

YOUTHSPEAK:
PROPOSALS FOR YOUTH EMANCIPATION FROM
LABOR MARKET INSECURITY

ABSTRACT

The paper discusses labor market insecurity as one of the most significant, if not the most significant, sources of insecurity for the youth and proposes reforms with specific sensitivity to developing countries' fiscal positions.

It begins with a tapestry of stories derived from the author's personal experiences and that of other young people to identify concretely the difficulties of the youth in finding decent work. From the individual level, section two focuses at national and global experiences and cites trends in the youth's employment plight. Section three outlines the case for prioritization of youth unemployment over general and adult unemployment. The section argues that (1) the youth are more vulnerable to economic shocks than adults; (2) unemployment does not only make the young people insecure but also multipliers of insecurity; and (3) for young people, unemployment now translates to a larger chance of unemployment in their entire career life thus focusing on currently marginalized youth in the labor market is a preventive cure to adult unemployment. However, the prospects of being employed are not the same across youth groups. The asymmetry is along the lines of location, gender, ethnicity and disability. Section four addresses this. The longest section answers two final questions on how the labor market could be made more accommodative to the youth and how disadvantaged youth identified in the fourth section could be prioritized.

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“Young men and women are the world’s greatest asset for the present and future,
but they also represent a group with serious vulnerabilities.”

– Foreword, *Global Employment Trends for the Youth*

I. Youth Unemployment Through Our Eyes

The only face of labor market insecurity that I knew was my hesitance to leave my job. I wanted to change careers. I learned that not everything that one does well is what one actually wants to do but my current job paid too well thus my risk aversion.

Then, I met her at the basement laundromat. Being about my age, I fondly called her “*Ganda*”, which means beauty in my mother tongue. But I found out soon enough that all was not beautiful in *Ganda*’s life. As she told me, when she delivered my laundry one lazy Sunday, that she works from 7 a.m. to 12 midnight, 17 hours for 150 pesos (less than USD 3) a day, with no overtime pay, no social security, no day-off, and no free meals, although she casually told me that her employer lets her sleep in the laundromat for free. It was clear to her that her rights were being violated but she hesitated to take on my offer to ask lawyer friends for help and to even get the private number of the commissioner of the Commission on Human Rights, who happens to handle labor cases, as well. Her reasons: she is afraid of losing her job supported by personal stories of her long job hunt and that she believes such cases do not prosper anyway, as she heaves a sigh. I must admit I got more scared of changing careers.

Then, I snowballed – I thought of family and friends. I have a cousin who is 20 years old, graduate of the country’s premier state university and has been looking for work during the past five months. He finished economics and all his job offers were in call centers. He is still looking for work. My 23-year old friend worked for a call center. She just got fired along with many others due to mass layoffs while another relative, aged 17, was forced by the separation of his parents to stop schooling and take a construction job to augment the family income. Another cousin, aged 24, had hardships landing a job after giving birth while her sister, aged 22, agreed to below minimum wage salary because she would

rather take on a traineeship program that barely pays for her meals than a job that is disjoint from her college degree in hotel management. However, most people cannot afford foregoing a good pay now to build on a solid career and cash in later.

A long list of young people I know ran through my head, some have fallen through the cracks of legislation and suffered from continuous traineeship programs renewed every six months, that disguise full-time employment to avoid laws requiring payment of benefits for permanent employees. Some are working in the hazardous environments of some export processing zones where irrational policies on scheduled use of the bathroom lead to urinary tract infections, while some go blind after too much exposure to soldering lead.

All these happening in a country with legal provisions for a minimum wage of 250 pesos (less than USD5), mandatory payment of social security premiums, work hours, safe working environment and overtime pay.

Then, I realized that *Ganda's* case was not an exception, it is the norm— as young people¹ compose 51.3 percent of the total unemployed and 63.1 percent of all discouraged workers in the Philippines². This is a disproportionate amount as the youth is only 20 percent of the population and 30.1 percent of the labor force. Indeed, young people in my country are having problems in the labor market and IMF just praised our 6.1 percent GDP growth.

