

Policy proposals for decent work and employment for young people

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Editorial

Tackling the scourge of youth unemployment and problems faced by disadvantaged youth has never been a more urgent, more indispensable task than it is today. Disadvantaged youth can either be unemployed or be trapped in non-paying or low-paying jobs, often in the informal economy where working hours and conditions are unacceptable and prospects for improvement slim. With close to 90 million young men and women desperately looking for a job which labour markets fail to deliver, unemployment rates have never been so high for those aged between 15 and 24. While there has been some growth in overall employment, between 1993 and 2003 youth employment levels have not grown. For those concerned this represents a profound injustice. They fear for their future. They should be given a chance.

Such intolerable waste of human resources has a price tag too. An ILO report estimates that halving the world youth unemployment rate would add at least US\$2.2 trillion to global GDP, equal to around 4 per cent of the 2003 global GDP value. In other words, the sum of inertia is cutting potential wealth creation by close to 10 per cent a year. This is another cause to call for action. There is yet another reason for urgency. Events have shown that frustration, poverty and despair are fertile grounds exploited by the enemies of democracy and human rights. Young people are key targets for extremists.

As contributors to this edition of *Labour Education* argue, creating jobs is only one side of the response. Numbers alone will not fundamentally change the evils described above. The quality of employment for young people has to go hand in hand with job creation policies. The *World Youth Report* published by the United Nations in 2003 puts the number of young working poor at 238 million. These are young people working for less than US\$1 per day. And UN estimates of their number still constitute an understatement.

Today's typical job for a young worker, "lucky" to find one, is most of the time precarious, short-term, poorly paid and often dangerous as working conditions deteriorate. Not surprisingly, their working environment is more than frequently hostile to trade unions. This is not decent work.

Flexibility has been brandished in some quarters as the panacea to unemployment problems. Give employers freedom to hire and fire, reduce labour cost and limit the influence of the State in economic affairs and things will go better, pundits said. They actually have said this for more than 20 years and their recipe has been tested in all quarters of the globe. They called it structural adjustment in developing countries and liberalization and industrial restructuring in industrialized ones. But more unemployment, not less, has been the result. The only change has been that the chance of becoming a long-term unemployed has drastically increased.

Employability is the new catchword. Adapt your education system to the needs of labour markets, shape young people's profiles to the job offers, increase their knowledge base and tell them how to write a good CV. Here too there is a snag: a better preparation of young people to work is certainly a good thing, but it does not, per se, create employment. Without faster economic growth and an increase in total employment, substituting youth for older workers simply transfers the economic burden; it does not solve the problem.

Authors in this issue of *Labour Education* shake a few myths. Not least the fact that it is time to stop bashing minimum wage as the potential source of increased jobless rates. Indeed, evidence strongly suggests that it is possible to reduce poverty and improve living standards generally by shaping the labour market with minimum-wage laws, and supplementing this with active training and skill formation policies. This is further confirmed by a separate ILO report which even shows that, at worst, the negative impact of the minimum wage on employment is marginal to the point of statistical insignificance but also that, in certain cases, the impact may even be positive.

It is neither the objective of this publication to come up with tailor-made solutions to the dramatic problem of youth unemployment, nor to claim that simple answers exist. Our contributors all insist on policy-mix and seek to provide for a better understanding of youth employment issues. And yes, they insist on providing developing country governments with the policy space to pursue a higher level of aggregate demand and faster economic growth.

Our objective is to contribute to the forthcoming dialogue on youth at the ILO, and namely the general discussion on youth employment that will take place during the 2005 International Labour Conference. Also guiding this discussion will be the conclusions of the Tripartite Meeting on Youth Employment that took place in Geneva from 13-15 October 2004. These are appended to this issue of *Labour Education*.

Youth unemployment is too serious an issue to be left to sterile, sectarian debates. Trade unions do not pretend to have the magic formula. Governments are equally concerned over the future of the young generations and employers have children too. A tripartite approach is both necessary and possible. It may not be easy. Dialogue will have to prevail. Contributing to it is our modest ambition.

Jim Baker
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Tackling the dilemma of disadvantaged youth: Priorities and policies for international action

Young people face particular employment problems which need to be tackled right around the world. But where and how should scarce resources be used? The ILO can help to focus the debate.

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A young girl follows her family to a place of refuge on the outskirts of Lira to escape the marauding Lord's Resistance Army in northern Uganda. As one of countless thousands of displaced persons living in squalid makeshift camps, her family has arrived with nothing but the clothes on their backs and a few household possessions. There is no money for school fees or school exams. With little money in hand and little else to do, the teenager is an easy prey for the soldiers quartered in the barracks located next to the camp, where HIV/AIDS is prevalent. Her life expectancy is shortened appreciably.

A young teenage boy in the east of the Democratic Republic of the Congo has known nothing but violence and conflict since he was a child. Almost ten years of war have left his community dispersed and impoverished. He and his family live on hand-outs from relief organizations. One night he is not so lucky and is abducted by rebel gangs. Within a short time, he becomes yet another child soldier forced into a way of life that will leave him isolated from his family and psychologically scarred for life.

An uneducated teenager from a landless family in a rural community near Quetzaltenango, Guatemala, will follow in his father's footsteps and seek to become a labourer for relatives who have land. Output on this small plot of land is limited by the high prices that are charged for seed and fertilizer. The production of

cash crops is restricted because the infrastructure does not exist to transport them to the market. Productivity and incomes are so low that the starting salary for this teenager is a daily plate of beans.

A teenage girl living in a township on the outskirts of Durban is delighted when she secures semi-skilled work in a local clothing factory. A few short months later the factories are closing or cutting production because they cannot compete with Chinese imports, and the new recruit is the first to be retrenched. With no prospects of another formal job in a factory, and a family to help support, she starts selling second-hand clothes in the local market as a survival strategy.

For the teenage boy lucky enough to have received a few years of education in Indonesia, finding a first job as an "apprentice" in an informal workshop producing pots and pans that are sold locally provides the opportunity to demonstrate that he has talent and can be creative with his hands. Although as an apprentice he will receive minimal financial remuneration, plus food and the opportunity to sleep on the premises, the chance to learn a craft is eagerly accepted.

The new university graduate in Delhi, India, is lucky enough to have a family who can support her while she does the rounds of the ministries and public utilities seeking that first step on the rung up the professional ladder. But after six months searching, and seeing all the vacancies filled by

young men, her self-esteem is damaged. For this young woman, migration to Europe for post-graduate education provides a rewarding escape, but her talents may be lost to her home country forever.

The economics graduate in England who has read about the benefits of free trade and capital market liberalization has no trouble securing that first job. But fancy theory is of little value while washing dishes on Friday and Saturday nights or packing shelves in a supermarket on week nights. While working unsocial hours in a precarious mix of casual jobs may not be desirable, the scope for further exploitation is limited by the existence of the national minimum wage and well-enforced labour legislation. Given the recent pattern of steady economic growth and demographic changes, his prospects of eventually finding challenging professional work are reasonable. He is certainly far better off than his cousin who, after quitting school early, spent a year searching unsuccessfully for work, before becoming discouraged, dropping out of the labour force and moving into the street drug trade.

The emerging international response

The above anecdotes demonstrate the wide diversity of youth employment problems. All these examples represent situations that are serious and warrant attention. Yet the problems faced by young people in different countries, and from different family backgrounds, are not equal. Some situations are more severe and permanent than others because they reflect perpetuated disadvantage and discrimination from one generation to another. In all societies, the sons and daughters of the rich and well-connected start life with considerable advantages over those from poor families. These inequalities will be either exacerbated or diminished depending on the opportunities and access to advancement that are provided through educational institutions and other support services for disadvantaged children and youth.

The ILO has rightly argued that what happens during childhood and the transition from school to work will have a fundamental effect on all dimensions of a person's life.¹ It will impact immediately on the young person's welfare. In the medium term, as the person matures, experience during childhood and youth will fundamentally affect self-confidence, ambition and subsequent employment prospects. Evidence suggests that experience during youth has longer-term implications, impinging on the socio-economic prospects of the next generation.

The consequences of youth employment problems go well beyond the individual and the family. For poor countries, the prospects and pattern of economic, social and political development over the next few decades will depend, in part, on whether we can generate adequate numbers of decent jobs for the current cohort of young people. In industrialized countries, the lack of decent jobs for youth has been associated with depression among disillusioned job-seekers, rising levels of drug dependency, and increased levels of violence or crime. There are also increasing concerns in all countries about disadvantaged and disillusioned youth being susceptible to political extremism. Recent studies have found that developing countries with the highest proportions of youth in the population, combined with the highest proportions of youth unemployment, were more than twice as likely to experience an outbreak of civil conflict during the 1990s.²

However, rather than blaming youth for the social and political consequences that flow from economic exclusion, we must capitalize on the potential they provide. We need to focus attention on the underlying causes of these problems rather than targeting the victims. There exists an intrinsic link between providing decent work for youth, development and democracy.

Given the severity and profound implications of youth employment problems, it comes as no surprise that these concerns have provoked intense political activity

in recent years at both national and international level. The latter has included the passing of several resolutions within the United Nations, the convening of a Youth Employment Summit in 2002 and the establishment of a Youth Employment Network (YEN) involving the World Bank, the ILO and the UN system.³ In view of the importance of the issues, this increased international focus on youth employment is warranted and welcome.

This initial international political response to youth employment is being underpinned with technical research and wider dialogue on the subject. To develop sound policy responses, an analytical framework and empirical evidence are required on the effectiveness of various policies and programmes designed to mitigate youth employment problems. While much is known about the efficacy of various youth policies in industrialized countries, our knowledge base in respect of developing countries is vastly inferior. What may be appropriate in an industrialized country context may not be suitable for a country with a vast informal economy, an extensive rural economy and a massive excess supply of labour. In fact, the World Bank has recently acknowledged:

Youth still remain a largely neglected constituency in Bank analytical and operational work ... and that there are few full economic analyses of the costs and benefits of investments in the multitude of youth programmes within the Bank and among our partners.⁴

As we will see below, under "Active labour market policies", the World Bank is now devoting considerable time and resources to developing a detailed analytical framework and the empirical foundations to underpin sound solutions to youth employment problems in developing countries.

The ILO is in a similar position. The Organization has been working on youth employment questions for several decades and is currently gearing up its activities on this topic. This will be a key issue discussed at the International Labour Conference in June 2005. Hopefully, the

Office will have available the necessary hard empirical evidence and analysis to facilitate a factual debate between the social partners. This should help advance international understanding about the real problems facing young people and provide guidance on appropriate policy responses. The background document for the October 2004 ILO meeting provides a useful starting point for this process.⁵

The purpose of this article is to assist the forthcoming dialogue on youth at the ILO by examining which regions and which youth problems warrant priority. Given the diversity of important issues described above, the first question that requires answering is: on which regions and countries should a resource-constrained UN system be focusing? As the above stories suggest, there is ample anecdotal evidence of youth unemployment, long-term unemployment, underemployment, the growth of the informal economy and the expansion of casual, part-time, precarious and poorly paid jobs for youth. Clearly, too, young people are often obliged to work unsocial hours. But because of empirical shortcomings, some aspects of the youth employment problem have so far been underplayed in policy debates, while others get all the attention.

For example, all the headlines following the recently released ILO publication *Global employment trends for youth* focused on the fact that youth unemployment had reached some 88 million worldwide, which was an all-time high.⁶ This ILO publication had rightly attempted to highlight all the important labour market problems facing young people, but this was lost in the myopic media focus on the unemployment figures. It is imperative that, in promoting serious international debate on youth employment, and in searching for viable solutions, we do not make the same mistakes as the popular media. We must disentangle the data before deciding on priorities and policy responses.

This article then goes on to report on recent studies undertaken by the World Bank and the ILO which have attempted to scientifically evaluate the economic impact

of various reforms and policies that are often advocated for youth employment. Particular attention is paid to the track record of active labour market policies, which have been at the forefront of policy responses to youth employment in industrialized countries for decades and which are now receiving increasing attention within developing countries.

Establishing regional priorities

Nearly one person in five on this planet is aged between 15 and 24.⁷ That is more than 1 billion people and nearly 90 per cent of these young people live in developing countries.⁸

Over the last decade, the youth population expanded dramatically in Africa (over 35 per cent) and by over 20 per cent in South Asia, while declining moderately in industrialized countries. In fact, by 2003, the youth share of the working-age population was 37 per cent in sub-Saharan Africa and around 30 per cent in the Middle East, South Asia and South-East Asia. By comparison, the youth share in the working age population was only 16 per cent in industrialized countries.

These regional disparities will expand dramatically over the next decade or so, due to diverging demographic trends. By 2015, there will be 3 billion young people in the world, with 2.5 billion living in developing countries.⁹ By 2015, over 60 per cent of the population in Africa and South Asia will be under 25 years of age compared to 28.8 per cent in the industrialized countries. In fact, between 2003 and 2015, the youth labour force is expected to increase by around 30 million in sub-Saharan Africa and around 20 million in South Asia, while declining in absolute terms in the transition countries and East Asia and remaining more or less static in the other regions.

Thus, although youth employment problems exist in all regions and probably all countries, the priorities should be clear. The UN system, and organizations such as the ILO which have limited resources, should tailor their analysis and advice

carefully to developing countries and particularly to the needs of youth in Africa, South Asia and the Middle East.

Prioritizing youth employment problems: poverty and underemployment

Having decided upon a developing country focus, the next step should be to enhance our understanding of the labour market problems facing youth in these regions. Traditionally, considerable attention has been devoted to youth unemployment as a guide to youth-related problems. We have already noted that, to the extent that the popular media cover any labour market issues related to youth, they have a myopic focus on unemployment. To some extent, the international community has contributed to this situation. For example, one of only two employment targets among the Millennium Development Goals is the unemployment rate among 15- to 24-year-olds. Past ILO reports and statements by UN leaders have also focused almost exclusively on youth unemployment.¹⁰

To a degree, this concentration on the headline unemployment figures is understandable, since these are the most comprehensive and internationally comparable data available on youth-related labour market problems. As noted above, the number of young people unemployed in the world has reached 88 million, and about 75 million of these are living in the developing world.¹¹ The global youth unemployment rate increased from around 12 per cent in 1993 to over 14 per cent in 2003. Youth unemployment rates are highest in the Middle East and North Africa (26 per cent) and sub-Saharan Africa (21 per cent). Many observers also focus attention on the ratio of the youth to adult unemployment rates which ranges from just over 2:1 in industrialized countries up to nearly 6:1 in South Asia. For most developing regions, including Africa, Latin America and East Asia, the ratio is around 3:1. Clearly, the level of youth unemployment is excessive and must be a cause for concern.

However, in a developing country context there may be even worse problems that deserve priority attention. Recently, several authors have argued that we should refocus international attention towards “young people in developing and transition countries who are at greatest disadvantage”.¹² Disadvantaged youth may be unemployed but, on the other hand, they may be working long hours for extremely low pay, doing unpaid work in a family enterprise, or struggling to survive on a city street. In other words, we should direct attention and policy towards the full range of youth problems depicted in the opening paragraphs of this article. It is worth noting that of the seven hypothetical situations described, only one would be counted in the unemployment statistics. Moreover, that one case would have been the young graduate from a wealthy family in India prior to her migration to Europe. Hers was far from being the most severe of the situations portrayed. All the other labour market problems described represent examples of underemployment. Unfortunately, these problems would go undetected if we restrict our focus to youth unemployment.

Accurately measuring underemployment does present problems. The ILO has reported that there are 130 million young people working on less than US\$1 per day, and this is sometimes used as an estimate of youth underemployment.¹³ But as the ILO notes, these estimates have not been resolutely substantiated. In fact, the United Nations *World Youth Report* in 2003 stated that there were 238 million young people living on less than US\$1 per day.¹⁴

How can one explain the dramatic difference between the ILO and UN data? Both estimates are derived from World Bank family poverty data and the United Nations population statistics for 2000. Both sources assume that the proportion of people in a country living on less than US\$1 a day can be applied to the age group 15-24 to calculate the number of youth below the poverty line. However, the ILO figure purports to represent the number of poor youth who are working or at least

looking for work. The ILO therefore uses the global labour force participation rate of youth, which they estimate as 54.9 per cent, and applies this ratio to the 238 million figure to generate an estimate of the number of young “working poor”. However, this would imply that over 45 per cent of youth in the countries where poverty is concentrated are either not working or not looking for work. This seems somewhat unrealistic. In the poorest developing countries, which is obviously where all the people earning less than US\$1 a day live, it seems unrealistic to assume that 45 per cent of persons aged 15-24 would be in full-time education or not seeking work for some other reason. For example, we know that in many African countries the youth labour force participation rate is more like 70 per cent than 55 per cent.

It is also worth noting that both the ILO and the UN estimates are derived from World Bank household poverty data. People are classified as “poor” according to these estimates if they live in a household where the total income of all household income contributors is less than US\$1 a day. This would mean that a youth earning 50 cents a day but living with parents who earn US\$2 a day would not be reflected in the poverty data. Similarly, a household with two children earning 20 cents a day and parents who earn US\$4 a day would not be captured in the figures. Situations like this are fairly common in the poorest developing countries. One can therefore safely conclude that both the ILO and the UN figures substantially understate the number of youth living in poverty and consequently the magnitude of underemployment among young people in the developing world is vaster than these poverty figures would suggest. This being said, it is encouraging that the ILO is focusing on this issue and attempting to produce estimates of working poverty and underemployment. As noted elsewhere, policy-makers tend to focus more on problems that can be measured.

According to the UN, the largest concentrations of youth living below this US\$1 a day poverty line are in India,

China, Nigeria, Pakistan, Bangladesh, the Democratic Republic of the Congo, Viet Nam, Brazil, Ethiopia, Indonesia and Mexico. But there is nothing unique about the US\$1 a day figure for estimating poverty or underemployment. According to the UN, if one uses a US\$2 a day indicator, the number of youth living in poverty increases to 462 million, or nearly 40 per cent of all youth.¹⁵

The vast majority of youth in the developing world are engaged in the informal economy, but unfortunately data is not being systematically collected to enable analysis of these developments. The ILO assumes that young people are disproportionately represented in the informal economy and that most employment growth in the developing world is taking place in the formal economy.¹⁶ For example, some observers have suggested that in Africa over 90 per cent of youth are employed in the informal economy and nearly all new jobs are being created there.

Although underemployment deserves at least the same level of attention as unemployment, this has not been occurring. As noted above, this is partly due to data deficiencies. We tend to focus policy responses on those economic problems we can accurately measure. However, there are suggestions that there may be other, less acceptable reasons, explaining why policy-makers have failed to broaden their focus. Many countries have highly unequal distributions of both incomes and political power. This is often reflected in low political support, and limited financial resources, for interventions in support of the most disadvantaged youth.¹⁷ These political factors may have played a role in distorting developing country policy debates to merely focus on youth unemployment.

Throughout Africa, and in many parts of Asia, youth unemployment is concentrated among the better educated youth from upper income and elite families. For example, an extensive study in Sri Lanka, by Rama, led to the conclusion that unemployment is “to a large extent voluntary. The bulk of the unemployed are young, relatively well educated individuals who

live with their parents and benefit from family support to perform extended job search”.

In this same study, Rama found that low labour earnings were a more important factor than unemployment in explaining poverty.

Unfortunately, in a poor developing country, with a vast informal economy and no unemployment benefits, the majority of young people do not have the luxury of being unemployed. Unlike the situation in industrialized countries, where there is usually some financial support from the State for the unemployed while they actively search for work, in most developing countries it is the family network that must finance job search. But the vast majority of families simply do not have the financial resources to accept this burden. Consequently, in the absence of readily available wage employment, most young people must undertake survival activities in the informal sector or accept unpaid work.

Recently, the shortcomings of focusing attention on youth unemployment in developing countries have been recognized. Organizations like the World Bank have acknowledged that much of the attention on educated unemployed youth is a result of a biased political process, and in recent reports they have emphasized the limitations of unemployment as a guide to youth problems. As Godfrey notes in his paper for the World Bank:

In countries without effective unemployment benefit systems, concentrating on youth unemployment runs the risk of diverting attention to the problems of the more rather than the less privileged.¹⁸

O’Higgins, also writing for the World Bank, reaches similar conclusions:

Youth employment policy needs to focus greater attention on disadvantaged groups in the labour market. A first step in this requires objective identification of which groups have greatest problems in obtaining and maintaining good quality employment. In developing countries, it

is time to discard the “educated unemployed” hypothesis, popular for so long for fairly obvious but not objective reasons, and concentrate on groups really requiring attention.¹⁹

It is the responsibility of international organizations to help ensure that scarce resources are targeted on the most severe youth employment problems. The above considerations would suggest that the UN system should be focusing on improving the position and prospects of the most disadvantaged youth in developing countries. This “most disadvantaged” category includes youth who are underemployed and living on extremely low incomes as well as the unemployed. Particular attention is required for these young people, who may be either underemployed or unemployed and who because of intergenerational factors are trapped in a cycle of poverty and have the lowest probability of finding work in the formal economy.

