- Identification of related variables/indicators of measurement.
- Comparison between the national/regional situation and the reference benchmark.
- Understanding the differences observed in performance and identifying actions to be undertaken.
- Monitoring policy implementation, analysing benchmarking results and, if necessary, correcting the entire process.

Concrete benchmarks in the form of specific goals and time-bound targets are needed to shape and clarify the youth employment agenda.

¹ Benchmark is a standard or point of reference used in measuring and judging quality or value. Benchmarking is the process of continuously comparing and measuring best performance to gain information that will help countries take action to improve its performance.

The role of Labour Market Indicators in Measuring Youth Employment²

At the Millennium Summit in 2000, the international community, under the leadership of the United Nations, adopted the Millennium Development Goals (MDGs). Consequently, many reports have focused on monitoring progress towards this goal and forecasting whether the world will achieve it.

The ILO and the MDGs Technical Working Group on Employment have recommended indicators for the target: *to make the goals of full and productive employment and decent work for all, including women and young people, a central objective of our relevant national and international policies and national development strategies.*

The indicators below, organized by key areas of labour market performance /outcomes, are proposed for tracking progress on youth employment at the country level.³ It is recommended that all indicators be presented disaggregated by sex, youth cohorts (15-19 and 20-24 year old), educational level and rural/urban, if possible.

Progress can be measured by undertaking trends analysis of these indicators, comparing indicators on an annual basis against those at the baseline year (i.e. starting year of the project).

Demand side

(i) Quantitative measures

- *Youth unemployment rate.* Where available, a break down by duration should be given, especially for long-term unemployment (> 12 months).

Definition and rationale: unemployment (number of persons who, during the specified short reference period, were (a) without work, (b) currently available for work, and (c) seeking work) as a percentage of the total labour force (employment + unemployment). The indicator is widely used as a measure of unutilized labour supply. Youth unemployment by educational attainment can serve to indicate supply- and demand-side mismatches.

- *Youth-to-adult unemployment rates ratio*

Definition and rationale: share of youth unemployment rate to adult unemployment rate. The ratio allows one to assess the lack of employment situation of youth vis-à-vis older jobseekers and thus hints to whether the economy is characterized more by demand deficiencies particular to first time jobseekers (i.e. an inability to absorb labour market entrants) or to turnover and retrenchment of persons with jobs.

- *Youth employment-to-population ratio*

Definition and rationale: the number of employed persons as a percentage of the working-age population. This indicator measures the proportion of the population

² This subsection was prepared by the ILO's Key Indicators of the Labour Market (KILM) team.

³ The labour market information required to produce the indicators listed below are usually provided by the Labour Force Survey (LFS), or alternatively, from administrative data from the Ministry of Labour and/or the employment services. In the case of unemployment, if data comes from administrative records, it should be indicated that the rate refers to "registered unemployment". However, in countries where data from LFS and reliable administrative sources are not available, information can be drawn from household surveys and living standard measurement surveys. Alternatively, additional information can be generated through specific surveys.

who could be working (the working-age population) who *are* working, and as such provides some information on the efficacy of the economy to create jobs.

- *Inactivity rate and discouragement rate.*

Definitions and rationale: (1) Inactivity rate: the sum of all persons who are neither employed nor unemployed as a percentage of the working-age population. As an inverse to the labour force participation rate, the inactivity rate serves as a measure of the relative size of the population who do *not* supply labour for the production of goods and services. (2) Discouragement rate: the sum of all persons who are without work and available for work but did not seek work (and therefore could not be classified as “unemployed”) because s/he felt that no work would be available to her/him as a percentage of the working-age population.. According to the standard classification system, the discouraged worker is counted among the inactive, although many analysts would like to see the number of discouraged workers added to the unemployed to give a broader measure of the unutilized supply of labour. “Discouraged” implies a sense of “giving up”, meaning the discouraged worker has simply given up any hope of finding work for reasons such as s/he feels s/he lacks the proper qualifications, s/he does not know where or how to look for work, or s/he feels that no suitable work is available. The discouraged worker, therefore, could be said to be “involuntarily” inactive.