II. Why focus on youth unemployment then?

The Philippines is not the only country having difficulties in effectively engaging the youth in productive work. At the global level, the problem seems to be more urgent. Currently, the International Labor Organization (ILO) reports that there are 88 million unemployed youth in the world, which comprises 47 percent of total unemployment amidst the fact that the youth is only 25 percent of the working age population, thus, implying a disproportionate share of the youth among the unemployed (2004). However, this is not to argue that a higher incidence of youth unemployment against that of adults is the problem. In fact, I agree with the widely held belief that a higher rate of youth unemployment against that of adults is a sign of a well functioning labor market because those 25 and above have more

¹ As defined by the United Nations, young people or the youth are those whose age ranges from 15 to 24.

² Discouraged workers are those workers who gave up looking for a job, thus are not counted as part of the labor force and the unemployed. The Philippine data for discouraged workers cited here is the April 2003 official figure of Bureau of Labor and Employment Statistics while the 51.3 unemployment share of the youth is an average share of Filipino youth among the unemployed from 1997 to 2004.

job experiences, more specialized skills, and better social networks that may be utilized to obtain labor market information than those aged 15 to 24, *ceteris paribus*. (See O’Higgins, 1997 and 2003; Ziss and Dick, 2003; and Godfrey, 2003.)

For me, the larger issue is what unemployment to young people. The inability of the labor market to include young people is one of the most significant, if not the most significant, sources of insecurity for the youth.

Security no longer equates to its limited, Cold War notion of physical and national security. It has become comprehensive as the referent of security shifted from the state to individuals. This shift is attributed to changes in how the state is viewed –as a possible source of insecurity and as simply a means to protect individuals (Alagappa, 1998). New perspectives on security like human and comprehensive security focus on the **total well-being of individuals**, including non-military aspects like economic, food, health, environmental among other aspects of security. However, greater focus is given to economic security. (Caballero-Anthony, 2000. See also related discussions in Dewitt, 1993, and Hernandez, 1999).

For young people, unemployment, underemployment and discouragement to seek decent work are clear sources of insecurity. **Employment provides not only a source of revenue to finance the acquisition of other aspects of security like food, healthcare, and shelter; it also gives them a sense of dignity and importance. It makes them less prone to become sources and multipliers of insecurity** as unemployed parents who cannot afford good healthcare and education for their children, as sex workers risking getting HIV infection and transmitting them once contracted, or as criminals posing threats to both life and property.

There are at least three reasons why governments and other policy-affecting bodies should focus on youth unemployment rather than general or adult unemployment:

- (1) the youth are **more vulnerable** to economic shocks than adults;
- (2) unemployment does not only make the young people insecure but **also multipliers of insecurity**; and
- (3) for young people, unemployment now translates to a larger chance of unemployment in their entire career life thus focusing on currently marginalized youth in the labor market is a **preventive cure to adult unemployment**.

Greater vulnerability

First, the effects of economic slumps are biased against the youth. O'Higgins (1997 and 2003) notes that aggregate demand for labor is the main driver of employment. Thus in periods of recession, first time jobseekers composed primarily of young people are gravely affected. Even without a substantial amount of layoffs, an economy-wide hiring freeze effectively keeps first-time jobseekers unemployed until the end of the slump. Further, "youth unemployment rates tend to increase more than adults" because they are more likely to quit voluntarily and get fired than adults (Ziss and Dick, 2003). Thus, when recessions occur, those who recently quitted jobs are hard hit by freeze in hiring and those who have just gotten jobs are more likely to lose them than older counterparts particularly in countries where the cost of firing employees are linked to length of service. Further, opportunity costs of firing are inherently biased against younger workers as companies are more likely to have spent more training funds on older workers than new ones (O'Higgins, 1997).

Second, there is greater utilization of young people than adults, and use of child labor in the informal sector (O'Higgins, 2003), where contractual arrangements tend to be more exploitative--characterized by poor working environment conditions, lower wages, longer hours, and higher turnover.