The World Bank performance in attempting to set this particular record straight is commendable, and recently the ILO has started to follow this lead.²⁰

Assessing policy options and possible solutions

Improving the situation of disadvantaged youth in the labour market could be approached in a myriad of ways. Policy reforms and interventions at the international, macro, meso and micro levels may all be relevant. First, it is possible to contemplate changes in international trade, finance and development policies that would accelerate economic growth in developing countries where youth employment problems are already critical and certain to intensify over the next decade. At national level, a wide variety of macroeconomic reforms could be considered which would boost public expenditure and/or private investment and thus the demand for labour in the formal economy. The focus could also be more on the meso level through industry policy or interventions designed to accelerate growth in particular sectors

of the formal economy with relatively high employment elasticities or where the multiplier effects on the domestic economy are significant. Enhancing growth, productivity and incomes in the agricultural and the rural sectors may be a priority in order to slow youth migration from the rural to the urban areas. These macro and meso level reforms might also include some consideration of the relationship between equity, economic growth and employment outcomes. The distribution of incomes might be adjusted at the margin through cash transfers to the very poorest groups in society or by improving their access to assets like land, water and fertilizers.

At the micro level, labour market interventions on the demand and the supply sides can be considered, plus measures designed to improve the functioning of the labour market. Demand side measures might include public works, infrastructure development using labour-intensive methods, and wage subsidies in the private sector as well as financial support for small enterprises or self-employment. On the supply side, measures to enhance educational retention rates and the quality of basic education, as well as a wide variety of training schemes that can improve the skills, productivity and potential earnings capacity of young people, usually attract considerable support. A further possibility is interventions to establish, or improve, employment services and other schemes designed to improve the functioning of the labour market by promoting information flows.

Finally, there is a broad range of structural reforms in both product and labour markets that might be on any agenda to improve the position and prospects of disadvantaged youth in the labour market. This could include reforms designed to remove market failures such as inadequate access to credit and inefficient or inadequate regulations or institutions in either product or labour markets. Wages policy might be central to these considerations in certain economies.

It is evident from the above that it is difficult to distinguish any debate about

youth employment from a wide-ranging discussion on economic policy or the process of economic development. The problem is that this leads into a complex web of macroeconomic issues such as the incidence and structure of taxation, the level and composition of fiscal expenditure, interest rates and the money supply, industry policy, exchange rates and trade policy. *These issues are often debated in theoretical, empirical or ideological terms.* Nor is there complete consensus on the wide range of international economic issues than can influence youth employment, like the rules governing international trade, international debt, official development assistance (ODA), or the activities of the international financial institutions. These are areas in which there are often major disputes about the implications of policy.

Consequently, many papers concerned with youth employment devote one or two paragraphs to these macroeconomic and international economic policy issues, noting that they are extremely important, and then rapidly declaring such issues to be beyond the scope of the paper. In short, these critical issues are usually confined to the “too hard” basket. Much of the literature on youth employment then moves on to merely consider the micro and structural economic issues listed above. Many of these micro interventions fall under the generic heading of active labour market policies.

Active labour market policies

(a) *Theoretical considerations*

There are at least three major and distinctive aspects of active labour market policies (ALMPs). These are: (1) job creation through public works, subsidies for private sector employment and micro-enterprise development or self-employment assistance; (2) enhancing workers' skills and capacities through training or retraining; and (3) provision of information through, for example, employment services. The

first group of programmes focuses on the demand side of the labour market, and the second on the supply side, while the third seeks to improve the functioning of the labour market. Within each of these three broad categories, there are a multitude of different programmes and wide variation in implementation processes and targeting mechanisms. Some programmes may focus specifically on disadvantaged youth, but the vast majority have a much broader focus. However, the main economic objective of all active labour market policies is to improve the longer-term employment prospects and earnings capabilities of participants. Some programmes may also have important social objectives such as promoting inclusion or providing income safety nets.

ALMPs are now attracting considerable attention in the debates about possible solutions to youth employment problems in developing countries. Given that, in theory, they are supposed to improve the employment and earnings opportunities of participants, they certainly warrant attention. Proponents of active measures tend to see them as the most direct *and politically acceptable* instruments for dealing with unemployment and low incomes among young workers. On the other hand, opponents argue that they *can be* largely a waste of taxpayers' money or ODA and that any benefits that accrue to particular workers are at the expense of other workers. According to the opponents, many active measures merely “shuffle” the pack of unemployed or underemployed rather than generating win-win situations. The truth is probably somewhere in between these two extremes.

Unfortunately, there is limited practical experience with many components of ALMPs in developing countries and most evidence is derived from experiments in industrialized countries. In fact, the term “active labour market policies” has been in vogue for several decades and came to prominence in OECD countries after the oil shocks of the 1970s when the post-Second World War period of near “full employment” seemed to falter. This was a period

of stagflation, with many industrialized countries suffering from accelerating inflation and double-digit unemployment. Responses across industrialized countries to these exogenous shocks varied, but most governments started to question the level of public resources being devoted to “passive” labour market policies like the payment of unemployment benefits, and asked whether this public expenditure could be used more efficiently on policies that would encourage, or force, the unemployed to actively participate in some labour market programme.

As trade liberalization, financial market deregulation and other aspects of economic globalization spread over the last two decades, policy-makers in many industrialized countries maintained their strong commitment to active labour market policies. This was partly because open capital markets and commitments to free trade had reduced the degree of freedom that had previously existed to use macroeconomic, trade and industry policy to pursue full employment. Because of globalization, these critical policy instruments were becoming increasingly focused on fighting inflation, attracting foreign direct investment through tax cuts and preventing capital outflow. Reduced policy space meant that national employment objectives, which had commanded centre stage in national economic policy debates for several decades, either fell down the list of government priorities or had to be pursued through other policy instruments or policies. The latter included a focus on labour market flexibility and increased reliance on active labour market policies.

However, after prolonged experimentation, it is increasingly evident that labour market problems cannot be solved simply through a narrow range of labour market reforms and programmes. Even the OECD, which was at the forefront of advocating the adoption of ALMPs in the 1980s and 1990s, has more recently acknowledged their limitations and advocated caution. A major OECD review of active measures in 2000 reached the following conclusion:

The track record of many active measures is mixed in terms of raising future employment and earnings prospects of job seekers and producing benefits to society ... *more effective active policies are only one element in a comprehensive strategy of macroeconomic and microeconomic measures required to cut unemployment significantly. Nonetheless, they remain a potentially important weapon in the fight against unemployment.*²¹

Given the wide diversity of potential “active” programmes, the precise combination of ALMPs used in a country needs to be carefully adjusted to the prevailing economic situation and the causes of unemployment or underemployment. For example, most of the supply-side measures will only be successful if levels of aggregate demand are sufficient to generate an expansion of jobs large enough to absorb the retrained workers. Thus, retraining and skills development are most efficient when some sectors of the economy are expanding rapidly and requiring more workers. This occurs when major structural changes are taking place – such as a move from a manufacturing base to greater reliance on the service sector. This has been the case in most industrialized countries in recent decades.

Consequently, some of this industrialized country experience with supply-side measures may be relevant to middle-income countries and those developing countries fortunate enough to be experiencing the emergence of new industries or economic activities. However, it is probably less relevant for the vast majority of developing countries, where youth employment problems are concentrated. For example, in most countries of sub-Saharan Africa the only significant structural changes taking place in recent decades have been the demise of the public sector and the absorption of displaced workers into informal activities. High levels of underemployment and unemployment in these countries result from several decades of slow economic growth and inadequate demand. In these circumstances, supply-side measures may still have a supplementary role to play, but they are unlikely to be a

panacea for the massive levels of youth underemployment and unemployment that exist. In theory at least, labour-intensive infrastructure development, other forms of public works, employment subsidies and support for micro-enterprises or self-employment might be more relevant in these demand-deficient economies.

(b) Empirical evidence

Policy prescriptions to tackle youth employment should not be based merely on theoretical considerations but, wherever possible, on hard empirical evidence. Most ALMPs are expensive and, given the wide variety of possible programmes, policy decisions should be based on rigorous cost-benefit analysis. Careful and comprehensive evaluations of ALMPs are particularly relevant in developing countries, given that there will always exist a plethora of other problems requiring public investment. Competition for fiscal expenditures is fierce and the opportunity cost of using scarce ODA inefficiently is catastrophic in these circumstances.

The techniques for evaluating ALMPs have advanced significantly in recent years.²² Indeed, governments in industrialized countries devote substantial amounts of human and financial resources to evaluating ALMPs and modifying them in order to enhance their efficiency and effectiveness. Moreover, for the last 20 years the OECD has been assisting industrialized countries improve these evaluation techniques and their choice of labour market policies. As noted above, this empirical evidence has led to significant alterations in OECD thinking about the effectiveness of active policies and changes in resource allocation at national level in industrialized countries over the last two decades.²³

Most scientific evaluations of ALMPs involve three aspects. First, it is necessary to compare the post-programme employment and earnings experiences of participants with a control group who have similar backgrounds and profiles but who did not participate in the pro-

gramme.²⁴ For example, one can collect data on the employment and earnings records of a group of young people after they have completed their participation in a training programme and compare their records with a control group of young people who did not receive training but have similar education and socio-economic backgrounds. One can thus measure the extent to which participation in the programme improved the probability of finding employment and the extent to which incomes increased. Matching the profiles of programme participants and the control group carefully, and accurately recording the earnings and employment records for a suitably long period after completion of the programme, are critical steps in the evaluation process.

Second, for a sound evaluation it is important to also compute the general equilibrium impact of programmes by taking into account a number of perverse effects that can result from ALMPs *plus the multiplier effects*. The former include: the dead-weight effect – i.e. the extent to which the same result would have been reached in the absence of the particular programme; substitution effects, since subsidized persons may replace unsubsidized persons; displacement effects, since subsidized activities may displace other activities in the economy; and creaming effects, which take into account the fact that participants may be selected because they are among the better-educated or higher-skilled or have some other advantages, while those without these attributes are not selected.²⁵ The multiplier effects of ALMPs can come through various channels, such as the increased consumption that results from the expenditure decisions of people deriving some income from a public works scheme, or because a wage subsidy has resulted in their acquiring a job in the private sector. These multiplier effects are extremely difficult to measure accurately.

The third aspect of any comprehensive evaluation involves comparing the public cost of the particular programme with the social returns on the investment. In addition to the private economic returns

accruing to an individual, ALMPs can often engender important social benefits. Participation in a programme – even if it does not lead to permanent employment or an increase in income – will hopefully lead to greater social cohesion which may be reflected by reductions in illnesses such as depression, in drug dependency or in crime. These developments have obvious benefits to society. However, one needs to compare the social benefits derived from ALMPs with the benefits that might flow from alternative uses of these resources. In other words, we need to consider the opportunity costs. For example, in a poor developing country, resources devoted to ALMPs might be used to fund better primary education, better health care or perhaps the provision of some basic income to the aged or disabled through social insurance. In the very poorest, one has to try and assess the social benefits of ALMPs relative to the benefits that might be achieved through greater access to clean water, irrigation to promote food security or the elimination of diseases like malaria or river blindness. It is unfortunate and unfair that developing countries must choose between such basic objectives, but this is the grim reality facing policy-makers in the poorest countries.

Martin Godfrey, in a recent paper for the World Bank, argues that ALMPs must meet two tests.²⁶ First, every programme that involves the spending of public money should pass a social benefit/cost test. Second, every programme that is supposed to help disadvantaged young people should offer them a high private rate of return. According to Godfrey:

Programmes that do not meet the first criteria are cheating taxpayers; those that do not meet the second criteria are cheating clients – in effect, perpetrating a confidence trick on some of the most vulnerable people in the country. Rigorous evaluations are needed: in most developing countries there are none.

To rectify this problem, the ILO has also just completed a major study examining empirical evidence about the impact

of ALMPs in industrialized, transitional and developing countries.²⁷ Based on this evidence the ILO is recommending a more nuanced and selective approach to these policies in the future. This study concluded that the impact of programmes on employment and wages is usually small yet positive because of the perverse effects like deadweight, substitution, displacement and creaming mentioned above. According to the ILO study:

ALMP evaluation research has indeed shown that not all active measures are efficient in reaching their target groups; not all enhance the chances of participants to access jobs after participation; and not all are cost-effective means to reach their set goals.²⁸

This same study has underlined the important multiplier and social benefits that can flow from particular types of active policies. For developing countries the authors conclude that:

This study has shown that ALMP measures that seem now less important in some developed western OECD countries, such as public works and demand side measures in general, can be very successful in developing countries.²⁹

Although the ILO study did not focus specifically on youth, the authors suggested that: "... evaluation studies reveal that in general ALMPs seem to be rather effective for women and labour market re-entrants but seldom for youth".³⁰

The World Bank has also started to compile and synthesize the evaluations and evidence that are available on ALMPs. Two important World Bank studies have examined the impacts of ALMPs in general and other studies commissioned by the World Bank have focused more specifically on youth employment issues. The first World Bank study on ALMPs was almost entirely based on industrialized country evidence and confirmed the OECD concerns mentioned above about the real impact and efficiency of these programmes. The authors concluded that "payoffs are usually modest and cost-benefit analysis suggests that

social rates of return to effective programs are also sometimes negative”.³¹

The most recent World Bank study on ALMPs is particularly relevant for our concerns because it incorporates information from developing countries.³² The developing country evaluations that are summarized in this study compare employment and earnings performance of participants with a control group but most evaluations do not account for the perverse effects mentioned above, nor do they compute precise cost-benefit impacts. Despite this, the latest World Bank study provides the most comprehensive evidence on ALMPs in developing countries that is currently available.

Unfortunately, the empirical evidence from developing countries is even less encouraging than the results for industrialized countries.

For example, the evidence that is available about the impact of **employment services** in industrialized countries is reasonably positive. Compared to other forms of ALMPs, employment services are relatively inexpensive and overall the evaluations suggest positive employment effects in OECD countries, although according to the first World Bank study “they did not seem to improve the employment prospects or wages of youth significantly”.³³

But the evidence available from developing countries is almost entirely negative. The most recent study for the World Bank concluded that “... employment services ... are of limited use in situations where structural unemployment is high and there is a lack of demand for labour. There are some questions about the coverage and effectiveness of these services in developing countries where many labour market transactions are informal”.³⁴

Godfrey has also examined a comprehensive range of policies affecting the earnings and employment prospects of disadvantaged youth for the World Bank. On the basis of evidence from various Asian and Latin American countries, he reaches similar conclusions to the above, arguing that there is no evidence that em-

ployment services improve markets sufficiently to have a substantial impact on the success rate of young job seekers and even less that they are of much benefit to the most disadvantaged youth, of whom many do not possess the qualities that employers are looking for.³⁵

The forthcoming ILO study provides some further insights into employment services in developing countries. For example, this study suggests that in English-speaking Africa, public employment services are vastly under-resourced and consequently the services they provide are of minimum standard.³⁶ But in view of the rapidly growing labour force and the very few job vacancies that exist, one would have to question the wisdom of substantial investments to overcome these shortcomings.

The evaluations of **labour market training** programmes which have been reported by the World Bank are even more pessimistic. The first World Bank study based on industrialized country evidence concluded that “training programmes, especially for the long-term unemployed, often did not have positive impacts and, in most cases, the costs were found to be high compared with the results”.

The latest World Bank study synthesizes the results of four evaluations of training programmes implemented in developing countries. In three of the four programmes, the impact on employment and earnings was negative. In other words, in three out of four cases, participants in training programmes had less chance of being in employment and lower earnings than a control group with similar characteristics. According to the World Bank study, “... it seems that the few programmes in developing countries that have been evaluated have less impact than in either developed or transition countries. If this is indeed the case, do these programmes need to be adjusted to reflect the large informal sectors and low administrative capacity in many of these countries?”³⁷

As already noted, most of the programmes being evaluated are not youth-specific. However, the World Bank reports

do contain some evidence that relate only to youth training programmes. The first World Bank report concluded that youth training programmes had the poorest track record, when compared with training programmes for the long-term unemployed and those displaced through mass layoffs.³⁸ The Bank noted:

In almost all cases ... participants did no better than the control group, either in their post-training employment probability or their earnings. Moreover, the cost-benefit analysis of several youth training programmes suggests that the social rates of return were typically negative, both in the short and the long run.³⁹

After reviewing new evaluations from Canada, France and Sweden, the World Bank noted:

In these countries, youth training schemes appear to have had no effect on the likelihood of getting a stable job and did not increase employment duration if a job was found.⁴⁰

OECD studies have reached similar conclusions, although the second World Bank study found more positive results from a few youth training schemes in Latin America (Argentina, Chile, Peru and Uruguay). These are the so-called "Jovenes" programmes which target disadvantaged youth and combine training with work experience and other assistance such as psychological help and vocational assessment. However, the World Bank has cast doubts on these programmes for several reasons, including their high costs and the fact that they therefore do not reach large numbers of young people.⁴¹

Fortunately, not all the evidence is negative. The World Bank study contains a separate analysis of retraining programmes for workers involved in mass layoffs. There is little direct evidence from developing countries, but there is an interesting evaluation from Bosnia and Herzegovina of soldier demobilization and reintegration into the civilian workforce. The results of this programme were extremely positive. Participation in the programme increased

the probability of employment by 43 per cent and also had a significant positive effect on earnings. This experience could be relevant to several African countries that need to reintegrate young soldiers and deal with the types of issues mentioned in the anecdote from the Democratic Republic of the Congo in the introduction to this article.

ALMPs that operate more on the demand side of the labour market include **wage and employment subsidies** for private enterprises to hire workers. Based on the World Bank analysis, it would appear that the track record of these types of programmes in industrialized countries is not particularly positive from an economic perspective.

However, the World Bank has reviewed one developing country programme in Argentina (the Proempleo experiment) which suggested positive effects on post-programme employment experience. This programme enables one to compare the impact of training activities and wage subsidies because it involved providing these two different types of assistance to randomly selected participants and compares their post-programme employment performance with a third control group. Those receiving the training could specialize in the management of small-scale enterprises or a range of practical vocational skills like welding, building, cooking and electrical skills. After 18 months, those who received the wage subsidy had a significantly higher probability of being in employment compared to the control group, whereas the training had no impact.⁴²

Apart from the above evaluation, there is little hard evidence about the impact of wage subsidies in developing countries and it appears that many developing countries have little or no experience with such programmes.⁴³ However there is evidence from transitional countries, such as the Czech Republic, Poland, Hungary and Romania – which have devoted considerable resources to wage subsidies – that they can have a very positive employment impact.⁴⁴

It should also be noted that wage subsidy programmes are designed to subsidize an employer's labour costs and are often targeted at the long-term unemployed, disabled workers and young people. Consequently, there is often a strong social element in many of these programmes and if they are tightly targeted and policed the possibilities for substitute effects or creaming should be eliminated. As Godfrey has noted:

The wage subsidy programmes ... yield interesting lessons for a new kind of youth employment policy. One is that they can be of particular benefit to the less advantaged ... In principle, they can be more narrowly targeted – subsidies for employers who employ young disabled workers or members of a particular ethnic group, for instance.⁴⁵

The ILO reaches similar conclusions, noting that “wage subsidies to employers or employees seem to especially serve the needs of the long-term unemployed.”⁴⁶

Another popular type of programme in developing countries is **public works or labour-intensive projects**. Some authors do not consider these to be active labour market policies because they tend to have multiple objectives including the establishment of infrastructure, income safety nets and job creation. According to the World Bank, the majority of evaluations of these programmes in industrialized and transition countries are not positive. The Bank speculates that the negative post-programme effects in industrialized countries may be caused by the stigma of being associated with past public works programmes. This is far less likely in a poor developing country.