- *Vulnerability rate*

Definition and rationale: Vulnerable employment, a relatively new concept that was recently introduced (see Key Indicators of the Labour Market, 5th Edition, Geneva, ILO, 2007) is based on status in employment, and is calculated as the sum of contributing family workers and own-account workers as a percentage of total employment of the relevant group (both sexes, males, or females). This indicator captures the proportion of workers whom are less likely to have formal work arrangements, and are therefore more likely to lack elements associated with decent employment. The poverty connection arises because workers in the vulnerable statuses are most likely to lack the social protection and safety nets to guard against times of low economic demand and often are incapable of generating sufficient savings for themselves and their families to offset these times.

- *Employment by 1-digit ISIC sector.*

Definition and rationale: distribution of employed persons by economic sector. Shifts in number of persons employed in detailed sectors can serve as an indication of where jobs are being created or shed and can guide policy-makers as to where to focus employment growth with human resource development policies.

(ii) Qualitative measures⁴

- *Time-related underemployment.* Where available, information should be provided by economic sector and status in employment.

Definition and rationale: all persons who, during a short reference period, were (a) willing to work additional hours, (b) available to work additional hours and (c) had worked less than a threshold relating to working time. Underemployment reflects underutilization of the productive capacity of the labour force and thus enriches an

⁴ It is recognized that qualitative indicators are less often available. However, the list is proposed to encourage data collection and dissemination in order to better monitor progress towards the achievement of decent work.

analysis of the efficiency of the labour force in terms of the ability of the country to provide full employment for all who want it.

- *“Excessive” hours of work*

Definition and rationale: proportion of persons usually working more than 50 hours per week. As a measure of the quality of employment, long hours of work can imply an element of indecency if involuntary (unfortunately, the willingness of the worker is not generally measured) and has the potential to negatively impact the health and social development of a young person.

- *Wages and earnings* by sector and occupation

Supply side

- *Net enrolment rate* by secondary and tertiary levels and sex

Definition and rationale: the ratio over time of the total persons enrolled in education by level, regardless of age, to the population of the age group that officially corresponds to the level of education in the country. The enrolment rate indicates the general level of participation in education and gives indications of progress in providing youth with levels of education considered the minimal levels required to function in today’s global economy.

- *Educational attainment*

Definition and rationale: the distribution of the youth population by completion of less than primary, primary, secondary and tertiary education level serves as a proxy of the general skills potential of the population group.

Questions for discussion:

- What are your experiences in using these indicators?
- What other indicators are you using?
- How do you cope with externalities?
- What type of assistance do you need to establish an outcome and impact measurement system?

Tools and methods to measure the impact of youth employment initiatives⁵

As policymakers consider measures to help young people make the transition into the labour market and obtain decent work, they are hampered by a lack of information on what their options are, what works in different situations, and what has been tried and failed. To respond to this situation, the World Bank, under the umbrella of the YEN, compiled a world-wide inventory of the interventions that are designed to integrate young people into the labour market.

This Youth Employment Inventory (YEI) is based on available documentation of current and past programs and includes evidence from 289 studies of interventions from 84 countries in all regions of the world. The interventions included in the YEI have been analyzed in order to (i) document the types of programs that have been implemented to support young workers to find work; and (ii) identify what appears to work in terms of improving employment outcomes for youth.

One of the major observations from the research is that the level of program evaluation has been weak, especially in developing countries. A strong conclusion is the need for major improvements in the quality of evidence available for youth employment interventions. For almost 40 per cent of programs included in the inventory, no evaluation information at all on outcomes or impact could be found. An additional 35 per cent have studies which cover only gross outcomes, and do not use a methodology (e.g., based on a control group) to estimate net impact.

In other words, only about one-quarter of all programs included have some evidence on the net impact. And, of the programs that meet this evaluation standard, most (45 of 73) do not include any cost-benefit analysis. **Overall, only one in 10 programs included in the inventory has an evaluation which measures both net impact and cost.** Moreover, these figures likely overestimate the true of incidence of scientific evaluations of youth programs since interventions with extensive analysis and documentation were more likely to be captured for the inventory. The current reality is that, outside the OECD area (especially the Anglo-Saxon countries) and other than studies sponsored by international organizations, rigorous evaluations are rare.

⁵ This subsection is drawn from the World Bank's Social Protection Unit. "A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory" Gordon Betcherman, Martin Godfrey, Susana Puerto, Friederike Rother and Antoneta Stavreska, October 2007

Evaluation within a cost/ outcome framework – an example⁶

Ideally, programs should be evaluated within a *cost/ outcome* framework – involving, as its name suggests, a comparison of the cost of a course of action with its outcome.