Not just insecure but possible multipliers of insecurity

The link between unemployment and participation in illegal activities has been clearly established. Without sufficient opportunities for decent work, young people turn to sex work (ILO, 2004), drug trade and other illegal activities to earn money. The effects are devastating.

UNAIDS reports that young people account for half of 11,000 new infections everyday, with 75 percent of them women. Most are involved in sex work (ILO, 2004). Insecurity ripples through society when labor market insecurity leads to contraction of HIV/AIDS and forces HIV/AIDS infected's children and younger siblings to stop schooling due to diminished income caused by debilitation or eventual death; thus making labor market insecurity intergenerational.

The youth's involvement in drug trade leads to greater availability of drugs and second-hand effects of users' actions like theft, rape, and murder.

Although there is incomplete causality between terrorism and the lack of opportunity in the labor market, there are clearly established links in some cases. In my country, such link is observable. In

southern Mindanao, where the poverty rates and unemployment rates are higher, recruitment of terrorist groups continues, partly because of marginalization of Muslims at all fronts in the national agenda. Further, net migration from the region due to concerns over physical security and thin opportunities for decent work has been observed. This clogs the country's urban areas with low-skilled young people who are either exploited in the informal sector or become engaged in illegal activities that create an unsafe environment characterized by threats to physical safety, property and life.

To my view, the most devastating effect of unemployment is its effect to fertility rates of women. The problem is not simply that population increase means that the economy has to be ready to absorb a larger bulk of labor entrants in the future (although that in itself is a big issue), the larger problem is whether or not the people who end up having kids can prepare their children for socio-economic integration. When young people who cannot land a job end up with the heavy responsibility of parenting, then intergenerational problems occur. Inherently, unemployed youth has less resource to provide sufficient nutrition, education, health care, and shelter. Leibenstein's model on investment decisions at the macro level provides useful insight that may be applied to this. He hypothesizes that there exists a critical minimum effort that would break the cycle of poverty (Basu, 1997). Applied to investment decision of parents on children's education, this provides a clear statement on the passing on of poverty and unemployment due to inability to finance such investment. Parents' employment and income determine children's future income by putting a cap on their ability finance proper children's nutrition and schooling, thus hampering acquisition of skills required by the labor market.

Preventive cure to adult unemployment

Several studies provide links between current and future unemployment. Raaum and Roem (2002) found that graduates during slumps have higher unemployment rates during their whole prime-age work career (as cited in ILO, 2004). Further, country studies by Allaire et al. (1995) for France and Gregg (2000) for the UK, show that for the youth, scarring effects last seven to seventeen years. While studies by Reguerra (1995) and Sly et al. (1995) show scarring with particular focus on people with disabilities (as cited in O'Higgins, 1997). Thus, prioritizing youth unemployment over adult or general unemployment is a sound policy prescription as its effects are not only felt now but they also lead to a decline in general and adult unemployment when today's youth becomes adults.

IV. Divides Among the Unemployed Youth: The Case for the Disadvantaged Youth

However, the prospects of being employed are not the same across youth groups. The asymmetry is along the lines of location, gender, ethnicity and disability. Indeed, there is a pervasive and well-placed belief that disadvantaged youth groups should be the focus of interventions.

Youth in developing economies face gloomier prospects in the labor market. The youth to adult unemployment ratios in developing and transition countries of 3.8 is higher than the 2.3 registered in developed countries (ILO, 2004). This implies greater discrimination against young people in developing countries compared to their counterparts in developed economies.

Young women are relatively disadvantaged. Young women are disproportionately unemployed than men at the global level with five of eight geographic regions posting higher unemployment rates, seven of eight posting higher inactivity rates, and seven of eight posting higher employment-to-population ratios (ILO, 2004). Furthermore, in the OECD where data is available, more young women are discouraged to seek employment (O'Higgins, 2003), thus understating the gap between genders.

Ethnic minorities are worse off. In the United States, ethnic origins classified under "black" registered 35.7 percent unemployment while those classified under "white" registered a much lower 15.6 percent. A black-white wage differential was also observed. Casual observation would show that the same holds for the UK and the whole of Europe (O'Higgins, 1997).