Godfrey is very positive about the broader economic benefits that can flow from this type of programme. He argues:

In principle, a safety net system of this kind is ideally suited to a developing country, in that it also creates and sustains assets. Such a programme creates employment directly during the construction process, indirectly through linkages to supplying industries, through the multiplier when workers spend their earnings,

and dynamically when the assets that have been built help to raise productivity in the area and when the increase in demand raises the incentive to invest.⁴⁷

He also notes that “... the great strength of such programmes if properly designed – that they involve a self-selecting group of the underprivileged – should not be forgotten”.⁴⁸

The ILO has vast experience of promoting labour-intensive infrastructure development, and this experience confirms the claims made by Godfrey. The main focus has traditionally been on infrastructure such as rural tracks, minor roads, wells and irrigation systems, drainage and sewerage, but the approach can also be used for social infrastructure, including schools and health centres. In recent years, the ILO has concentrated on creating the logistical framework within planning ministries, roads departments or other parts of the civil service to ensure that infrastructure contracting procedures favour labour-intensive techniques and the promotion of decent work. ILO evaluations of these programmes compare the economic impact of infrastructure built with “equipment-intensive” techniques and those built with employment-intensive techniques. According to the ILO, the labour-based approach is between 10 and 30 per cent less costly and yields better results on household income and consumption (which increases by at least twice as much), reaches low income groups (through at least three times more employment for unskilled labour) and spends at least 50 per cent more on local resources.⁴⁹ The ILO also claims that employment-intensive techniques have important macroeconomic effects because they reduce foreign exchange requirements by some 50-60 per cent.⁵⁰

The forthcoming study by Auer et al. confirms these positive conclusions. They concluded that:

... in developing countries, public works, especially in the field of construction, can have important multiplier effects. Furthermore, in the absence of passive welfare benefits they

contribute to ensure the living subsistence of the poorest segments of society.⁵¹

Finally, the World Bank reports on the impact of **micro-enterprise development assistance and self-employment assistance**, which normally include some form of financial assistance and technical services such as training or assistance in developing and implementing a business plan. According to the World Bank study, the evidence about the impact of these programmes is very sparse. Very few of these programmes have undertaken scientific evaluations. However, the evidence available from reviews in industrialized countries does provide justification for some optimism about the effectiveness of these programmes, although there are a number of qualifications because the take-up rates are low and the high rates of new business failure mean that these types of intervention entail considerable risk.⁵² Also according to the World Bank study, “while deadweight and displacement costs may be important, these effects have generally not been fully considered”.⁵³ The World Bank study concludes:

In the final analysis, much more evaluation needs to be undertaken to understand the impacts of programmes to assist unemployed workers in starting their own business. This is particularly true in the case of transition and developing countries where little rigorous evaluation has been undertaken.⁵⁴

The above comments relate to the impact of micro-enterprise development assistance programmes in general, and are not specifically concerned with youth. However, Godfrey in his paper for the World Bank does examine the impact of micro-enterprise development programmes on youth. He reviews one programme in Jamaica that was supposed to set up young unemployed people in business. The programme included a loan to purchase capital items, which was available after completing training and submitting a business plan. An independent evaluation revealed that a large proportion of the loans went to

young people with secondary education and to people who were already employed. Moreover, the failure rate was high, with only 30 per cent of recipients remaining in business after three years.⁵⁵

Godfrey also reviewed the Youth Business International (YBI) programme, which receives considerable attention in documents related to youth employment. He notes:

One programme that does target disadvantaged youth is the YBI. This is admirable in its intentions and impressive in the range of institutions and resources it has been able to mobilize, but does not make available the results of any rigorous evaluation. ... Given the nature of the clientele, it is likely that the impact has been positive, but what about the enormous cost?⁵⁶

Overall, Godfrey concludes that “the programmes reviewed ... fail to convince that the provision of credit and other support to the disadvantaged young to set up business is an efficient way of alleviating their employment problems, compared with many of the others available”.⁵⁷ The forthcoming ILO study points in a similar direction, suggesting that micro-enterprise development programmes usually show more success among better qualified individuals and especially men.⁵⁸

Conclusions

It was noted above that there have been a number of major meetings and initiatives concerning youth employment at the international level in recent years. It was imperative that the international community respond promptly to mounting problems of youth employment. One of the most important initiatives has been the establishment of the Youth Employment Network (YEN) involving the United Nations, the World Bank, the ILO and a range of high-level experts. The YEN has called on all governments to prepare “national reviews and action plans” on youth employment which should focus on four top priorities.⁵⁹ These are:

1. Employability: invest in education and vocational training for youth – and improve the impact of these investments;
2. Equal opportunities: give young women the same opportunities as young men;
3. Entrepreneurship: make it easier to start and run enterprises to provide more and better jobs for young women and men; and
4. Employment creation: place employment creation at the centre of macro-economic policy.

However, it is important to recall that the international organizations and experts involved in this network never proposed a “one-size-fits-all” policy package to tackle youth employment problems. Rather, from the outset, the High-Level Panel of the YEN recognized that “there are many paths to success” and the four priorities mentioned above were never meant to be some form of “straightjacket” limiting the flexibility of countries to design policies and programmes that would effectively deal with youth employment. Consequently, the YEN and other international initiatives concerning youth employment – such as the ILO meetings planned for October 2004 and June 2005 – will no doubt want to examine carefully the new evidence that is emerging about the impact of various policies and programmes related to youth employment.

Without doubt, the participants in these important international forums on youth employment will be seeking answers to a broad range of questions. One can imagine that they will be asking themselves what evidence is available about the costs and benefits of the various labour market policies or programmes that could be considered to advance the relative labour market situation of youth. More specifically, what are the deadweight, substitution, displacement and creaming effects of each possible active labour market intervention that could be considered? What are the precise costs of different

programmes and how have they affected the future employment prospects and earnings of participants? Does a focus on training and employability make sense in a labour surplus economy where there is no evidence of job vacancies in the formal economy? What can be done to ensure that ALMPs are tightly targeted on the most disadvantaged youth? *Is it politically, socially and economically desirable to substitute youth employment for adult employment?*

The evidence summarized above, which has been compiled by the World Bank and the ILO, may help policy-makers and participants in these various international forums to answer some of these questions. The available evidence clearly indicates that the most economically efficient and socially desirable ALMPs for a developing country with excess labour supply are those that directly boost labour demand. Labour-intensive public works and wage subsidies to promote employment in the formal economy appear the best bets.

On the other hand, the evidence available from existing evaluations would raise concerns about the wisdom of using scarce tax revenue or official development assistance (ODA) to fund employment services and certain types of training programmes in developing countries. The studies prepared for the World Bank appear to suggest that policies aimed at improving the employability of youth are desirable but that limited resources *would be best* invested in basic education and improving the functional literacy of youth, particularly young women. Godfrey argues:

The greatest contribution to improving the future employment prospects of disadvantaged children is to make sure that they stay in school until they are at least functionally literate and numerate: this will involve targeted subsidies and, if possible, special pre-school programmes.⁶⁰

Moreover, he argues that attention also needs to be paid to the quality of the schooling to which such children are exposed, and therefore to examinations, teacher training, textbooks and the level

of teachers' salaries, and to narrow the differences in the quality of schools that have emerged as educational systems have expanded. The forthcoming ILO publication reaches similar conclusions, noting that:

As in most developing countries, illiteracy poses a serious problem in many Asian countries, and training must thus often be of a more general nature. Rural children and youth are especially faced with lack of accessible or affordable schools. Deficient education prevents them from finding jobs, with girls and young woman especially disadvantaged.⁶¹

The World Bank studies also appear to have a point when they suggest that we need to examine more thoroughly the economic evidence about the impact on youth employment of programmes designed to promote entrepreneurship and micro-enterprises. In most developing countries, a large proportion of young people are already working in the informal economy as own-account workers, in self-employment or running micro-enterprises. These are all "entrepreneurs". In fact, it would appear that there is an inverse relationship between the proportion of entrepreneurs in an economy and the level of economic development or prosperity. The least developed economies, with informal economies that comprise between 60 and 90 per cent of economic activity, clearly have the highest proportions of entrepreneurs. By comparison, industrialized countries have a much higher proportion of wage labour.

Moreover, it is possible that in a situation of static aggregate demand, an increase in the number of young entrepreneurs producing goods and services for the domestic market is merely going to generate undesirable competition in local product markets. It would be fairly unrealistic to expect new young entrepreneurs to start producing goods of sufficient quality to compete in export markets. More likely, they will establish themselves in the informal economy and replicate production of goods and services already being offered by others – thus

forcing prices down and driving existing informal economy operators out of business or forcing them to find ways to cut costs if they are to remain competitive. But for most informal sector operators, the main variable cost is labour (either their own incomes or what they pay to any staff or helpers). This could lead to increased exploitation of labour and increases the incentives to use unpaid child labour.

Consequently, in a developing country context any focus on the promotion of self-employment or entrepreneurship should not take place as an isolated activity but rather as part of an integrated restructuring process which is designed to transform the informal economy and ensure that labour legislation is effectively enforced.⁶² Careful consideration should also be given to the use of in-work benefits, which are state-provided income supplements, to those workers engaged in informal economy enterprises which conform with labour legislation.⁶³ In this way, public policy can create a financial incentive structure that is conducive to transformation of the informal economy.

This does not mean that *other* issues related to promoting entrepreneurship and the establishment of a more vibrant and successful private sector are redundant to a debate on youth employment. On the contrary, to enhance economic and employment growth and reduce youth employment problems, most developing countries desperately require a significant increase in private investment. Unfortunately, for most developing countries, increased private investment is unlikely to come from foreign sources, because the competition is too stiff. Consequently, it is important that we focus on factors that will influence domestic private investment and these will include the level of interest rates, the availability of credit, and other factors influencing business confidence.

These considerations, plus the unimpressive record of certain types of active labour market policies in the developing world, should lead us back to the international, macroeconomic and sectoral policies discussed previously. If ALMPs

are not the panacea that some proponents suggest, policy-makers will require a broader range of economic instruments to fight unemployment and promote the employment prospects of youth. As was noted previously, the increased focus on ALMPs in industrialized countries in recent decades coincided with the re-emergence of a globalized economy and a reduced policy space for national governments who wanted to use fiscal, monetary, industry, trade and exchange rate mechanisms.

For the last half-decade, the ILO's Director-General has waged an impressive campaign to place employment at the centre of national economic policy and ensure greater coherence between economic and social policy at national and international levels. These are objectives that are difficult for any thinking person to reject. Yet some institutions and observers believe they can sign up to these desirable goals without altering their preferences for restrictive macroeconomic policies, unfettered free trade and open capital markets. They believe that placing employment at the centre of policy decision-making and increased coherence can be achieved simply through increased labour market flexibility and ALMPs. The truth is that most developing country labour markets are already incredibly flexible in practice due to the magnitude of the informal economy and the failure to enforce labour legislation or utilize labour market institutions that may appear to exist on paper. And, as we have seen, the track record of ALMPs is mixed and they alone are clearly an inadequate response to the dramatic youth labour market problems that confront developing countries.

In the final analysis, when discussing appropriate policy responses to youth labour market problems, it is simply not possible to confine macroeconomic and international economic policy debates to the "too hard" basket. If we are going to design policies that will help young people in the diverse situations depicted in our opening paragraphs, we cannot avoid these complex issues. Consequently, policy-makers and social partners partici-

pating in the forthcoming ILO forums on youth employment must grapple with the following types of issue:

Is an increase in aggregate demand a necessary condition for solving youth labour market problems? Is it a sufficient condition? What is the most efficient way to ensure a sustained increase in aggregate demand? How do the structure of the economy, the level of development and existing economic conditions impinge on the feasible options for increasing aggregate demand? Do governments have the policy space to pursue the macroeconomic policies necessary for solving youth employment problems? What reforms are required for international economic policies and institutions to enhance national policy space?

If increasing aggregate demand is not a sufficient condition for solving youth labour market problems, what supplementary policy measures and sectoral policies are required? Is it desirable and feasible to attempt to increase employment elasticities or seek to promote sectors which have relatively high employment elasticities? If the majority of disadvantaged youth in developing countries are currently engaged in low-productivity agricultural activities or in the urban informal economy, what reforms are required to ensure that the poor have access to the assets necessary to boost productivity and incomes in these fields of activity? Is access to credit sufficient or is it necessary to consider land reform, well-targeted producer subsidies and public infrastructure development?

This article is long on questions and rather short on solutions. But for any constructive debate, it is imperative to first define the right issues rather than reaching consensus on the wrong policies. Over the course of the next year, the ILO can help narrow the potential policy differences about youth employment by focusing debate on the questions raised throughout this article and by producing sound economic analysis and independent policy advice based on hard empirical evidence. In this way, the ILO will have delivered a significant contribution towards resolving the dilemma of disadvantaged youth.

Notes

¹ ILO. 2004. *Starting right: Decent work for young people*, background paper for the Tripartite Meeting on Youth Employment, October.

² World Bank. 2004. *Children and youth: A framework for action*, draft, July, p. 28.

³ United Nations General Assembly document A/56/422 and documents prepared by the Secretariat of the Youth Employment Network.

⁴ World Bank, op. cit., pp. 3 and 29.

⁵ ILO, op. cit.

⁶ ILO. 2004. *Global employment trends for youth*, August.

⁷ Within the UN system and in all statistics collected by UN agencies, "youth" is defined as between 15 and 24 years of age.

⁸ ILO, op. cit.

⁹ World Bank, op. cit.

¹⁰ See statements by the UN Secretary General at the launch of the Youth Employment Network.

¹¹ ILO, op. cit.

¹² Godfrey, M. 2004. *Youth employment policy in developing and transition countries – Prevention as well as cure*, p. 3.

¹³ ILO, op. cit., p. 2.

¹⁴ United Nations. 2004. *World Youth Report 2003*, p. 78.

¹⁵ United Nations, op. cit., p. 79.

¹⁶ ILO, op. cit., p. 17.

¹⁷ Paul Ryan, comments on Godfrey.

¹⁸ Godfrey, op. cit., p. 3.

¹⁹ O'Higgins, N. 2003. *Trends in the youth labour market in developing and transition countries*. (Washington, DC, World Bank) Social Protection Discussion Papers, p. 44, October.

²⁰ The recently released ILO publication *Global employment trends for youth* did attempt to broaden attention beyond youth unemployment.

²¹ Martin, J. P. 2000. "What works among active labour market policies: Evidence from OECD countries' experiences", *Economic Studies* (Paris, OECD), pp. 106-107.

²² Auer, P., Efendioglu, U. and Leschke, J. Forthcoming. *Active labour market policies around the world: Coping with the consequences of globalization* (Geneva, ILO).

²³ However, Godfrey op. cit. argues that many OECD governments have failed to act on the negative evidence about rates of return on youth training programmes.

²⁴ See Auer et al. for a discussion of experimental and quasi-experimental techniques and other technical issues related to evaluation techniques.

²⁵ ILO. 2003. *Active labour market policies*, Governing Body Paper, November.

²⁶ Godfrey, op. cit.

²⁷ Auer et al. (forthcoming).

²⁸ *ibid.*, p. 49.

²⁹ *ibid.*, p. 59.

³⁰ *ibid.*, p. 49.

³¹ Dar, A. and Tzannatos, Z., 1999. Review of 72 scientific evaluations of different ALMPs.

³² Betcherman, G., Olivas, K. and Dar, A. 2004. *Impacts of active labour market programmes: New evidence from evaluations with particular attention to developing and transition countries*. (Washington, DC, World Bank, Social Protection Unit) January.

³³ Dar and Tzannatos, op. cit., p. 21.

³⁴ Betcherman, Olivas and Dar, op. cit., p. 2.

³⁵ Godfrey, op. cit., pp. 20-23.

³⁶ Auer, op. cit., p. 31.

³⁷ Betcherman, op. cit., p. 29.

³⁸ *ibid.*, p. 34.

³⁹ *ibid.*, p. 34.

⁴⁰ *ibid.*, p. 36.

⁴¹ *ibid.*, pp. 36-39.

⁴² Godfrey, op. cit., pp. 23-24.

⁴³ Kanyenze, G., Mhone, G. and Sparreboom, T. 2000. *Strategies to combat youth unemployment and marginalisation in anglophone Africa* (ILO/SAMAT).

⁴⁴ O'Leary, C., Nesporova, A. and Samorodov, A. 2001. *Manual on evaluation of labour market policies in transition countries* (Geneva, ILO).

⁴⁵ *ibid.*, p. 25.

⁴⁶ Auer, op. cit., p. 49.

⁴⁷ Godfrey, op. cit., p. 26.

⁴⁸ *ibid.*, p. 27

⁴⁹ ILO. 2004. *Productive employment for poverty reduction and development*, Governing Body Paper, p. 6, March.

⁵⁰ ILO. 2003. *A global programme: Investing in employment for poverty reduction and local economic growth*, February.

⁵¹ Auer, op. cit., p. 49.

⁵² Betcherman, op. cit., p. 49.

⁵³ *ibid.*, p. 49.

⁵⁴ *ibid.*, p. 51.

⁵⁵ Godfrey, op. cit., p. 29.

⁵⁶ Godfrey, op. cit., p. 30.

⁵⁷ Godfrey, op. cit., p. 32.

⁵⁸ Auer, op. cit., p. 49.

⁵⁹ Youth Employment Network (YEN). 2003. *Decent work for young people*.

⁶⁰ Godfrey, op. cit., p. 70.

⁶¹ Auer, op. cit., p. 33.

⁶² Kanyenze, op. cit.

⁶³ Auer, op. cit., pp. 57-60.

Flexibility: Dangerously ineffective

Often presented as the cure-all for youth employment, flexibility has not halted the erosion of jobs. But it has had a negative impact on working conditions. A look at the facts.

Luc Demaret
Editor
Labour Education
ILO

A minimum wage? But that's a rigidity! Protection against dismissal? A rigidity! Social contributions? Rigidities! Collective bargaining? A rigidity ... Look no further, some "specialists" say, for the causes of the unemployment that is raging right around the world. Those jobless figures, according to the International Labour Office (ILO),¹ include some 88 million young people aged between 15 and 24 – almost half of the world's known unemployed. Fans of the "rigidity" theory see just one solution: flex-i-bi-li-ty. Away with the minimum wage! Permanent contracts, out, out, out! Down with payroll costs! Long live the freedom to fire! Flexible labour market, here we come!

The snag: despite the religious application of this recipe for 20 years now in most of the industrialized countries (but doubtless with greater orthodoxy in the English-speaking ones), the jobless figures show no signs of coming down. The number of workers seeking employment reached 185.9 million in 2003 (6.2 per cent of the total active population). That is the highest figure ever recorded by the ILO.² Worse still, whereas the global youth unemployment rate (age 15-24) was 11.7 per cent in 1993, today it has reached 14.4 per cent, an increase of 3 per cent in 10 years. That is an extra 20 million young unemployed – twice the population of Greece, the host of the 2004 Olympics!

But if flexibilization seems to have had little positive impact on the unemployment

figures, its most perverse effects have been on the jobs that are still available. As the United Nations recently noted in its *World Youth Report*, "For growing numbers of young people, employment is precarious and may not provide an income sufficient to cover basic necessities. In industrialized countries, the demand for a flexible workforce and the increased use of part-time and temporary employment contracts have led to a heightened sense of insecurity and risk. In developing countries, a rising number of young people work in the informal economy, where they earn low wages and are often subjected to poor or even exploitative working conditions."³ Of the 550 million workers who are unable to keep themselves and their families above the poverty threshold of one dollar a day, 130 million are young people trying to scrape by with jobs in the informal economy.

According to an ILO report for the International Labour Conference in June 2002,⁴ excluding agriculture, between half and three-quarters of workers in developing countries were involved in informal labour: 72 per cent in sub-Saharan Africa, 65 per cent in Asia, 51 per cent in Latin America and 48 per cent in North Africa. The industrialized world is affected too, the report said. In the 15 countries which then made up the European Union, 30 per cent of workers were not in a conventional employment relationship. In the United States, one worker in four was in the

same situation, and less than 20 per cent of part-time workers were covered by health insurance or retirement schemes financed by the employer.

Underlying all this is the promotion of flexible working, according to Christine Nathan, the workers' spokesperson in the discussion on the informal economy during the 90th Session of the International Labour Conference. In practice, this flexibility has often meant low pay, insecure jobs and no social security. But another factor is the short-sightedness or obsessiveness of international bodies. "At the international level, we also have to deplore the role played by international financial institutions which have actually promoted the 'informal economy'", Nathan emphasized in an interview with *Labour Education*.⁵ This had been due to "ill-devised programmes of liberalization and deregulation which did not take account of local conditions or capacities and were often based on ideological orthodoxy and the blind faith that the 'markets' will fix it all". End result: "The dismantlement of public services has dropped millions of people into the informal economy. Most people have been left with no other choice than to try and survive informally because proper jobs have been destroyed."