Cost can be defined from various points of view. In the case, for instance, of an evaluation of a skills training course, which has not involved any capital expenditure, the cost to the *individual* of taking the course is the fee (if any) that has to be paid plus the value of whatever the individual has had to give up in order to participate in the training (principally, his/her after-tax earnings, which would be zero in the case of the unemployed). From the *government* point of view, the cost of the course is measured by its net implications for government expenditure.

However, the relevant cost concept for social cost/outcome analysis is cost from the point of view of society as a whole, or *social opportunity cost*. This is defined as what society has to give up in order that the training should take place. In this case, cost will include not only actual expenditure on staff of all kinds, power, telephones, repair, maintenance, training materials, etc., but also the cost of resources for which no payment is involved, such as the time of volunteer teachers, trainees etc. if that time has an alternative productive use. It will also include the cost of indirect as well as direct inputs, such as the provision of special transport for participants. Inputs will be valued initially at market prices, then adjusted for inflation and for any differences between market prices and social opportunity cost (for instance, taxes should strictly be deducted from prices of inputs, and subsidies added to them).

On the *outcome* side, again taking the example of a skills training program, the main interest is in what happens in the labour market to those who have received the training. Thus the *impact* of the course either on earnings or on employment has to be measured. This is commonly misunderstood. The impact of such a program on employment, for instance, should be measured not by the proportion of trainees who get jobs (the gross outcome) but by the *difference* the program makes to that proportion (the net impact). Thus, a comparison has to be made with a control group -- i.e., a group of people with all the same characteristics as the trainees (age, sex, education, social class, etc.) save that they did not participate in the program. The effectiveness of a training course should be measured by deducting the success rate of the control group (e.g., in obtaining jobs) from that of the trainees, to show what difference the training made. For example, a multi-service youth employment program in the Dominican Republic, offering training and private sector internships to disadvantaged young people, achieved a 57 per cent employment rate for participants – which looks good until it is revealed that the employment rate for the control group was 56 per cent (Card *et al.* 2006). Similarly, the benefit of a course, measured by impact on earnings, should be calculated by deducting the earnings of trainees over a defined period from those of a control group.

Comparison of cost and outcome can take several forms. A relatively simple measure would be in terms of *cost effectiveness*. For instance, in the case of training courses which are aimed at improving the chances of unemployed people of finding jobs, a relevant cost-effectiveness measure would be extent of *improvement in employability per unit of spending*. More ambitious would be some kind of *cost/benefit* calculation.

⁶ Gordon Betcherman, Martin Godfrey, Susana Puerto, Friederike Rother and Antoneta Stavreska, *A Review of Interventions to Support Young Workers: Findings of the Youth Employment Inventory* World Bank Social Protection Discussion Paper No. 0715 October 2007

Broadly speaking, this consists of comparing the stream of costs attributable to the training with the stream of benefits resulting from it. This comparison can take the form of a *benefit/cost ratio*, a *net present value* calculation, or an *internal rate of return*.

The benefit/cost ratio is the discounted present value of the stream of benefits from the training (measured by its impact on the before-tax earnings of a trainee) divided by the discounted present value of the stream of costs (direct and indirect) attributable to the training. The net present value is the discounted present value of the stream of benefits minus the discounted present value of the stream of costs. The internal rate of return is the discount rate at which the present value of the stream of benefits is exactly equal to the present value of the stream of costs.

Social cost/benefit analysis must always be supplemented by private cost/benefit analysis, which looks at costs and outcomes from the point of view of the individuals who participate in a program rather than from the point of view of government or society. Private pay-off can be measured in various ways. The simplest would be in terms of *private cost-effectiveness*. As before, the cost-effectiveness measure would be the extent of improvement in success rate in the job market per unit of cost, but this time with cost defined as private cost (see above). A *private cost/benefit* rather than a cost-effectiveness approach can also be tried, using the same three measures -- *benefit/cost ratio*, *net present value* or *internal rate of return* -- but seen from the *private* point of view.

Questions for discussion:

- Why are there not more outcome and impact evaluations of youth employment programmes?
- What is needed to initiate this?