People with physical disabilities suffer not only through lower labor force participation rates and higher unemployment rates but also, the differential in labor market success between those with physical disabilities and those without tend to widen with age (O'Higgins, 1997).

V. Emancipating Ganda: Proposals toward Labor Market Security for the Youth

The questions that follow are: What must be done to make the labor market more youth-inclusive? How can disadvantaged youth be prioritized?

I think that the youth's problems with the labor market are based on three things:

- (1) lack of preparation for employment by schools,
- (2) poor transition from school to work, and

(3) the way those who fail to transition are handled through interventions.

Thus, interventions should respond to these three issues. Since I come from a developing country, I would like to focus my proposal with specific sensitivity to the realities of developing economies. This is not to disregard the youth in the developed economies, but as it has been established previously, young people in developing economies are at greater disadvantage.

First, I propose that schools should better prepare the youth for employment by universalizing access to education, matching the skill demanded by the labor market, and providing information on higher education institutions, courses and costs through fiscal-neutral measures. Improving the quality of education is the best intervention to increase the employability of young people, at the supply side. This is widely accepted, however, the role of information in guiding the youth's decision to work or study further and what skills to acquire from whom are grossly missed out. I think that given the right information on his or her abilities and interest, and demand for specific skills are, the youth will make the right choice on whether to invest in further education to acquire valued skills.

It is a welcome development that illiteracy rates have generally gone down at a global level. Asia and Africa, where 74 percent of the youth is located, registered more marked reductions. However, the gaps between male and female illiteracy have been increasing in these two regions. Further, casual observation would also underline the effect of ethnicity on educational outcomes. To illustrate, in the Philippines, regions in the Southern areas of the province have registered lower educational outcomes than the rest of the country. The Autonomous Region of Muslim Mindanao registered much lower participation rate in secondary education of 39.2 percent than the national average of 72.3 percent and primary level survival rates of 34 percent versus the 67.1 percent national average.

Universalizing access to education helps ethnic minorities, young women, the poor, and people with disabilities by leveling currently asymmetric access to education and biased educational outcomes against these groups.

One of the most documented success stories in disadvantaged youth education in the Philippines is the Basic Education Assistance for Mindanao (BEAM) program. BEAM targets poor Muslim students by providing school facilities in strategic locations that minimizes distance traveled in a road and transportation-scarce region, including livelihood and education programs for parents and utilizing culture and religion-sensitive teaching methods and materials. Such programs should be continued, expanded and

supported by donor agencies, as resources of developing countries are limited by their fiscal positions. Special education classes for the disabled must also continue as returns in terms of enrolment are increasing due to greater program awareness.

Other **fiscal-neutral reforms** include changes in the outdated curricula of technical and vocational schools. It does not take much resource to coordinate with industries on the kind of skills currently needed and match such demands. Industries experiencing growth, like contact centers and business process outsourcing (BPO) firms, are valuable sources of such information.

Currently, the Philippine call center industry is experiencing a bottleneck in hiring qualified people as the pool of English-proficient is exhausted. It is a welcome development that private companies began programs that would prepare people to become call center agents, medical transcribers, animators and software engineers. However, the program costs USD200. Technical and vocational schools could provide similar programs at minimal fees to target disadvantaged youth previously identified, say crippled youth.

Further, the boom of such industries and the unavailability of other kinds of employment have caused ill effects on the absorption of new graduates and to the wasting of some highly specialized skills. I have at least five friends who can run STATA version 6 regressions taking customer service calls and a friend who graduated magna cum laude in his undergraduate course in political science take on an offer of Accenture to be retrained as a software engineer. Such misallocation of people is depressing at an individual level and, at a societal level, wasteful because investments to acquire specialized skills are unused. All of six took these jobs because they were readily available after graduation and did not have information of companies in need of specialized skills that they possess. This takes me to my next set of interventions—ones which point out the importance of information in transitions from school to work.