Nor has flexibility prevented a further widening of the equality gap. On the contrary, the World Commission on the Social Dimension of Globalization notes in its report, published in February 2004, that income inequality has grown. In the United States, the share of gross income taken by the top 1 per cent of the population reached 17 per cent in 2002 – a level unequalled since the 1920s.⁶

Young servants

Informalization and inequality may be behind the recent boom in domestic service jobs. According to the ILO and UNICEF, tens of millions of young people, in fact often children, have to toil long and hard in order to supplement the incomes of families that can no longer make ends

meet. At the age of 17, Flor, a young domestic in El Salvador, works 13 hours a day according to Human Rights Watch in a report published in January 2004⁷ which included Flor's own account of her treatment: "I begin at 4:30 a.m. It's heavy work: washing, ironing, taking care of the child. I get up at 2 a.m. to go to work. Sometimes I eat, but sometimes I am too busy. There is no rest for me during the day. I have one day of rest each month. I earn 225 colones (¢) each month (about US\$26). They deduct if I make errors. One time the lady lost a chain that they said was worth ¢425 (US\$48.50). I had to pay for it. I preferred to pay rather than lose my job." Try telling Flor what Chilean economist Juan Luis Correa told the IPS news agency: "Making the labour market more flexible has only positive effects and no negative effects, as it permits employers and workers to make a free choice based on their own needs."⁸ Knowing that 85 per cent of the new "jobs" created in Latin America between 1990 and 1994 were in the informal economy, and therefore precarious and devoid of social protection, we may be surprised by the economist's statement that labour flexibility "permits the setting up of new enterprises, and thus of new employers who come on to the market, take on workers and transform the relationship between the number of employers and the number of workers, to the advantage of the latter. The more employers there are, the greater will be the bargaining power of the workers, who are free, and this can only be to their benefit". The analysis made last year by the UN Economic Commission for Latin America and the Caribbean (CEPAL) may be closer to the realities on the ground: "deregulation has led to a proliferation of jobs that are low-quality, unstable and badly paid and which offer poor working conditions and little or no social protection or benefits".

Exploited in the zones

In reality, one of the few sectors providing formal employment for young people in Latin America, as in other developing regions, is the export processing zones (EPZs). The idea behind the zones is relatively simple. A country attracts the investors in, offers them infrastructure and other advantages and allows them to import materials for the assembly or manufacture of goods which will then be exported duty-free. To pull in the investors, the host countries for these economic enclaves pile on the incentives: no taxation of profits, exoneration from social contributions and even guarantees of social peace. Flexibility is the order of the day, and the workforce is young and mainly female.

Undeniably, these duty-free zones have made it possible to create millions of jobs. In the Philippines, the number of people working in the zones rose from 229,000 in 1994 to 716,000 in 2001, while the jobs total in the Costa Rican zones soared from 7,000 in 1990 to 34,000 ten years later. In the zones of the Dominican Republic, there were no more than 25,000 jobs during the 1980s, but this figure reached 200,000 by the year 2000. In Sri Lanka, 350,000 jobs have been created by the zones, mainly in the garment export industry.

A recent ILO report⁹ shows that the number of EPZs rose from 79 in 1975 to 3,000 in 2002 and the number of countries with one or more zones went up from 25 in 1975 to 116 in 2002. Today, at least 13 million workers are directly involved in the EPZs, to whom must be added the 30 million Chinese workers employed in their country's 2,000 special economic zones.

But what is the quality of these jobs? In its annual report on violations of trade union rights, published in June 2004,¹⁰ the International Confederation of Free Trade Unions (ICFTU) sums the situation up as follows: "Export processing zones and the multinational enterprises that operate in them continued to blatantly flout trade union rights, particularly in the garment factories of Asia and Central America. Many of the workers in those factories are

young women, who have to endure appalling conditions because of the absence of trade unions to protect their interests."

When he was hired in May 2003 as a textile worker in the Haitian EPZ at Ouanaminthe, on the border with the Dominican Republic, Joseph Salnave was 24 years old. "The day would begin at 6.45 a.m. and end at 7.00 p.m., over 12 hours with just one 45-minute break to eat lunch, have a wash and go to the toilet", the young man recalls. In his factory, which makes Wrangler and Levi's jeans for the American market, there is constant pressure from the supervisors. The norm of 900 hems sewn per day has to be met. Otherwise, you have to put in more hours the next day. The pay? It starts at 432 gourdes a week (about US\$10). And not much more after a year – promises of pay rises are rarely kept. Legally, the workers were supposed to be on a 48-hour week, but most of them were actually putting in 55 for the same pay. "Management often misused its power", Salnave says. "For instance, several dismissed workers refused to hand in their identity papers until they received their compensation. The 'supervisors' got the documents back by threatening the workers with their guns." When he left the firm, under pressure, Joseph received only half of the 432 gourdes owing to him for his last week.

Grupo M, the Dominican Republic's leading employer, is one of the firms operating in the EPZ at Ouanaminthe. The company is the main jeans supplier in the Caribbean. To build the two production units that employ 900 Haitian workers (cheaper labour than in the neighbouring Dominican Republic), Grupo M received a US\$20 million loan from the World Bank via its private sector lending arm, the International Finance Corporation (IFC). Following an initial complaint lodged by the ICFTU, the IFC made its loan dependent on certain conditions, including respect for freedom of association in all of the group's plants. Apparently, this did nothing to curb the firm's anti-union instincts. In March 2004, less than 48 hours after learning that a union had been formed, the plant fired the first 33 members. The strike

that ensued was put down by armed men called in by the management. In June 2004, a further strike broke out. More than 300 workers were dismissed. An isolated case? Probably not. In an EPZ at Noida, in India, workers were dismissed for asking that the labour legislation be applied, the ICFTU reports.¹¹ And in Santacruz, near Mumbai, “90 per cent of the workers are women who are generally young and too frightened to form unions. Working conditions are bad and overtime is compulsory”.

On 17 August 2004, in the office of the Mauritius Labour Minister, Showkutally Soodhun, things became rather heated during his discussion with Joseph Lee, the Managing Director of Rossana Textiles. This firm employs 800 workers in the EPZs of Goodlands and Rose-Belle. The Minister was trying to understand why a firm with a turnover of 450 million rupees (12 million euros) wants to dismiss 173 workers and then recruit 200 new ones abroad next year. “You are begging for lazy workers”, Joseph Lee reportedly said, although he now denies this.

In Viet Nam’s Lihn Trung zone, three-quarters of the workers are aged between 18 and 30, and most of them are single. According to the IPS news agency, the shoe factories in the zone pay wages of between 300,000 and 600,000 Vietnamese dong (US\$19-38) a month. And Oxfam reports that Bangladesh has a law prohibiting the formation of trade unions in the EPZs, thus directly infringing upon the freedom of association enshrined in ILO Conventions.¹² Human Rights Watch, meanwhile, has conducted quite a few investigations into EPZs. In April 2004, it drew attention to the discrimination suffered by women in the zones of the Dominican Republic – including pregnancy tests required at the time of hiring and unfair treatment of pregnant women.¹³ Juana Diaz, for instance, a 20-year-old mother, tells of how she was dismissed when news of her pregnancy reached her supervisors. Another woman in the zone confirmed that, if you test positive for pregnancy, you are out. Generally, firms are reluctant to talk about such practices and some

have issued formal denials after reports from humanitarian organizations. Is the Global Compact launched by UN Secretary-General Kofi Annan perhaps loosening a few tongues? Anyway, Novartis Inc, one of the world’s biggest pharmaceutical companies, recently admitted in a report¹⁴ that such practices, which it deplored, had been used in one of its plants in an Asian EPZ. Investigators from Novartis were told that the tests were conducted in the best interests of the young women, most of whom were from Muslim communities and would be living away from their families for at least a year. “Learning of a pregnancy before her departure would enable a young woman to avoid problems with her community”, the inspectors were told. After discussion, the problem was reportedly solved by offering the candidates voluntary pregnancy tests, the results of which would be treated in the strictest confidence. Promise noted.

Tests for HIV/AIDS are also increasingly common in the EPZs and the tourist industry, according to Human Rights Watch: “Those who test positive are generally fired or denied employment”.¹⁵ It reports that women workers in the Dominican Republic claim to have been sterilized without their consent, and without being informed of their rights, because they were found to be HIV-positive.

Sexual harassment is also a reality in the EPZs. In Haiti’s Ouanaminthe zone, Joseph Salnave claims: “If the Haitian women working on the machines wanted a promotion then they had to sleep with the Dominican ‘supervisors’. There was no getting around it. If they refused, then they couldn’t work”.

In Kenya, the Human Rights Commission put out a report denouncing jobs that pay poverty wages: “The very workers, who are the backbone of export success in many developing countries, are being robbed of their share of the gains that trade could and should bring”. Gladys Kagore, a textile worker in one of the Kenyan EPZs, confirms that sexual harassment is widespread. “The supervisors and some managers demand sexual favours

and when one refuses, she is dismissed. Many women, especially young girls, have died from HIV/AIDS because of sleeping around with the supervisors". In January 2003, 9,200 workers in Kenya's EPZs were dismissed after organizing a strike for better working conditions.

New openings

Young jobseekers' best future prospect? These days, call centres are the hottest property on employment websites. Service-minded? Good listener? Solve problems fast? Know languages? Tech-savvy? Young and flexible? Not scared of working weekends? Zen when the little lights start flashing? Not too much into unions and none too fussed about pay? Come and join us! "Call centres are one of the rich job seams promised by the development of the service economy, for which the United States provides the model", proudly proclaims a site specializing in job offers. Inside the call centres, rows of agents with headsets and microphones key into their computers the data provided by the callers (a product order, an information request, a hotel reservation, a draft insurance policy, etc.).

"I'll give you the number of the fitness centre ..."

"Hi, this is Eva Sanchez. How can I help you?"

It is four in the afternoon in Tangiers, Morocco, and two o'clock in Madrid, where a subscriber has just dialled enquiries. He does not know that his call has been switched through to Morocco, and that the charming hostess who gives him the information in less than a minute is not Eva Sanchez, but Mariam Otmani, 23 years old and a call centre agent for the past three years. She studied Spanish in Tangiers. This subterfuge, used by most call centres, is really quite innocent. It is just meant to gain the caller's trust. And as long as everyone's happy ...

The call of the centres

Soon, there will be 60,000 call centres in Europe, providing jobs for 4 million workers, most of them young. In the United States, they already account for 4 per cent of the labour force. Ever more sophisticated technologies, coupled with the development of the Internet, hold out the promise of exponential growth in this sector. But there are two sides to this coin. As the French Democratic Labour Confederation (CFDT) points out, "there is still not much of a legislative framework for the call centres' activity". So call centre workers are often paid the minimum wage, and their qualifications and skills are not properly recognized.

Horrendous work rates (the calls are timed), pressure from the supervisors, repetitive tasks, abuse from the customers ... in fact, the pay is the least of the agents' complaints. And yet, it is nothing to write home about either. According to the Dutch unions, pay in the call centres of the financial sector can be 20 to 30 per cent lower than for staff covered by a banking sector collective agreement. In Tangiers, call centre agents earn less than 400 euros a month; in Canada, 15 dollars an hour (10 euros); and in India, 6,000 rupees (150 euros) a month.

Even if working conditions have improved slightly in some call centres, trade union organizations continue to be concerned about the quality of these jobs offered to young workers. "Call centre workers are generally badly paid. It can happen that they do not receive any additional payment for evening and weekend work", notes a study by Union Network International (UNI).¹⁶ The trails followed by some firms confirm that the quest for cheap, "flexible" (i.e. non-union) labour is a major factor when choosing locations. "Where legislation does exist, the operators manage to avoid it by relocating their premises", the CFDT points out. For example, Noos, a leader in cable TV distribution, and TPS, a big telecommunications firm, "relocated to escape the collective agreement for telecoms. The first wave of relocation was from Paris to the provinces, where wages are lower and the unemployment

rate is sometimes very high. The second wave is from the provinces to the emerging economies, where pay is even lower". Noos first moved from Paris to Le Mans, and then set up shop in North Africa. But Morocco is getting "expensive" and new locations are already being planned. British call centres may soon move more than 100,000 jobs to India. A seldom explicit but often experienced fact: union membership counts against any young person who applies to work in a call centre. A study carried out in the United Kingdom in 2002 showed that 40 per cent of employers discourage their workers from joining a union, and a quarter of the employers interviewed admitted to taking measures against union members.¹⁷ Similarly, in Australia, 88 per cent of company bosses in this sector said that they preferred to deal "directly" with their staff rather than through a union. Barely half of the workers interviewed in 88 Australian call centres felt free to join a union, and individual contracts are generally preferred to collective agreements in this sector. Non-unionized workers, and those on individual contracts, are more likely to be promoted.¹⁸

"As well as flexible working hours, they have flexible contracts", notes the Belgian General Labour Federation (FGTB/ABVV).¹⁹ In fact, the Belgian unions explain, the workforce consists of a small, stable core of permanent employees (managers and specialized agents), surrounded by an inner circle of fixed-term contracts (the agents) and an outer circle of short-term temporary contracts, or freelancers and part-timers, who cover outside regular hours. Just like the calls, the jobs are on a running meter. With a staff turnover of almost 30 per cent, tomorrow's job tip is not much of a prospect.

Impermanence

The informal economy, EPZs and the call centres are all instances of how job opportunities for young workers have gone downhill. But flexibility reaches much further than these prime examples. It is

to be found in every corner of the labour market these days, and young people are in the firing line. In February 2002, a tripartite meeting in Bangkok voiced concern over the number of young people in Asia and the Pacific whose employment had been made precarious by fixed-term or temporary contracts.²⁰ Today, it is the same everywhere.

Flexibility is "a growth opportunity worth millions". Such is the proud boast of world temp agency leader Adecco. Nowadays, temping yields a turnover of US\$400 billion. About 1.5 per cent of the active population of the European Union, a daily average of 2.2 million workers, are now employed by temp agencies, mainly on short-term contracts of between one day and one year, according to the International Confederation of Temporary Work Businesses. In the United States, this sector provides 2.16 per cent of the workforce – about 3 million workers a day. In France, the number of temps increased fivefold between the mid-1980s and 2002.²¹ Often portrayed as a springboard for young jobseekers, temp agencies recruit straight from the school gate, although these days they also tend to be on the lookout for young university graduates. In Belgium (as in many countries), the FGTB notes that the law places strict limits on the circumstances in which temps may be brought in – to replace a worker who has been dismissed or who has resigned (maximum six months); to replace a worker who is sick or who is taking a career break (three months); or in case of temporary work overload – but, as the Belgian unions put it, "many firms constantly use a certain number of temps, so it may be felt that companies place a, let us say, liberal interpretation on the law".²² Temping is just one facet of flexibility: temporary and part-time employment contracts link up with it in a nexus of impermanence. Once again, young people are out front: in Australia, 64 per cent of the 15-19 age group and 50 per cent of 20- to 24-year-olds are in part-time employment, as against 27 per cent on average for the active population as a whole. In France, the number of employees on fixed-term con-

tracts tripled (from 319,000 to 897,000) between the mid-1980s and 2002. Temporary jobs accounted for 8 per cent of those in employment, while atypical jobs in general now make up 25 per cent of total employment, an increase of 9 per cent compared with the 1980s.²³ In Europe, young Italians, French and Swedes have the proportionately highest rates of involuntary part-time work (i.e. among those who would prefer to be working full-time), running at more than 50 per cent. In Sweden, this trend is particularly clear-cut for the age group 15-19, in which 85 per cent of the women and 73.2 per cent of the men are working part-time. Everywhere, precarious employment is increasing faster than permanent jobs. In Italy between 1994 and 2000, the number of standard employment contracts (permanent, full-time) rose by 1 per cent, whereas temporary and part-time jobs both increased by 26 per cent.²⁴ In Switzerland too, "it is clear that young people under the age of 25 have an above-average likelihood of being in precarious employment", confirms the February 2004 issue of the monthly *La Vie économique*.

It goes without saying that precarious employment is also badly paid employment. In the case of Europe, according to Yannick Fondeur and Florence Lefresne, "most reports emphasize the size of the relative wage cut taken by young people during the 1990s and the increase in the proportion of young people in the low-income groups".²⁵

Wage flexibility

On the pretext of boosting youth employment, many countries allow their minimum wage policies to be bent a little by encouraging the spread of either part-time or temporary contracts, particularly in cases where the minimum wages are calculated on an hourly basis. The workers concerned will then end up earning less, because they will be unable to work the number of hours required in order to receive the equivalent of the full-time minimum wage. Chile is a good case in point, cited in the ICFTU's

annual report: the employers managed to obtain the inclusion of flexibility measures, such as the introduction of short-term contracts and less strict regulations on the hiring of young people. Another approach is the adoption of minimum wage rates specific to young people, as in Spain and the United Kingdom. In such cases, the discrimination is institutionalized.

And flexibility has one more trick up its sleeve: encouraging self-employment. Not that there is anything wrong with self-employment in itself. It is an important source of jobs, but it can be used by "real" employers to avoid paying social charges on the "false" self-employed workers whom they take on. In Italy, for instance, a survey revealed that 45 per cent of firms have fraudulent recourse to "self-employed" workers who should, in fact, be on the companies' payroll.²⁶

As well as favouring precarious conditions, exploitation and anti-union attitudes, flexibility can cost lives. This is probably its least visible facet. All too often, the statistics remain silent about the youthfulness of workplace victims. However, some disturbing trends can be made out. In 2003, in its report for the World Day for Safety and Health at Work, the ILO emphasized that "fatal accidents usually occur to workers who could still have had a long working career ahead of them, and some happen to young and inexperienced workers".²⁷ Three years earlier, the French newspaper *Le Monde*, reporting on European surveys, found that "the typical profile of European workplace accident victims tends to be: young, precariously employed and working in an SME".²⁸

So we may well wonder if the time has not come to examine the quality of youth employment. The fight against unemployment must include decent work – and that goes for young people, too.

Notes

¹ ILO. 2004. *Global Employment Trends for Youth 2004* (Geneva), August. Online at www.ilo.org/ trends

² ILO. 2004. *Global Employment Trends* (Geneva), January.

³ UN. 2004. *World Youth Report 2003* (New York), April.

⁴ ILO. 2002. *Decent Work and the Informal Economy*, Report VI, International Labour Conference, 90th session (Geneva).

⁵ Nathan, C. 2002. "Informal work: From concept to action", *Labour Education* (Geneva, ILO), No. 127.

⁶ The World Commission on the Social Dimension of Globalization was set up by the ILO and was co-chaired by President Tarja Halonen of Finland and President Benjamin William Mkapa of the United Republic of Tanzania. Its report, *A fair globalization: Creating opportunities for all*, was published in February 2004 (Geneva, ILO).

⁷ Human Rights Watch. 2004. *El Salvador: Abuses against child domestic workers* (New York, NY), January.

⁸ The economist's comments were given in an interview with Gustavo González and were quoted in an Inter Press Service dispatch of 8 May 2003 headed *Flexibility Makes it Tougher to "Earn Your Bread"*. The English quotes from Correa used in the present article are in our own translation.

⁹ ILO. 2003. *Employment and social policy in respect of export processing zones (EPZs)*, Committee on Employment and Social Policy, 286th Session of the Governing Body (Geneva), March.

¹⁰ ICFTU. 2004. *Annual report on violations of trade union rights 2004* (Brussels), June.

¹¹ *ibid.*

¹² OXFAM. 2003. *Highly affected, rarely considered: Export oriented manufacturing industries and young workers*, Report of the Commission of the Oxfam International Youth Parliament (Sydney), July.

¹³ Human Rights Watch. 2004. *Pregnancy-based sex discrimination in the Dominican Republic's free trade zones: Implications for the U.S.-Central America Free*

Trade Agreement (CAFTA), a Human Rights Watch Briefing paper (New York, NY), April.

¹⁴ Journal of Corporate Citizenship. 2003. *Opportunities and risks of the United Nations Global Compact: the Novartis case* (Sheffield, Greenleaf Publishing), September.

¹⁵ Human Rights Watch. 2004. *A test of inequality: Discrimination against women living with HIV in the Dominican Republic* (New York, NY), July.

¹⁶ UNI. 2000. *Unionization of call centres in the financial sector*, a discussion paper prepared by Andrew Bibby (Geneva), March.

¹⁷ These surveys are quoted in a report published in June 2003 by the Canada Industrial Relations Board, under the title *Recruitment strategies and union exclusion in two Australian call centres*.

¹⁸ *ibid.*

¹⁹ FGTB. 2003. "Centres d'appel : le côté sombre de la société de l'information", *Syndicats*, 31 janvier.

²⁰ This meeting was held in Bangkok from 27 February to 1 March 2002 under the aegis of the ILO and the Youth Employment Network, which includes the United Nations, the ILO and the World Bank. For more information, see www.ilo.org/public/english/region/asro/bangkok/conf/meet02.htm

²¹ Maruani, M. 2003. "Emplois atypiques", *Le monde diplomatique* (Paris), juillet.

²² FGTB. 2003. "L'école est finie", *Syndicats*, 27 June.

²³ Maruani, *op. cit.*

²⁴ Altieri, G. 2002. "La flexibilité du marché du travail : débat politique, pratiques de terrain", *Chronique internationale de l'IRES* (Institut de recherches économiques et sociales (IRES)), (Noisy-le-Grand, France) May.

²⁵ Fondeur, Y. and Lefresne, F. 1999. "Présentation : les jeunes sur le marché du travail, une comparaison européenne", *Revue de l'IRES*, 2/1999.

²⁶ Altieri, *op. cit.*

²⁷ ILO. 2003. *Safety in numbers* (Geneva), April.

²⁸ Aizicovici, F. 2000. "Mauvais bulletin de santé pour les conditions de travail", *Le Monde (Monde de l'Economie)*, 24 October.

Minimum wages and youth employment

*Does a legal minimum wage tend to price young people out of a job?
Many economists still argue that it does, but the consensus is shifting.*

Grant Belchamber

Senior Research Officer
Australian Council of Trade Unions

“The estimation in which different qualities of labour are held comes soon to be adjusted in the market with sufficient precision for all practical purposes, and depends much on the comparative skill of the labourer and the intensity of the labour performed. The scale, when once formed, is liable to little variation. If a day’s labour of a working jeweller be more valuable than a day’s labour of a common labourer, it has long ago been adjusted and placed in its proper position in the scale of value.”

[David Ricardo, *The principles of political economy and taxation*,
Everyman’s Edition, London, 1973.]

“The higher the minimum wage, the greater will be the number of covered workers who are discharged.”

[George J. Stigler, “The economics of minimum wage legislation”,
American Economic Review, 1946, Vol. 36, pp. 358-365.]

Debates about minimum wages typically generate much heat, but little light. The arguments advanced about youth minimum wages mirror those deployed about minimum wages for adult workers.¹ There are differences in emphasis on certain points, but the basic issues are common.

Trade unions support prescription of effective minimum wages.² Effective minima are enforceable minima. At worst, effective minimum wages limit exploitation of vulnerable groups of workers. At best, minimum wages ensure a living wage for all workers.

Wages are workers’ incomes, derived from sale of their labour power. Other things being equal, higher wage rates enable workers to better meet their needs. For vulnerable (industrially weak) workers, unable to secure collective agreements on

wages and conditions, minimum wages set the floor for labour market outcomes otherwise determined by atomistic haggling.

When they are well designed and maintained, effective minimum wages in conjunction with the provision of robust training infrastructure can also promote skills formation.

Opposition to minimum wages is widespread (though not universal) amongst employers, governments and academic economists, and the opposition to minimum wages for young workers is greater than opposition to minimum wages for adult workers generally.³

Opposition to minimum wages – arguments and evidence

The arguments that are put in opposition to minimum wages fall into two broad groups.

First, mainstream “supply-and-demand” economic theory has a central and pre-eminent role for the price mechanism in clearing markets and establishing “equilibrium”. Price increases signal shortages and profit opportunities from entering the market; price falls signal surpluses and profit opportunities from exiting the market. The price mechanism is the “invisible hand” that balances supply with demand and clears markets. Any intervention that constrains prices from rising or falling impairs the signalling function of the price system and impedes attainment of equilibrium.

In the labour market, wage rates are the price of what is bought and sold.

Under this paradigm, when the labour market “clears”, there is no unemployment and equivalently, the existence of unemployment is held as evidence that the labour market is not clearing. The incidence of unemployment is always higher among workers with basic skills competing for low-paid jobs, and lower among higher-skilled and higher-paid workers.

On this view, minimum wage laws⁴ prevent adjustment of *relative wages* – that is, of wages for low-paid workers falling relative to other groups – and unemployment is the result. According to this neat theory, lower wages impact on both supply of and demand for labour, and result both in fewer persons seeking employment and more employers hiring additional labour for any level of output. By this adjustment process, the wages of workers in “excess supply” fall until the point is reached where the balance between demand and supply has been restored and unemployment has disappeared.

That wages have a significant signalling role in the labour market is, in principle, a testable proposition, and the search to find evidence of it has been long and sustained in labour economics. The search

is for a statistical relationship between excess demand/supply of labour on the one hand, and movement in relative wage rates on the other. For a precept of such fundamental importance to the dominant theory, the search has been staggeringly unsuccessful. One eminent study summarized its findings thus:

The structure of wages and salaries ... is consistent with the provision of broadly indicative signals, rationing scarce talents and acquired skills. We do not believe, however, that relativities are a sensitive signalling device. This comprehends both the following statements: (1) wage relativities do not respond readily to changes in the underlying conditions of demand and supply; and (2) the allocation of labour is insensitive to changes in relativities between the wage levels of major categories of labour.⁵

Labour market deregulation as a strategy for job creation, the central policy bloom of the *1994 OECD Jobs Study*, wilts and shrivels under forensic econometric examination.⁶ Labour market “flexibility”, by which is meant removal of “impediments” like minimum wage laws alleged to fetter or suppress labour market signals and the adjustment of relative prices in the labour market, is no cure-all for unemployment.

The widespread failure to find evidence of a significant signalling role for wages in labour market adjustment has seen the emergence of a substantial literature in labour economics dealing with alternative adjustment mechanisms. The supply of labour and payment of wages is not a once-off impersonal transaction, but a relationship between human beings where the labour supplied is conditioned by the work environment. As celebrated economist Arthur M. Okun put it more than 20 years ago, the labour market is characterized not so much by the “invisible hand” as by the “invisible handshake”.⁷

A second broad objection to minimum wages holds that binding minimum wage levels will price some workers out of employment because the wage is set too high relative to the workers’ output.⁸ From any

initial position, a rise in minimum wages will cause higher unemployment amongst minimum wage workers.

The proposition that minimum wage laws cost jobs is a sacrosanct article of faith for many economists. It is a theoretical deduction from first principles, based on the *marginal productivity theory* of value and distribution that lies at the heart of the dominant paradigm in contemporary economics. To question this proposition is to commit heresy in the eyes of the high priests of orthodoxy, and is met by them with derision.⁹

The proposition can, however, be tested – and more straightforwardly than by attempts to relate excess demand/supply to movements in wage relativities. The conceptually simple test is whether the introduction of minimum wages, or increases in them, causes job losses. And if so, how large is the job loss for any given increase in minimum wages?

Conceptual simplicity does not mean that practical tests are simple or straightforward. The search for a negative relationship between minimum wages and employment is possibly the most tilled field in all of applied economics but has been staggeringly unproductive for the conventional story.

The failure to find clear evidence that minimum wages cost jobs in the labour market at large has seen researchers in recent decades focus on segments of the labour market where, in theory, the adverse effects on minimum wages should be more evident and clearly discernible. The focus group for most studies has been young workers.

Young people moving from the world of school and play to the world of work commence their working lives with fewer skills, less training and less experience than their adult counterparts. Their productivity is accordingly lower and (for market economists) their employment should be at greater risk from minimum wages laws.

The seminal paper in this modern tradition is by Brown, Gilroy and Kohen¹⁰ (BGK). Applying then state-of-the-art

econometric technique to time-series data for the United States over the period 1954 to 1979, BGK's preferred estimate was that a 10 per cent increase in the (adult) minimum wage reduced employment of teenagers by between 1 and 3 per cent.

This ratio (known as the elasticity of employment with respect to wages) has acquired the status of a well-known fact within the economics profession, with the qualification that it referred to employment of teenagers frequently ignored or forgotten. Surveys of professional economists show that most believe a 10 per cent rise in minimum wages will cost between 1 and 3 per cent of the number of jobs – not just teenagers' jobs.

But BGK's estimate does not hold up under critical scrutiny. Subsequent developments in econometrics have demonstrated profound methodological shortcomings with the time-series evidence. And there are abiding concerns about "publication bias" and "specification searching". Moreover, when BGK's preferred model is estimated with data covering the 1980s as well (i.e. 1954 to end-1993), it becomes progressively *weaker*, not stronger, and by 1990 the estimated elasticity is not statistically different from zero.¹¹

Today a plethora of modern rigorous empirical studies casts doubt over the orthodox prediction. Since the late 1980s, David Card, Lawrence Katz, Alan Krueger and others have (singly and jointly) reported results for the United States that *show modest increases in minimum wages have no effect on employment* – indeed, some results suggest that minimum wage rises are associated with *increases* in employment. Richard Dickens, Stephen Machin, Alan Manning and others have produced a similar stream of evidence for the United Kingdom.

The authoritative modern compendium reporting these recent heterodox results is Card and Krueger's *Myth and Measurement*.¹² A steady stream of studies published subsequently has produced similar findings; many of these are listed in the series of reports by the United Kingdom Low Pay Commission.¹³

Minimum wages and income distribution

Some studies continue to report negative minimum-wage/employment elasticities, especially for young workers. For example, the OECD *Employment Outlook 1998* reports cross-country regressions for a sample of OECD countries that have minimum wage legislation. It found a statistically significant, but *very small* negative relationship between minimum wages and youth employment.¹⁴

This is noteworthy in its own right. A *small* negative relationship – anything less than proportional – between minimum wages and youth employment means that higher minimum wages improve the welfare of young workers as a group.¹⁵ The evidence for *any* statistically significant negative relationship between minimum wages and employment for young workers is problematic and well short of conclusive – the estimates cluster around zero, suggesting that minimum wages are on average neutral for employment.

But what studies there are reporting negative minimum-wage/employment findings overwhelmingly report *small* magnitudes. This means that minimum-wage laws can help to improve the distribution of income. It also means that cutting youth minimum wages is at best an expensive strategy to create more jobs for young people.

It should also be noted that the empirical evidence on the employment impact of minimum wages relates to *modest* increases. It is not difficult to see the importance of this qualification. Imagine that, overnight, the minimum wage for teenagers was raised to twice the adult minimum wage rate. Such a development would surely wreak havoc on teenage employment. But there are no propositions of this ilk under policy consideration in any country, so the question remains, how modest is modest?

The evidence suggests there is substantial room for movement in most countries. The introduction of minimum wages in the United Kingdom and the adjustment

of minimum wages for teenagers in New Zealand show that substantial increases in minimum wages from previously low levels have had little or no impact on employment outcomes.¹⁶

Regular, moderate, predictable changes in minimum wages from a higher base – such as have occurred in Australia over the past two decades – have not had any discernible employment consequences, positive or negative, for young (or indeed adult) workers.¹⁷

The driving determinants of employment outcomes, it seems, lie elsewhere than with minimum wages within the range of real-world observed levels.¹⁸

Current practice and good design

It thus seems safe to embrace effective minimum wages for youth, recognizing that care is required in establishing and varying them. Presently, provisions differ widely across countries.

Table 1 sets out youth minimum wages and selected labour market data for a range of countries for which information was available. The first block of columns showing minimum wage rates as a percentage of the applicable adult minimum¹⁹ demonstrates that a wide range of approaches applies across countries.

Australia, Belgium and the Netherlands have an increasing scale of minimum wages for teenage workers. Entitlement to the full adult minimum wage applies at age 21 in Australia and Belgium, but not until age 23 in the Netherlands. The proportions of the adult minima for each year of age differ greatly across these three countries.

Canada, Greece, Portugal and Spain apply the full adult minimum wage at all ages, as does the United States, except that for the first 90 days of employment, the applicable minimum is a little over 80 per cent of the adult rate.²⁰ France, Ireland and New Zealand apply the full adult minimum from age 18 with (different) lower minima for workers aged 16 and 17; while the United Kingdom has a

Table 1. Minimum wages and employment/population ratios – Selected countries

Country	Youth minimum wages as % of adult minimum (at end 2002), at age:					Minimum wage for 18-year-olds in 1997 (m)	Employment/population ratio – persons aged 15 to 24	
	16	17	18	19	20		US\$ PPP	1990
Australia ^a	50	60	70	80	90	5.75	61.1	59.6
Belgium ^b	70	76	82	88	94	5.25	30.4	28.5
Canada ^c	100	100	100	100	100	5.33	61.1	57.3
France ^d	80	90	100	100	100	5.56	29.5	24.1
Greece ^e	100	100	100	100	100	3.06	30.3	27.0
Ireland ^f	70	70	100	100	100	N/A	41.4	45.3
Netherlands ^g	34.5	39.5	45.5	54.5	63.5	2.73	53.0	70.5
New Zealand ^h	80	80	100	100	100	4.46	58.3	56.8
Portugal ⁱ	100	100	100	100	100	2.32	54.8	41.9
Spain ^j	100	100	100	100	100	2.94	38.3	36.6
UK ^k	Exempt	Exempt	85	85	85	N/A	70.1	61.0
USA ^l	82.3	82.3	100	100	100	5.15	59.8	55.7

^a Minima vary by industry. Most youth employment is in the retail sector; these wages figures are for retail employment and are percentages of the shop assistant minimum wage (which in 2002 was 113.5 per cent of the Federal Minimum Wage). Thus the minimum wage for a 20-year-old shop assistant in Australia is 102 per cent of the FMW. ^b Full minimum wage applies at age 21. ^c Full minimum wage at all ages in most provinces. ^d Workers aged 16 and 17 receive the discounted minimum wage only for the first six months of their employment, then the full rate. ^e Full minimum wage applies at age 15, but restrictions apply to employment of workers under 18 years. ^f Full minimum wage applies two years after first commencing work, from age 18 (unless in structured training). ^g Full minimum wage applies at age 23. ^h From 1991 to 1994, workers aged under 18 years were exempt from the minimum wage. From 1996 to 2000, workers aged under 20 years were entitled to 60 per cent of the adult minimum. Current rates apply from 2000. ⁱ Full minimum wage at all ages, except for certain apprentices and trainees. ^j Full minimum wage at age 16. ^k Full minimum wage at age 22. Workers aged under 18 years currently exempt from minimum wage; the Low Pay Commission has recommended introduction of a minimum rate, to be set at approx 60 per cent of the full minimum, for these workers. ^l Lower rate applies for the first 90 days of employment; the full minimum rate applies at all ages thereafter (excluding certain callings in hospitality industry). ^m Calculated using statutory minimum wages, exchange rates and PPPs as at 1997, from Blau and Kahn Table 3.3, p. 82; except that the Australian figure is based on the shop assistant minimum wage which is 12.5 per cent higher than the FMW.

Sources: *OECD Employment Outlook* (various); *UK Low Pay Commission Reports* (various); *At Home and Abroad – US Labor Market Performance in International Perspective* by Francine D. Blau and Lawrence M. Kahn, Russell Sage Foundation, New York, 2002.

lower minimum for young adults (aged 18-21) and no minimum for workers aged less than 18 years.²¹

Beyond these differences in practice, the relevant adult minimum is set at different levels across countries – whether expressed in a common currency or as a proportion of (say) median earnings. To provide some indication of the impact of this difference in a globalized world, the middle column in table 1 applies the minimum wage proportion for 18-year-old workers to the national minimum wage

to express the rate in a common currency using purchasing power parities (PPPs) in 1997.²²

The final two columns show the employment density amongst young people for these countries, measured as the ratio of employment to population (the E/P ratio). Unfortunately, the comparative employment density for 18-year-olds across these countries is not easily discerned, as data for corresponding employment-to-population ratios is only readily available for 15- to 24-year-olds as a group.

Accordingly, firm conclusions cannot be drawn here. That said, measured in PPPs, the minimum wage for 18-year-olds is relatively high – between US\$5.15 and US\$5.75 – in Australia, Belgium, Canada, France and the United States. Of these, the three English-speaking countries have high E/P ratios (between 55 and 60 per cent) whereas the two continental European nations have low E/P ratios – less than half as high.²³ In all five countries, E/Ps fell between 1990 and 2002.

New Zealand has mid-range minimum wage with a high E/P.

Greece, Portugal, Spain and the Netherlands have low minimum wages for 18-year-olds – between US\$2.32 and US\$3.06. The first three of these countries have low E/P ratios, which have fallen over the 12-year interval.

But the clear outlier in the table is the Netherlands. Its minimum wage for 18-year-olds is the lowest of all countries, bar Portugal. And its E/P ratio has risen from 53 to 70 per cent over the 12 years to 2002 to become (by 10 percentage points) the highest among all countries shown. Over the past two decades the Netherlands has instituted and revamped the array of active labour market programmes that apply in its labour markets, through its Foundation of Labour and Social-Economic Council. The policy initiatives implemented have “social partnership”, not “neo-liberal” origins and character.²⁴ The Dutch initiatives exhibit deep integration between training and skills formation and employment. There is no reliance on regulation and low wages in the youth labour market, in isolation from a concerted programme of active measures.

The profound differences across countries, in a globalized world, in national levels of youth minimum wages and in employment density among young people are not plausibly accounted for by corresponding differences in young workers’ productivity.

Ricardo, it seems, was on to something – the structure of relative wages in a country reflects social mores and customs in substantial measure. There is scope in all countries to improve the lot of young

workers by establishing and maintaining effective minimum wages.

What are good design features? What constraints apply?

Minimum wages are and should be recognized as an essential component of *active labour market policies*. Effective minimum-wage laws raise the earnings prospects of job seekers without damaging their employment prospects.

Minimum-wage provisions for young workers should be clear, transparent and readily understood.²⁵ This helps young people contemplating their future options to make informed decisions. It also keeps the information set that employers must know and comply with, simple and straightforward.

In the transition from school to work, apprenticeships and traineeships and similar structured forms of work and learning have historically facilitated the passage, and continue to do so. Delivering recognized and portable qualifications, such arrangements improve participants’ expected lifetime earnings profiles.

There are cogent arguments for recognizing the time spent in training as an offset to minimum wages that would otherwise apply. However, such provisions require close and careful monitoring to ensure minimum wages are not circumvented and their effectiveness undermined. Some employers seek to pay young workers trainee/apprentice wage rates, but fail to provide the corresponding training.²⁶

This is especially the case for young adults. In some countries where the age of majority is 18 years, persons who can drive and vote and fight as soldiers for their country and are adults for all other purposes, are not entitled to receive the full adult minimum wage in employment. Where they are not engaged under a traineeship or a similar structured contract of training, the reasons for this are obscure at best. Where the minimum wage is discounted in the name of skills formation, it is incumbent on employers and governments to ensure that the requisite training infrastructure is to hand and the training provided.

For younger workers (i.e. not legally recognised as adults), entitlement to the full adult minimum wage, as presently applies in several countries, may be appropriate. While some work experience is a desirable and valuable complement to schooling and education, during the younger teenage years paid employment must remain the second-order priority. Child labour is an anathema and should not be encouraged by heavy discounts on minimum wages for children, pricing them into jobs.

Where some reduction vis-à-vis the adult minimum is agreed to be appropriate, for young workers and/or as part of structured training provision, a lower limit is provided by need, efficiency wage considerations, and any social security payments which may be available. A young person living at home may share domestic infrastructure; for as long as the young person's primary activity is schooling, some reduction vis-à-vis the adult minimum wage may be supportable. This may particularly apply in countries where the adult minimum is set at comparatively high levels.

Where the adult minimum is set at low levels, insufficient to insure an adult worker against wage poverty, any further reduction for young workers will be inadvisable. Efficiency wage²⁷ considerations put a natural floor to wage minima too; in the United States, measures enabling employers to pay teenagers in their first job a "sub-minimum" wage are rarely used at all.²⁸

The existence, conditions and rates of payment attaching to unemployment insurance and education allowances to which young people may be entitled are also relevant to establishing minimum-wage rates for this group. Such entitlements, where they exist, set a practical "reservation wage",²⁹ a lower limit for youth minimum wages.

In some callings, it is utterly inappropriate for any reduced wage minima to apply for younger workers. For example, teenage boys full of testosterone and intent on demonstrating their machismo should not be available to building and construction industry employers at discount wages

to run around on roof trusses high above the ground engaged in dangerous work.