Provide information to make school-to-work transitions (also, transitions from school to school) easier for young people. Microeconomic models highlight the importance of information in achieving the optimal outcome. Put simply, imperfect information leads to sub-optimal outcomes. I previously cited that one of the reasons that youth unemployment is inherently higher than that of adults is because they have less labor market information. I would use myself to illustrate this point. I grew up in a city three hours away from my country's capital. When I was in my final year in secondary school, I spent weeks pondering on what course to take. I ended up with the course taken by an older cousin simply because my mom told me he turned up to be a lawyer after this pre-law degree in political science. That

would not even come close to a good reason for deciding to take a university degree. My public high school did not give out information about schools or courses that we could consider to help us make a good decision. I shifted to economics a year into political science.

From this, I gather that a good fiscal-neutral policy reform is to require secondary schools to orient students about their options— what jobs a secondary school graduate could get and where information about such jobs is available, what college education means in terms of personal fulfillment, jobs and salaries and what it requires, what schools teach certain courses best, fees charged, and which courses may be best to take given certain strengths, weaknesses and passions. In the Philippines, such orientation programs are only available in private schools where tuition fees, last time I checked, run into the level of USD 1,500 in a country whose GDP per capita income is USD 1,200. And we wonder why rich kids from private schools take first pick of the most lucrative courses and have the upper hand in getting admitted in state-subsidized universities? I would not be very surprised if the same is true for other developing countries.

Indeed, other than funding scholarships based on financial need, providing information would be very helpful. If properly designed, it would not entail additional cost for the state and would improve the quality of decisions of young people, particularly those from public schools.

Currently, the homeroom program, where high school students are given questionnaires to answer about social skills and self-improvement, is still being implemented. It would be a great idea to streamline such programs and use the time allotted to provide information about vocational centers, universities and programs they offer for students in their final two years of secondary education. A concise briefer may be provided before the summer break of the final two years that will structure the way a student will think about options for employment or further education. The content of the briefer is central to the success of the information scheme, it should provide information on the kind of skills that are highly valued and related costs of skill acquisition from various providers. The concept of paper-based information dissemination does not exacerbate disparities caused by rural-urban gaps in information technology access.

Also, in the homeroom program, the class adviser gives counseling to students. More often than not, the adviser has personal knowledge of students' strengths, interest and even financial ability to pay for education. He or she could provide some matching between students and courses. Further, graduates who worked after high school and those who proceeded to further education could be invited to share

their experiences, and provide practical tips on job and university hunt. This is also a very encouraging exercise because the speaker and the audience have very similar backgrounds coming from the same school and same town.

A similar program should also be institutionalized for university students but this time the focus is on employment. Having graduated from the premier state university, such scheme has long been in place and has remained relevant. It provides information on job openings, tips on applying, and provides a venue for employers and prospective employees to level off skill and salary expectations. It would make the job search easier if all institutions of higher education would establish similar programs.

Finally, some interventions for those who fail to be integrated into the labor market has to be made since most of the disadvantaged youth still tend to fail amidst being better informed and after schemes that make transitions from school to school and school to work are made easier.

Being relatively fiscal-neutral, the first part of the intervention should be the provision of sound advice for unemployed and underemployed youth³. More active interventions with minimal cash-out may be pursued afterwards.

For example, the WB announced recently that Asia needs USD 1 trillion to upgrade its infrastructure. Public work programs (see also Godfrey, 2003) with built-in, self-selection mechanisms can hit two goals at the same time. If a “subsistence wage” could be defined and paid to less skilled unemployed youth then the problem of poor infrastructure in developing countries could be addressed while at the same time providing social safety net for young poor.

A few years into these proposed reforms and part of the USD 3.5 trillion gains, should youth unemployment be halved, might actually show up in the GDP numbers and in tax revenues. Then, more resources would be available to make bolder steps to emancipate young people from the chains of labor market exclusion, and then we might actually come close to meeting MDG targets for poverty.

My fingers are crossed for the *Gandas* of the world.

³ If due to heavy reliance on information technology, economies of scale are observable then advice for adults may also be provided.

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