Finally, regular adjustment of minimum wages by moderate amounts keeps the minima in touch with the market, obviating the need for large and potentially disruptive changes.

Conclusion

In defending and advancing the interests of ordinary working people, trade unions seek to raise wages and working conditions, and thus to raise the human condition in society generally. This quest has sustained and motivated unionists for the better part of 200 years.

For fundamentalist market economists, any and all attempts to raise wages and conditions of employment above what the unfettered market would provide, are futile and will inevitably deliver less employment and lower welfare for the community at large. Though there have always been a few heretics, this belief has long dominated economists' labour market policy prescriptions.

This is now changing. The emerging international consensus based on current evidence suggests strongly that it is possible to reduce poverty and improve living standards generally by shaping the labour market with minimum-wage laws, and supplementing these with active training and skill formation policies.

On this issue, unions have been right all along. We must not give up the fight.

Notes

¹ Ignoring for the moment the question of when "youth" ends and "adult" life begins.

² It is a separate issue *how* these minima are effected – whether minimum rates are directly set by parliament, or collectively bargained rates are extended generally by legislation, or whether minima are determined by tribunal processes at arm's length from the legislature.

³ A number of academic economists purport to support minimum wages, as long as they are ineffective (i.e. set at very low levels and/or not enforced).

⁴ Indeed, all labour market regulation.

⁵ *Report of the Committee of Review into Australian Industrial Relations Law and Systems* (the “Hancock review”), Vol. 3, Appendix 2, p. 29 (Canberra), AGPS, 1985.

⁶ See the collection of papers in *Fighting unemployment: The limits of the free market orthodoxy*, D. Howell (ed.) (OUP forthcoming).

⁷ Ricardo’s observation 200 years ago is entirely consonant with this view.

⁸ This is the foundation for Stigler’s assertion quoted above.

⁹ See Gary Becker’s review of Card and Krueger’s work, in *Business Week*, 1994.

¹⁰ Charles Brown, Curtis Gilroy and Andrew Kohen. 1982. “The effect of the minimum wage on employment and unemployment”, *Journal of Economic Literature*, Vol. 20, pp. 487-528. This study originated in work for the Presidential Study Commission on the Minimum Wage established early in his first term by Ronald Reagan. It resulted in the US Federal Minimum Wage being frozen in nominal terms for nine-and-a-quarter years – from 1 January 1981 to 1 April 1990.

¹¹ For a detailed exposition, see Chapter 6 of *Myth and measurement: The new economics of the minimum wage* (Princeton University Press, 1995) by David Card and Alan B. Krueger. “Publication bias” and “specification searching” refer to the tendency of researchers and journal editors to report results that accord with theoretical predictions, and not publish inconclusive findings and results that are at odds with those predictions.

¹² Op. cit. As Card and Krueger emphatically acknowledge (see for example p. 8), the modern results challenging the orthodox view are actually in a long and strong tradition within the economics discipline.

¹³ Available at www.lowpay.gov.uk

¹⁴ OECD. *Employment Outlook 1998*, pp. 47-48. “... it is important to note that these estimated effects are relatively insignificant in terms of explaining the large decline that has occurred in the teenage employment–population ratio in some countries. In France, for example, the teenage employment–population ratio declined by over 18 percentage points between 1975 and 1996, but the rise in the minimum wage relative to average wages accounts for less than half a percentage point of this decline.”

¹⁵ See Richard Freeman. 1996. “The minimum wage as a redistributive tool”, *Economic Journal* 106, pp. 639-649. Suppose there are 100 minimum wage workers and the minimum wage is \$10 per hour. Now suppose the minimum wage is raised to \$11 an hour, and employment falls by three to 97. The initial hourly wages bill was \$1,000; following the minimum wage rise and employment reduction the wages bill has risen to \$1,067. It follows that, in principle, the 97 employed workers as a group could pay

each of their three unemployed colleagues \$10 an hour, and still be better off themselves.

¹⁶ For New Zealand, see Dean Hyslop and Steven Stillman. Forthcoming. *Youth minimum wage reform and the labour market* (New Zealand Treasury and New Zealand Department of Labour). The increases (over two years, relative to adult minimum wages) were 41 per cent for 16- and 17-year-olds, and 70 per cent for 18- and 19-year-olds. For the United Kingdom, see *Low Pay Commission Report 2004*; establishment and uprating of a “development rate” for young adults (age 18-20) in conjunction with the introduction of an adult minimum wage in the United Kingdom had no discernible adverse employment impact. The Commission recommends introduction of a (lower) minimum wage for 16- and 17-year-olds (previously exempt) and expects no adverse employment consequences.

¹⁷ In a 1998 Staff Research Paper, Australia’s state-sponsored neo-liberal policy think tank, the Productivity Commission, purported to find a significant negative trade-off between youth minimum wages and youth employment (see A. Daly, N. H. Duc, D. Eldridge, O. Gabbitas and P. McCalman, *Youth Wages and Employment* (Canberra, AusInfo), 1998). Unfortunately (for them) the econometric analysis was deeply flawed; in fact no minimum wage data were used in the analysis at all! See P. Junankar, M. Waite and G. Belchamber, “The youth labour market: Anecdotes, fables and evidence”, *Economic and Labour Relations Review* 2000, Vol. 11, supp. pp. 159-86.

¹⁸ See “Tackling the dilemma of disadvantaged youth: Priorities and policies for international action” by Robert Kyloh, published in this issue.

¹⁹ These are drawn from the United Kingdom Low Pay Commission reports.

²⁰ Waiting and waitressing are subject to lower minima because of the prevalence of tipping.

²¹ The latest Low Pay Commission report recommends introduction of a lower minimum for these workers.

²² Drawn from Blau and Kahn, p. 87.

²³ Note that Australia has the highest E/P in this group, and the highest minimum wage (in common currency). Note also that the minimum wage divergence between Australia and the other countries increases further for 19- and 20-year-olds.

²⁴ See “Innovation through co-ordination – Two decades of social pacts in the Netherlands”, A. Hermerijck, M. Van der Meer and J. Visser, in *Social pacts in Europe – New dynamics*, G. Fajertag and P. Pochet (eds.), ETUI and OSE (Brussels), 2000.

²⁵ Australia has an extensive array of minimum wage rates and conditions for young workers – see J. Munro, D. P. Duncan and C. Raffaelli, *Junior Rates Inquiry*, Australian Industrial Relations Commission, 4 June 1999, Print R5300. By far the greatest proportion of young persons employed work in the retail and hospitality sectors as shop assistants and food and beverage workers. In these sectors, minimum wages

are amongst the highest in the country. Employment of young persons is scant and diminishing in traditional manufacturing, where minimum wages are low. There is both scope and need to overhaul these obsolete provisions.

²⁶ There is increasing evidence of this occurring in Australia at present.

²⁷ The concept of an “efficiency wage” originated in development economics; where the wage paid is insufficient to meet physiological requirements of workers (leaving them tired, weak and/or inattentive), higher wages improve worker productivity. The argument carries over to social and psychological needs. Low wages bring low morale, high labour turnover and low productivity.

²⁸ See Card and Krueger, *op. cit.*, p. 14.

²⁹ The concept of a “reservation wage” derives from search theory in economics. According to this theory, in a free labour market unemployed persons will search for work until they find a job with attributes (including the wage) which are acceptable to them. The “reservation wage” is the lowest wage rate a particular worker would be prepared to accept in return for the job, weighted by the probability of finding a better-paying job. The idea is that, as the length of time unemployed grows, the individual adjusts (lowers) his or her expectations about the probability of finding a job that pays a sufficient wage, and his or her reservation wage falls. For most young workers, this idea is an irrelevant academic abstraction – their prime concern is finding a job that pays a decent wage, and a decent wage is something more than unemployment benefits or education allowances.

Employability policies in Europe

Employability policies do not create jobs. But they may help young workers to find one. These policies vary greatly, however. In some cases, their impact may be questionable, particularly in terms of job quality. A cautious policy mix is needed, with full involvement of the social partners.

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Labour market crises, the growing number of hurdles on the path to employment and the employment segmentation and polarization that particularly affect young people have made it more difficult for them to find jobs. These problems have also, in some countries, produced a longer, more diverse and more complex transition from school to work. This now takes place in a kind of no-man's-land between work and unemployment – a limbo created, to a large extent, by employment policy. The transition is now marked by uncertainty, vulnerability and reversibility (du Bois-Reymond and López Blasco, 2003). This explains the high job turnover among young people, which is a recent phenomenon (Martín Criado, 1997), and the slow, disjointed nature of their transition to work.

Evaluation studies of employability policies for young Europeans provide an excellent basis for examining this concept, the efficiency of various approaches and the potential for improvement.

What is meant by evaluation?

Evaluation surveys analyse how far a policy has achieved its goals, as well as its relevance to social needs. But how are “effectiveness” and “needs” to be defined? The way employability measures have

been developed by various governments in Europe reflects the dominant interpretation of what the main social problems are, what role institutions should play, who is responsible for what, etc. The dominant interpretation of social exclusion tends, overall, to reinforce its economic dimension. Hence, the main approach used in evaluating employability policies has been predominantly quantitative and economic. This is the case, for instance, when the indicator used to evaluate the success of a scheme is *labour market performance* (employment, activity and training). In such cases, the findings are often accompanied by a profile of scheme participants (in terms of gender, social background and age).

There are several problems with this quantitative indicator – for instance, the need to distinguish between the effects linked to the macroeconomic process and those attributable to employment policies, as well as the displacement, deadweight and substitution bias.¹ Furthermore, the labour market performance indicator focuses exclusively on integration into the labour market but gives no information as to the *quality* of this integration, which is of tremendous importance. Indeed, whilst employment is seen as a prerequisite for social integration, the extent to which it actually offers such an opportunity depends on the *quality* of jobs. Work provides social integration when it offers meaningful

tasks that allow sustained employability. Long-term, as well as indirect and unintended, effects are also worth considering as policies may produce effects that are just the opposite of those claimed or intended, such as, for instance, stigmatization, demotivation or social exclusion (Alaluf, 2004; Walther, 2003).

A qualitative examination should therefore complement the quantitative analysis, by considering the multiple (unintended and intended) effects of policies: not only the integration of people into work but also the extent to which policies help to empower young people, break a vicious circle of inactivity and powerlessness and prepare young people to cope with uncertainty. Or, on the other hand, whether they lead to the “socializing” (i.e. disciplining) of the workforce and contribute to the circumvention of regulations or a deterioration in working conditions, etc.

Indicators to be used for a qualitative approach to labour market integration include links with personal projects and with previous experience, the type of skills provided, wage levels, individual well-being, rate of job turnover, etc. It is equally important, however, to consider how problems and needs are identified in this type of scheme (awareness-raising, setting the terms of the debate, encouraging a pause for reflection, etc); the extent to which “capabilities” are enhanced (political and social resources provided to social groups/individuals); and the labour market sector (primary/secondary) to which policies are addressed. All these indicators may help to evaluate the extent to which policies ensure longer-term sustained employability and prevent the marginalization and segregation of specific social groups.

A look at some results

Employability policies lie at the root of the main schemes addressed to young people, in particular since the institutionalization of the European employment strategy. Despite their popularity, there is some degree of consensus that their results

have been rather modest and contradictory (Lind and Horneman Moller, 2004; Walther, 2003). Moreover, studies of the effects of activation measures are highly controversial and difficult to compare. It is generally difficult to prove beyond reasonable doubt the positive or negative effects of labour market policy. But this is particularly true of “employability” policies, due to the vagueness of the concept.

In fact, the term has been used in three main ways in the policy area. It may be understood as the promotion of measures designed to improve young people’s *technical abilities* by adapting training to the needs of industry. This approach suggests that the basic competencies and skills required to meet the needs of industry are lacking.

A second version of “employability” regards it as providing *methodological and attitudinal competencies*, thus implying that young people lack such skills. Support measures such as counselling and guidance have already been developed in different countries with disadvantaged young people, in order to improve their psycho-social skills (setting personal targets and developing a sense of independence).

The third concept of “employability” is based on the principle of activation. Youth unemployment in this case is seen as the result of a lack of *ethical/motivational qualities* among young people (a negative attitude towards work). This is illustrated by the way both direct and indirect incentives are used as part of policies.

First approach: employability as training

In some countries, we are currently witnessing an exponential growth in the number of training programmes for young people, with one set of (sometimes poorly designed) courses following another in what can truly be termed a “training industry.”

However, new market conditions seem to require people to have ever better meth-

odological and procedural competencies (adaptability, uncertainty management skills, learning skills, creativity, etc.) rather than specific technical skills (ILO, 1999). In this context, training needs to be on the job, rather than being an indefinite extension of a person's education in an environment divorced from the reality of the workplace. The institutionalized prolongation of the transition from school to work can, however, fulfil other purposes. It may help young people to fill the long waiting period for employment, thereby avoiding the social problems associated with their becoming socially excluded, however temporarily. Nevertheless, keeping young people inside the education system in this way serves only to postpone the problem (Baudelot and Establet, 1999).

Yet changes in production methods and technology are not necessarily leading to an increased demand for skilled labour (Alaluf and Stroobants, 1994; Ursinov, 1999). Moreover, there is no clear relationship between educational qualifications and the risk of unemployment, particularly in certain countries such as Spain, and this is especially true for young people. For example, in many European countries, women are better trained and have higher qualifications than men, yet women still suffer higher levels of unemployment and economic inactivity.

Indeed, better training for young people sometimes has unpredictable repercussions. Several studies have shown that highly skilled workers are now increasingly being employed to perform low-skilled jobs, with less-skilled applicants being screened out. Better-qualified young people are not only faced with an intensely competitive environment "at the top", but also with having their high expectations disappointed (Baudelot and Establet, 1999; Walther, 2003). Meanwhile, the employment prospects of lower-skilled or unqualified young people are worse than ever. As the number of people in education increases, and educational failure rates go down, the number of qualifications issued goes up. Employers therefore set less store by qualifications, and this leads to a situ-

ation in which people are overqualified for their jobs (Martín and Lope, 1999). As the Report *Employment in Europe 2001* states, "when asked to assess their skills with respect to their current job, 58 per cent of all the employed in Europe declare that they have skills to do a more demanding job and thus seem either over-qualified for their job or ambitious to perform more demanding tasks" (European Commission, 2001, p. 73). These dissatisfied workers can become a tool for reducing labour costs, since they permit a situation in which workers are underpaid (Rose, 1998). Of course, it is highly debatable whether cutting labour costs in this way is a profitable strategy, since workers who are carrying out tasks for which they are overqualified are unlikely to be motivated.

With the assertion that there is a need for more training at a time when, paradoxically, training is more widespread than ever before, young people are being blamed for their inability to find work. Furthermore, by basing itself on highly selective principles, the training system prepares young people for jobs and social categories which are unable to absorb the numbers of those aspiring to them.

Most evaluations of training programmes emphasize their poor results. This is partly due to their uncoordinated nature and the fact that they do not respond to the individual needs of trainees (courses and placements are often poorly organized, redundant and completely unrelated to previous training). Although they can be effective when they are of high quality, they then tend to be very expensive (Robinson, 1997). Finally, if new jobs are not also created, then training serves only to manage the "unemployment queue", without getting rid of it.

The above observations are not, however, intended to suggest that training should not be used as a measure to promote employment. Training does benefit industry; it might serve to increase competitiveness, and as such it also has a positive effect on employment (Duthil and Paquet-Vaultier, 1999). It can also contribute to improving the quality of work, allowing more

people to do jobs that require a degree of creativity. Furthermore, it enables people to obtain better paid and more highly valued work, as well as increasing their bargaining power vis-à-vis the employer and making them more independent in their job. In addition, training can be particularly important for disadvantaged young people, since it enables them to break the vicious circle in which their social background leads to failure at school, which in turn leads to an unstable employment situation. In fact, training could be very important for all social groups, be they young people or adults. This is because it not only develops required skills, but also empowers workers to defend their rights with regard to both contractual and working conditions.

Training measures are particularly effective if they are tailored to the individual's profile and interests and if they are combined with practical work experience. The latter element has been a very popular component of employment policy, owing to the success of on-the-job training in helping young people to enter the labour market in countries such as Germany, Austria and Denmark. Indeed, the dual system has come to be regarded as a model by several European countries. However, there are a number of problems associated with this type of scheme. Firstly, the success achieved in these countries cannot be attributed solely to their training programmes, but rather to institutional and social factors which, in combination, produce the results that have been observed. One of the main reasons for the success of the dual system in countries such as Germany is the culture of participation and negotiation that social partners share, and the institutional framework that provides links between them. It is very difficult to establish the dual system in countries lacking a tradition of strong links and cooperation between government, employers and unions (Bowers, Sonnet and Bardone, 1999).

Other criticisms have been made of the dual system. For example, the lack of ongoing training, the lack of professionalism of

the people involved and the insufficiency of the resources allocated to such attempts to help vulnerable young people. There has also been a lack of adequate apprenticeship placements and a lack of recognition or validation of some on-the-job training measures (Heidemann, 2000; Leschke, Schömann and Schömann, 2004).

Also based on work experience are the apprenticeship schemes. Access and selection systems in these schemes create new disadvantages and new categories of discrimination. There is also a risk that young people on apprenticeship contracts will be exploited during these contracts. Indeed, this type of contract does provide a source of cheap labour for companies, a fact that leads to "de-skilling" and harms the image of the apprenticeship system.

In many cases, these types of measure have been complemented by decentralized programmes offering individual support and guidance. As stated by Robinson (1997), skills such as attitude to work, motivation and ability to communicate are more highly valued by employers than are formal skills, especially in the case of low-skilled workers. Thus, local, personalized on-the-job training providing these informal skills, with multisectoral support, has been more effective than vocational training measures. This has led to the creation of an intermediate stage where young people are employed on a trial basis: participation in these programmes could indicate willingness to work and a positive attitude (Pérez Sánchez, 1997). The apparent success of many of these measures is often due to their capacity to overcome employer prejudices towards young people (ILO, 1999) by providing a "certificate" which vouches for the fact that these prospective employees meet the required moral standards.

The above analysis and the results of the different training measures implemented in Europe allow us to draw the following conclusions. Firstly, training should be tailored to the individual's needs, expectations and personal background. In this respect, it is important that training should be one of several options, since it is not a

panacea. Secondly, the quality of training needs to be monitored by independent bodies. Thirdly, the training should be complemented by some form of individual support or guidance in which young people's needs are assessed, enabling them to choose the type of training best suited to their personal and professional requirements, assuming that training really is the appropriate option.

It is also important to develop mechanisms to ensure that employers play their full part, rather than allowing their participation to be voluntary. The case of the United Kingdom demonstrates this point, since the voluntary funding system introduced there after the abolition of the Industrial Training Boards has largely failed and has led to a significant reduction in investment in training (Jones, 1997).

Finally, training needs to be complemented by some form of practical experience, so that young people's theoretical knowledge can be adapted to the specific requirements of a job. Trade union monitoring of such programmes could be important in avoiding the unwanted effects mentioned above. Also, social recognition of the extra-curricular training provided to young people is important for their social integration (Walther, 2003). In any case, the employability programmes have helped to give young people a feeling of control over their own future, something which is particularly important for disadvantaged young people.

Second approach: employability and career guidance

Career guidance and support programmes, such as measures offering help for job-seekers, have been especially popular in Europe. They are designed to provide young people with the methodological competencies that will enable them to take control of their own lives and futures. This involves not only cognitive skills (information about the labour market, assessment of one's own situation, how to write a CV, etc.), but also behavioural skills (persever-

ance, self-discipline, etc.). The provision of this guidance as part of a wider range of measures can make it a tool to help cope with the culture of job insecurity among young people.

However, it is debatable whether this approach is effective when jobs are few and far between. It may then simply teach the future worker to be adaptable, and in some cases submissive. For this reason, it is important to distinguish between the psychosocial work done by some local players with young people, which is aimed merely at encouraging them to adapt to the requirements of work, and the psychosocial work that promotes a feeling of empowerment (Miles, 2003; Serrano, Ouali and Desmarez, 1999).

Career guidance and support systems are of particular value when complemented by other measures, but it is important to avoid the danger of their becoming little more than tools for employers to discipline the workforce. In this sense, the Danish programmes, for instance, are of special interest, since they are based on contracts which have been negotiated by both sides (client and scheme provider).

Third approach: employability and activation

The third approach is founded on the theory that policies aimed at providing unemployed people with a basic income remove their incentive to find work ("welfare entrapment: poverty, dependency and unemployment trap").

Young people are one of the main targets of activation-based measures, largely because it is easier to make them accept what other groups might consider to be a rather questionable form of intervention, in view of its coercive and paternalistic nature.

Various measures have been introduced in the different countries to avoid these so-called "traps." These include the use of penalties to motivate people (introducing stricter tests regarding willingness to work, forcing the recipients of benefits

to work, reducing the duration of payments, increasing the income differential between the unemployed and people in work) or offering them incentives and voluntary options (new vocational training, work experience, etc.). In practice, most countries have gone for a combination of the two approaches (penalties/incentives), although compulsory participation is still more frequent in programmes for young people than for adults.

There is a growing tendency to use activation as a mechanism for achieving the “moral” socialization of young people. This is a selective approach that differentiates between “good and bad unemployed people” (the legitimate, deserving ones and the others). Penalties are applied if a claimant refuses to participate in employment programmes or is judged to be unavailable for work. By promoting widespread suspicion of benefit abuse and punishing people for not having found a job, workfare programmes establish a strange dialectic between control and welfare. This prescriptive regulation of participation in programmes has had some very negative effects, as we have seen in the United Kingdom, where the withdrawal and cutting of unemployment benefit, aimed at forcing young people to find work, has generated an increase in social exclusion and polarization (Powell and Felstead, 1996). The level of social protection for the more vulnerable groups of unemployed has been weakened. These policies may therefore be seen as a tool for reducing labour standards (Alaluf, 2004; Lefresne and Tuchsirer, 2004).

The effectiveness of imposing penalties on the unemployed in order to make them participate in programmes, is highly debatable. As stated by Robinson (1997), the value of certain measures, such as training, largely depends on the motivation of the unemployed person concerned. Employers will also be very reluctant to employ people if they have been forced into work. A United Kingdom study on the impact of penalties in the Restart programme shows that, although they seemed to encourage people to look for work and abandon

unemployment, this was probably at the expense of their accepting short-term jobs with no future (Meager, 1998). Moreover, the emphasis on sanctions has contributed to increasing the gap between vulnerable groups on the labour market and those with a low risk of unemployment (Leschke, Schömann and Schömann, 2004). Any genuine alternative to unemployment would not need to resort to penalties to ensure that people used it.

Furthermore, as several studies have shown (Heikkilä, 1999), the theory that unemployment benefit removes people's incentive to work overlooks the fact that workers seek more than just financial remuneration in their jobs (social status, participating in and making a useful contribution to society, etc.). Gautié (1998) shows that the disincentive to work caused by the entitlement to State benefit is particularly weak in the case of young people. There is also no clear relationship between the level and extent of State benefits and the level of unemployment (Hanesch, 1999).

The workfare-based programmes have limited workers' ability to find work that matches their needs and profile and have had a demotivating effect, whilst marking people with the stigma of being forced to do something against their will (Nicaise, 1999; Ouali and Vanheerswynghe, 2000).

In fact, many of the measures currently directed at young people run the risk of seeking to promote a form of socialization that obliges young people to accept work as unconditionally a good thing, irrespective of the working conditions on offer. The focus on the duties and motivations of unemployed people may even become so strong that structural causes are pushed into the background (Hvinden, 1999).

Activation can also be understood as a way of increasing a person's chances of entering employment, offering real opportunities for training, better skills, mobility, work experience, etc. (persuasion techniques). Bad quality activation schemes can achieve the opposite of what was officially intended, since it can lead to an increase in inactivity, whilst also causing a sharp rise in poverty and social

inequality. In order to avoid the “activation trap”, we need to examine whether these schemes serve as a stepping stone toward jobs of good quality or, on the contrary, they create a vicious circle of insecurity and vulnerability.

The premise of the European institutions’ discourse on activation is that the fight against youth unemployment should consist mainly of the mobilization of young unemployed people, promoting their participation in one programme or another until they cease to be jobless, thus avoiding the fate of becoming long-term unemployed. The aim is thus to provide young people with an alternative status to that of unemployment before they become ensconced in it (after six months) and fall into the stigmatized category of “long-term unemployed”. Numerous policy measures are mobilized in this framework, such as reductions in labour costs, dual training etc, operating on the statistical frontiers between categories and producing transitory, alternative and hybrid situations somewhere between the status of worker and that of student. This transitional space contains different conditions produced by the proliferation of “atypical” situations (the lack of collectively agreed rights and guarantees such as a minimum wage, protection against redundancy, access to social security, etc.). Such situations can result from youth employment schemes, voluntary work, distribution and dual systems. Most of these programmes do not serve to integrate people into the labour market in the long term (sustainable employability).

Indeed, we may ask how far the so-called active measures are in fact active, since they are directed at promoting the worker’s mobility among categories, rather than at achieving stable incorporation into the labour market (McNeish and Loncle, 2003). This shows the false character of the established “active”/“passive” dichotomy which forms the basis of most policies of this kind. Moreover, these policies are promoting an understanding of “activation” and “dependency” that is rather debatable, as they advocate, on the one hand,

the economic activation of subjects, while encouraging them, by the same token, to become “politically passive” (Crespo and Serrano Pascual, 2004a). Meanwhile, arguing the need to fight against dependency on the welfare state, they promote another form of dependency, namely, dependency on the market (Crespo and Serrano Pascual, 2004b).

Conclusions

The first conclusion that may be drawn from the above is the importance of ensuring that supply-side measures (career guidance, training, etc.) are accompanied by demand-led programmes. However good the design and content of an individual action may appear to be, if it is not complemented by other measures it will always be in danger of having negative repercussions. In this respect, it is also important to ensure that measures aimed at helping young people to enter employment are combined with programmes designed to improve their quality of life (decent jobs and housing conditions, economic independence, etc.). A holistic approach is thus needed.

Secondly, employment policy should give equal weight to both the quantity and the quality of the jobs created. The various evaluations of the success of employment policy that are based on official unemployment figures fail to take into account the policies’ impact on the quality of the jobs created (discouraged workers, workers who would like to change jobs, the number of working poor, etc.). The development of a personal career plan and of a programme adapted to the individual’s needs and interests can enable numerous young people to become socially and occupationally well integrated.

Employment measures that have sought to create jobs at all costs have had a number of negative consequences, many of which could be avoided by strengthening the role of intermediary organizations like the trade unions or other representatives of civil society, and, in particular,

youth representatives. It is often not so much the way the programme is designed as the way it is implemented that explains its success or failure (Gautié, 1999; Serrano Pascual, 2001).

It is important to combine actions at different levels, for example complementing local-level training or career guidance with macroeconomic measures designed to achieve a net increase in the number of jobs. However, these different measures also need to be properly coordinated in order to respond to the complex nature of the problem.

Note

¹ Dead-weight bias means that participants in the programme would have found a regular job even if the scheme had not been introduced. Substitution bias: the improved employment performance for the target group comes at the expense of worsened employment prospects for other non-subsidized workers. Displacement bias: subsidized jobs have displaced non-subsidized jobs elsewhere in the economy.

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Youth employment in Asia-Pacific: Trends and trade union responses

Trade unions should adopt youth employment strategies – not as standalone policies but as an integral part of their general employment efforts. Active youth committees in many countries are showing the way forward. They are an asset to the region's trade union movement and their development should be encouraged.

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Over 60 per cent of the world population lives in Asia and the Pacific, and the economic, political, social, cultural and religious backgrounds of the region's peoples are highly diverse. The huge population and its rate of growth are the main sources of economic, social and cultural dynamism. They are also among the challenges facing this region. Present estimates suggest that the region will continue to be one of the most dynamic and complex in the world. They anticipate that the Asia and Pacific population will reach 5.4 billion by the year 2050. This represents a 40 per cent increase from the current 3.85 billion.¹ The key question will be how to generate enough employment to keep pace with such population growth.

In such a multi-faceted region, the youth employment issue is inevitably a complex one. It needs to be analysed in terms of the macro and micro trends of unemployment, underemployment and work in the informal economy. Their causes must be carefully studied through comprehensive analysis of demographic situations, education and training, poverty, family systems, migration, urban and rural issues, social security, military service and conscription systems, gender equality, representation by trade unions, etc. Certainly, most States in Asia and the Pacific are regarded as having

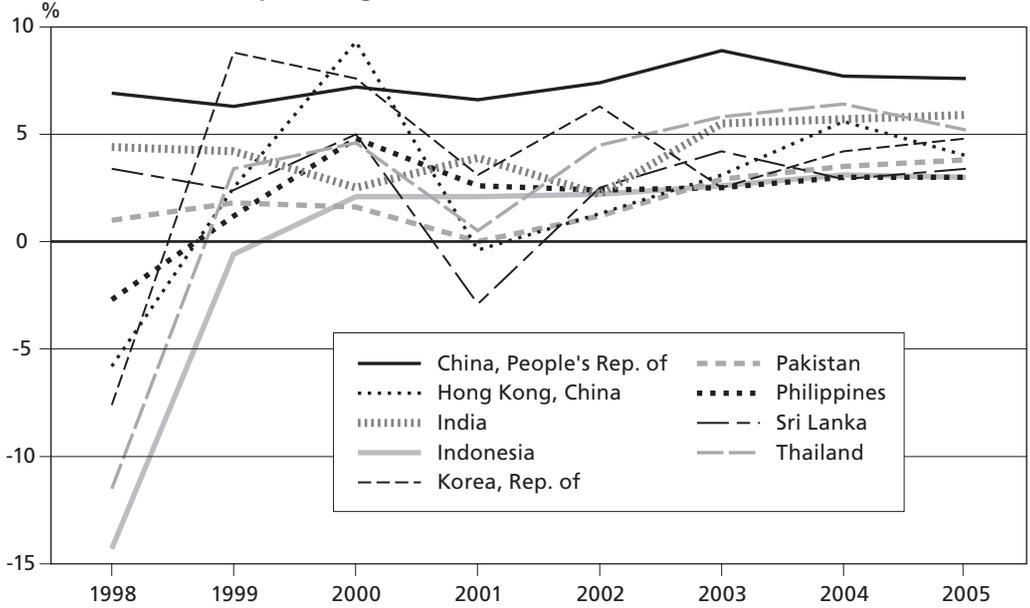
youth unemployment problems. However, the nature of the problems varies significantly from one country to another.

The legacy of the 1997 financial crisis

During the 1990s, many Asian countries experienced big economic booms and slumps. But the rapid, dramatic pace of economic development, often referred to as the "Asian miracle", came to a brutal end with the collapse of the financial systems in 1997. The entire region was affected, although to different degrees, and most countries experienced economic stagnation. Few observers, however, detected the disaster that was in the making. And few have noted the negative impact that it is still having on youth employment, despite obvious signs of an upturn in other respects.

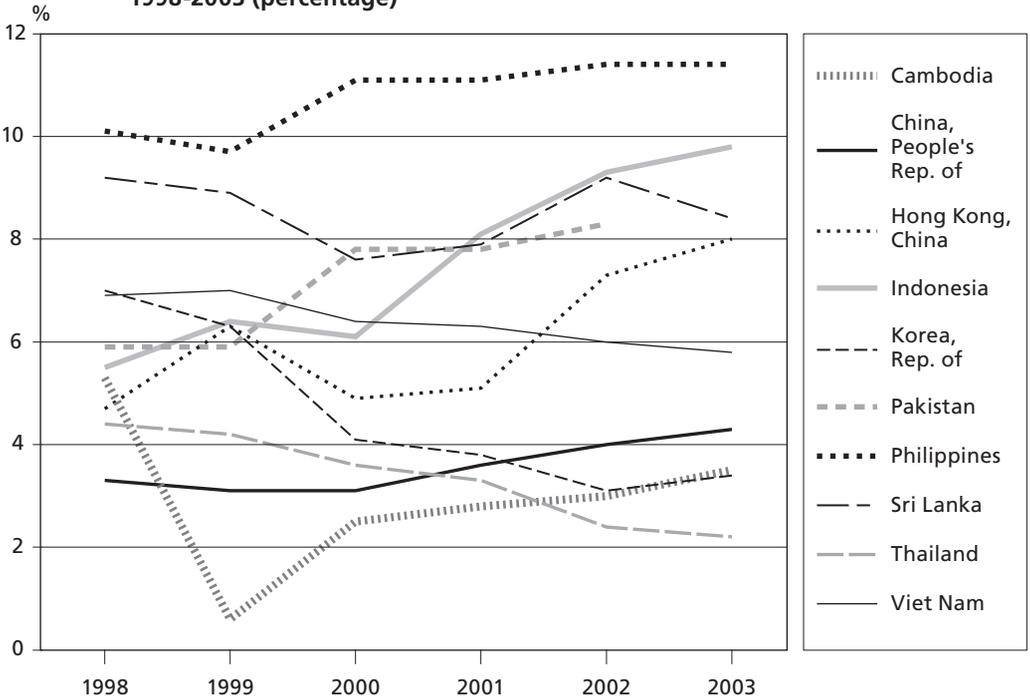
Figure 1 shows the impact of the 1997 financial crisis, as well as a rather impressive recovery from its aftermath. Most of the economies in the region have been steadily recovering. In fact, the overall economy of the region showed significant strength in 2003, despite some uncertainties caused by the collapse of the information technology (IT) bubble in the United States, continued stagnation of the Japanese economy, the outbreak of the Iraq war, rising oil prices

Figure 1. Per capita GDP growth rate in selected countries in the Asia and Pacific region, 1998-2005 (percentage)



Source: *Asian Development Outlook 2004*.

Figure 2. Unemployment rate in selected countries in Asia and the Pacific, 1998-2003 (percentage)



Source: *Asian Development Outlook 2004*.

and the SARS (severe acute respiratory syndrome) epidemic.

On the other hand, figure 2 suggests that the legacy of the financial crisis remains much more strongly entrenched as far as its social impact is concerned. One of the main social impacts of the financial crisis was a sharp increase in the unemployment rate. Six years after the crisis, the level of unemployment is still high in many countries and there is evidence that growth is now “jobless”.

Indeed, figures 1 and 2 present a sharp visual contrast. Unemployment rates are much more uneven across the countries than the GDP indicators are. Indeed, a major imbalance or mismatch between labour supply and demand seems to prevail in many countries of the region. This is an important background element when addressing youth employment. Careful analysis is required in order to evaluate what sort of imbalance or mismatch is taking place.

Many job-seekers, few opportunities

A number of factors should be considered when explaining such labour demand–supply imbalance or mismatch in the post-crisis era in the region – both on the demand side and on the supply side.

On the demand side, first of all, the shift to more capital-intensive or IT-related businesses has accelerated. Second, privatization was promoted and public sector employment shrank. This is particularly the case in those countries that accepted the conditionalities imposed by the International Monetary Fund (IMF) concerning structural adjustment. Third, enterprises became more cautious about providing stable employment contracts and came to rely increasingly on more precarious forms of employment such as part-time jobs, temporary work and fixed-term contracts. Subcontracting and outsourcing form part of this strategy. Fourth, due in part to the increasing use of subcontracting and outsourcing, more and more employment is being created in, or shifted to, the infor-

mal economy. And finally, such practices increasingly take place across national boundaries. The combination of these factors seems to have severely affected the demand level on the labour market.

On the supply side, apart from weaknesses in the education and training systems in many developing countries, a large number of workers who became redundant during the financial crisis have found it hard to return to regular employment. In addition, the economic crisis provoked a sharp increase in internal and cross-border migrations, with workers in many countries desperately seeking employment in urban areas or in overseas labour markets. Hence, with a large number of new entrants and prevailing local unemployment, the labour supply level is much higher than its pre-crisis level.

For young people, this macro employment situation is clearly unfavourable. To make matters worse, enterprises now seem increasingly intent on recruiting experienced skilled workers, rather than unskilled new graduates, thus avoiding initial investment in on- and off-the-job training.

Youth employment trends in the region

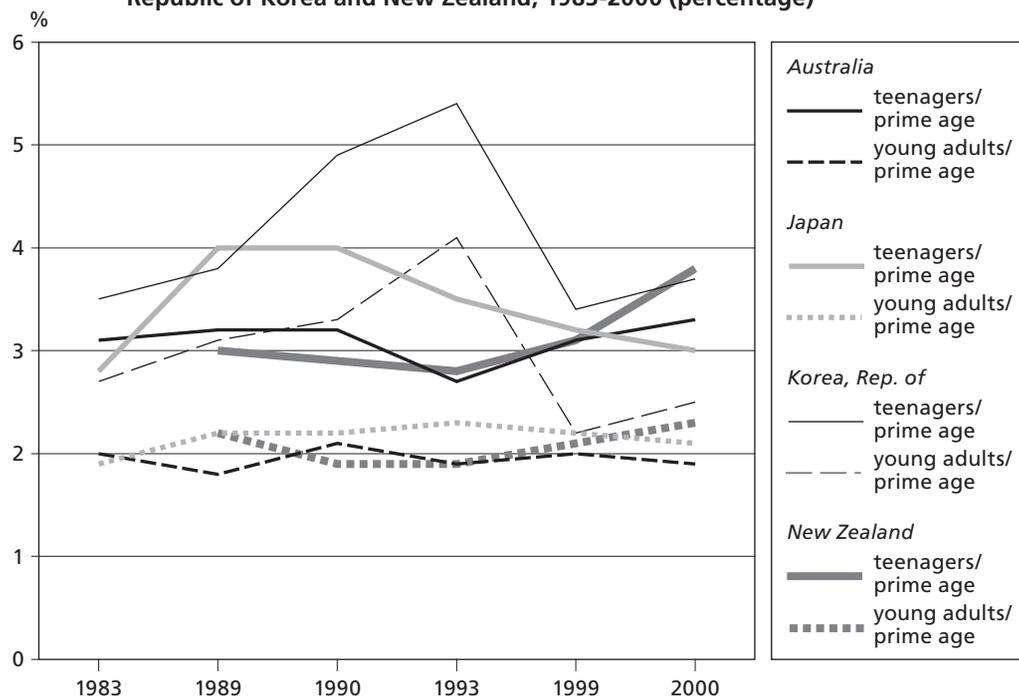
Situation in the OECD countries

Information on youth unemployment in the region’s four OECD member countries – Australia, Japan, Korea and New Zealand – is given in figure 3. This confirms that, in all of these countries and throughout this period, the unemployment situation of teenagers has been consistently worse than that of young adults.

General youth unemployment trends in Asia

As can be seen from table 1 and figure 4, the share of young unemployed in total unemployment is extremely high in Bangladesh, and so are the other indicators.

Figure 3. Ratios of youth to prime-age adult unemployment rates in Australia, Japan, Republic of Korea and New Zealand, 1983-2000 (percentage)



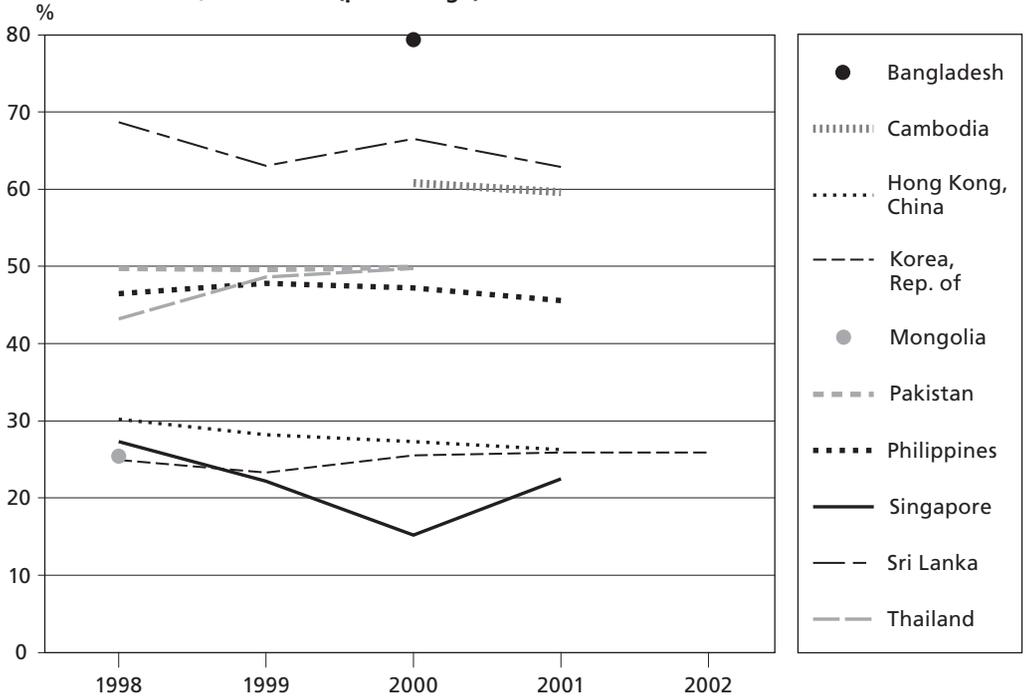
Source: OECD Employment Outlook 2002.

Table 1. Youth unemployment situations in selected countries in Asia

Country	Year	Youth unemployment rate (per cent)	Share of youth unemployed to total unemployed (per cent)	Ratio of youth unemployment rate to adult unemployment rate	Share of youth unemployed to youth population (per cent)	Adult unemployment rate (per cent)
Bangladesh	2000	10.7	79.4	11.9	6.6	0.9
Cambodia	2001		59.6			
China	2000	3.1				
Hong Kong, China	2001	11.3	26.3	2.6	5.1	4.3
India	1997		52.9			
Indonesia	1996	13.4	74.8		6.9	
Korea, Republic of	2002	8.1	25.9	3.2	2.8	2.6
Mongolia	1998		25.6			
Pakistan	2000	13.3	49.9	2.7	5.4	4.9
Philippines	2001	19.0	45.6	2.7	9.9	7.0
Singapore	2001		22.5			
Sri Lanka	2001		62.9			
Taiwan, China	2000		32.1			
Thailand	2000	6.6	49.7	4.4	3.5	1.5

Source: ILO, Key Indicators of the Labour Market, 3rd Edition (2003) with data updated in early 2004.

Figure 4. Share of youth unemployed to total unemployed in selected countries in Asia, 1998-2002 (percentage)



Source: ILO, *Key Indicators of the Labour Market*, 3rd Edition (2003) with data updated in early 2004.

Indonesia, Sri Lanka and Cambodia also show a large proportion of youth unemployed, in relation to adult unemployed.

On the other hand, in Singapore, in the Republic of Korea, in Taiwan, China, and in Hong Kong, China, the share is relatively low, although the ratio of the youth unemployment rate to the adult unemployment rate is still high (in the Republic of Korea and Hong Kong, China).

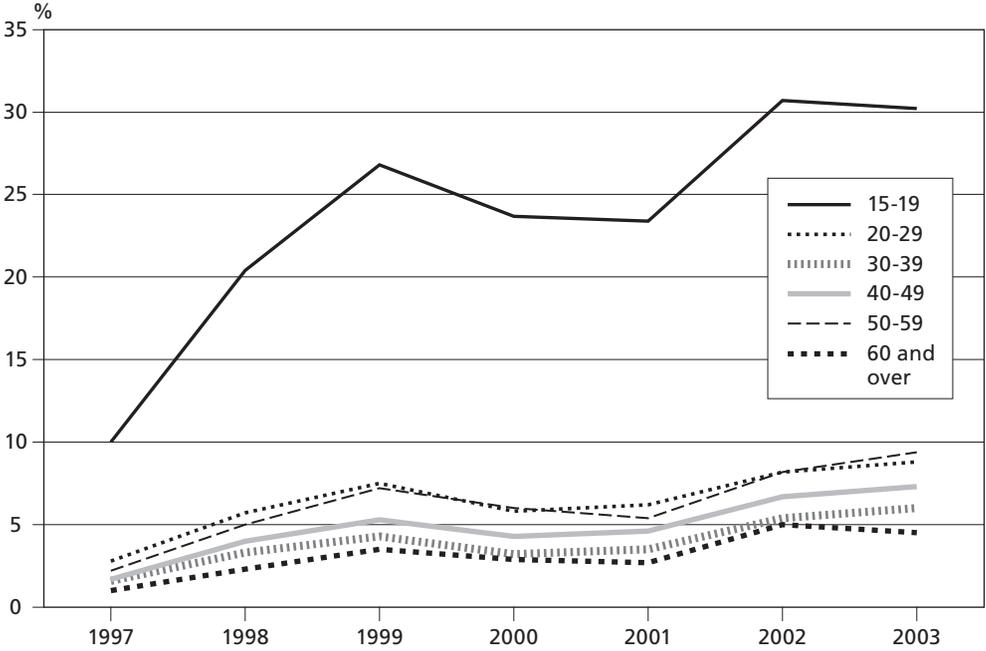
Hong Kong

Figure 5 indicates a very high level of unemployment among teenage youth in Hong Kong, and the gap between this and other age groups has been expanding. Interestingly, the age group 20-29 has a much lower unemployment rate than the teenage group. It might be interesting to analyse more closely how the unemployment rate varies between the ages of 15 and 29.

Figure 6 shows the changes in the underemployment rate among different age groups. The overall underemployment rate has been on the rise since 1997, but its acceleration and intensity have been most significant in the group aged 15-19. Once again, the underemployment rate has been constantly lower in the 20-29 age group than in the teenage group.

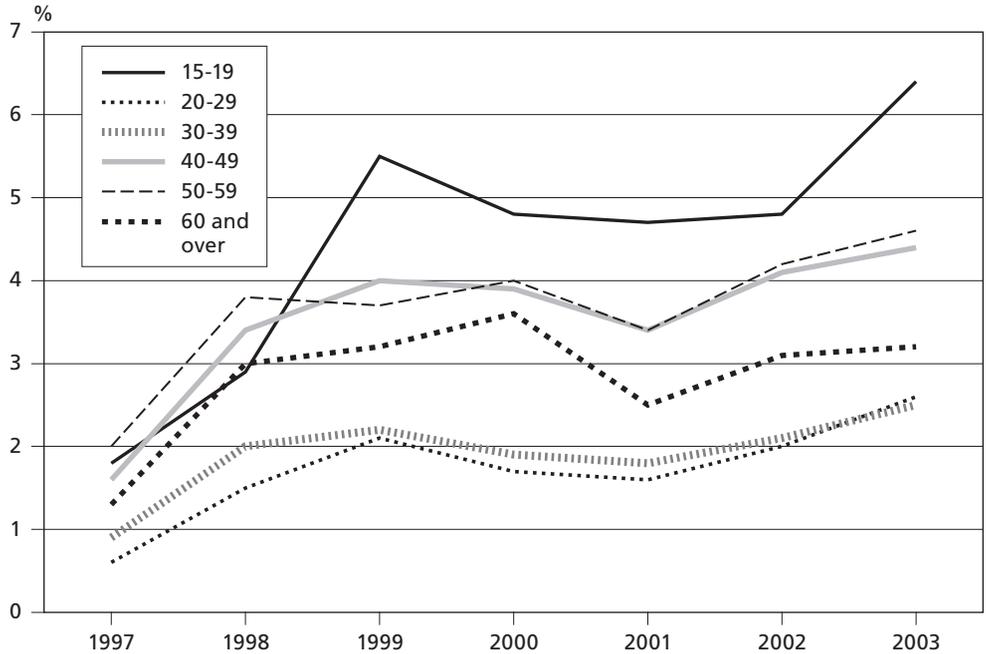
The Hong Kong Government has been taking a number of initiatives to tackle the youth employment problems, in particular for the teenage group, although it seems that the effects of those measures are not yet discernible, at least in statistical terms. In his Policy Address for 2004, Mr. Tung Chee Hwa, Chief Executive of the Hong Kong Special Administrative Region, expressed concern over the employment situation of young workers and presented a number of measures specifically targeted at youth. Amongst other things, he promised to extend about 11,000 temporary jobs,

Figure 5. Unemployment rate in Hong Kong by age group, 1997-2003 (percentage)



Source: Census and Statistics Department, Hong Kong.

Figure 6. Underemployment rate in Hong Kong by age group, 1997-2003 (percentage)



Source: Census and Statistics Department, Hong Kong.

to extend the Youth Work Experience and Training Scheme by two years in order to place 10,000 young people aged 15-24 in employment, and to introduce a one-year trial scheme to assist 1,000 young people to become self-employed.² He also disclosed a plan to set up an inter-departmental and inter-disciplinary task force which would be responsible for overseeing the implementation of various youth training and employment programmes, and the creation of a Youth Sustainable Development and Employment Fund to “promote trial schemes and exploit opportunities for training, placement and employment” for young workers.

Republic of Korea

Figure 7 indicates that the teenage group (15-19) was the hardest hit by the 1997 financial crisis. The unemployment rate for the teenage group rose to 21 per cent in 1998, three times as high as that in the pre-crisis period. Although the macroeconomic situation showed an impressive level of recovery, and the general unemployment situation has been returning gradually to pre-crisis levels, the unemployment rates of the teenage group and also of the young adult group (20-29 years old) are still far above the pre-crisis level. Figure 8 shows that 15- to 19-year-old males have consistently

recorded the worst unemployment rate in the youth group, followed by 15- to 19-year-old females.

According to the Federation of Korean Trade Unions (FKTU), the Government has taken up the issue of youth unemployment as one of its priorities for policy initiatives. They are mainly trying to address the problem by assisting small and medium-sized enterprises to employ more young workers, by offering a work experience programme to 140,000 university students, and by directly employing no less than 44,000 young workers in public sector jobs. The FKTU is, however, asking the Government to pay more attention to the demand side of the problem and to take stronger initiatives on employment creation for young workers.

Philippines

The Philippines is one of the few countries in the region that have been suffering a structurally high unemployment rate over a long period of time. In 2003, the unemployment rate hit the 10.6 per cent mark, and it is projected to remain at that level over the next couple of years.

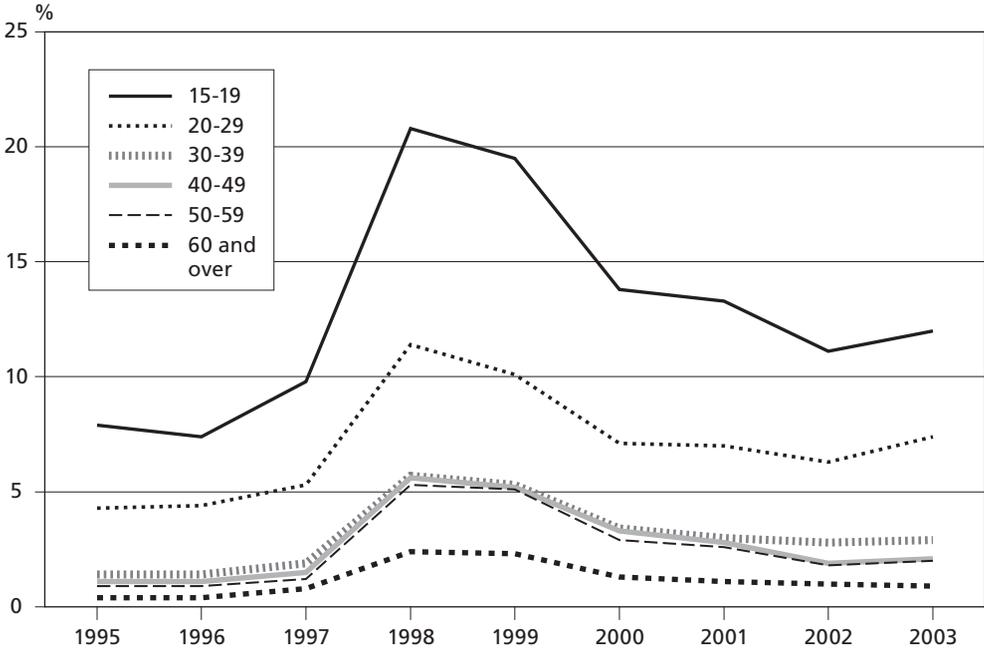
Young people aged 15-24 account for 46 per cent of the total unemployment (table 2). The youth unemployment rate was 21.5 per cent in 2003, three times

Table 2. Employment statistics in the Philippines, 2003-2004

	Total unemployed ('000)		Percent share		Unemployment rate	
	2003	2004	2003	2004	2003	2004
Sex (all)	3 559	3 899	100.0	100.0	10.6	11.0
Men	2 183	2 385	61.3	61.2	10.6	10.9
Women	1 375	1 513	38.6	38.8	10.5	11.2
Age group	3 559	3 899	100.0	100.0	10.6	11.0
15-24	1 616	1 793	45.4	46.0	21.5	22.1
25-54	1 628	1 749	45.8	44.9	7.7	7.7
55 and over	315	357	8.8	9.2	6.2	7.8

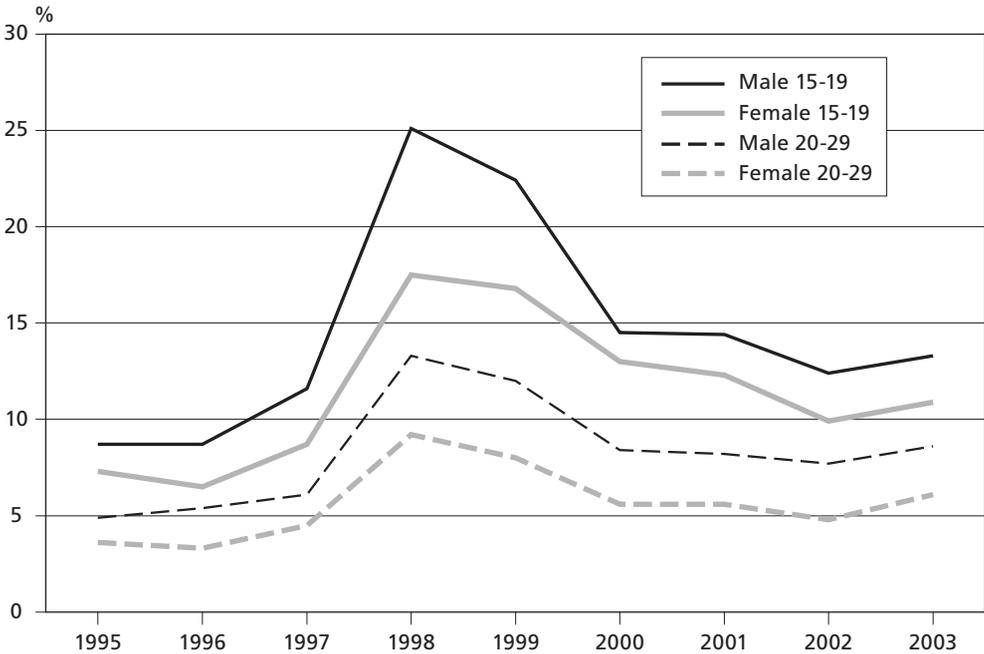
Source: Philippines National Statistics Office.

Figure 7. Unemployment rate in Korea by age group, 1995-2003 (percentage)



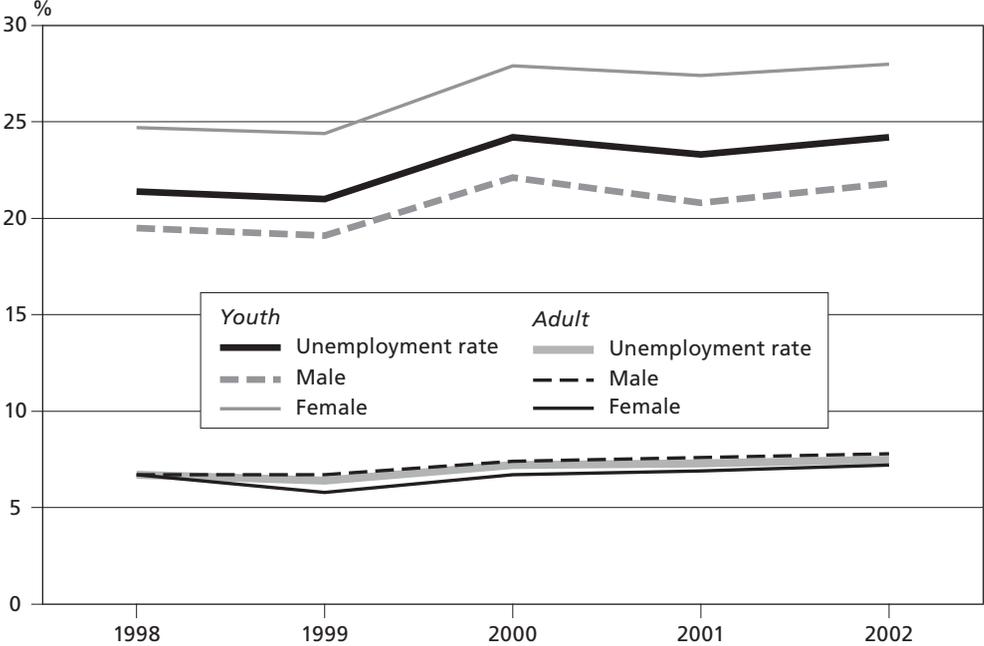
Source: Korea National Statistics Office.

Figure 8. Youth unemployment rate in Korea by sex, 1995-2003 (percentage)



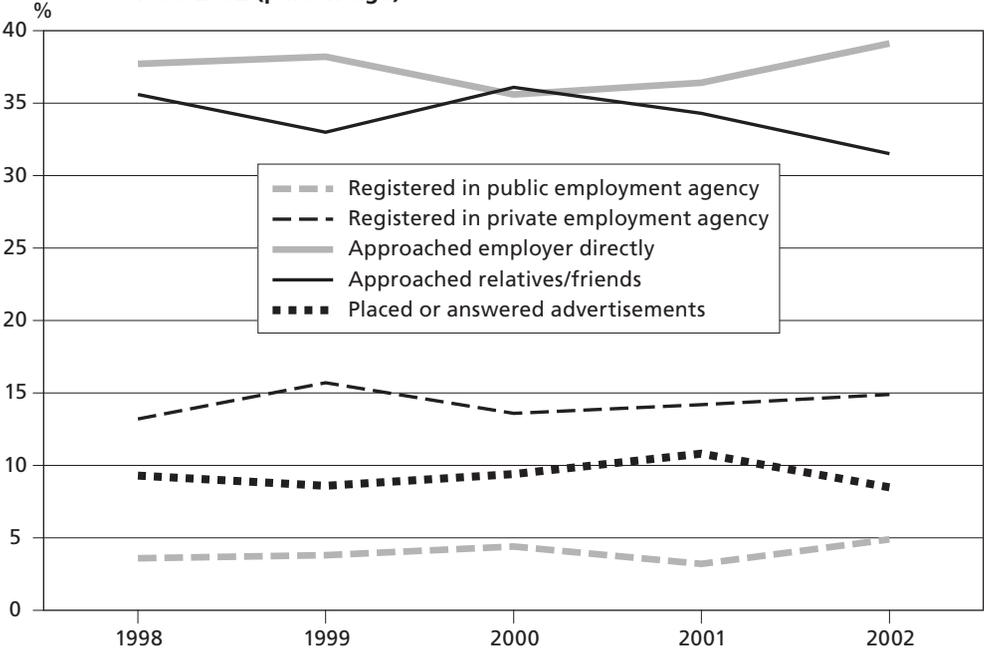
Source: Korea National Statistics Office.

Figure 9. Youth vs. adult unemployment rate in the Philippines, 1998-2002 (percentage)



Source: Philippines National Statistics Office, Labor Force Survey.

Figure 10. Distribution of young unemployed actively seeking work in the Philippines, 1998-2002 (percentage)



Source: Philippines National Statistics Office, Labor Force Survey.

as high as that of the group aged 25-54. Figure 9 indicates that the unemployment rate for young female workers has been consistently higher than that for young male workers, despite the fact that in the adult unemployment rate, the difference between males and females is marginal.

The Philippine Government has also been taking a number of actions to address the youth unemployment issues. One of the areas of Government focus is on raising IT skills of young workers. For example, the Technical Education and Skills Development Authority (TESDA), an agency of the Department of Labor and Employment (DOLE), has launched "Operation One Million". This project aims at training at least 1 million young Filipinos in short- or long-term technical-vocational courses in TESDA or other government and private training centres. The goal is not only to train but also to guide, counsel and help young people to develop or upgrade their work skills and find jobs most suited to their situations and aptitudes.

According to its report, the TESDA and private vocational training schools and centres accommodated 508,947 "students" in 2001. Also, from 2002 onwards, TESDA has been supporting efforts to reach the Government's 2002-2004 target of creating 1 million jobs in the agricultural sector.

As can be seen from the above, despite the efforts by the Government, in particular in the areas of short-term employment generation and job-placement services for young workers, the youth employment situation is not showing any signs of improvement. A recent government report indicates that the role of the public or private employment services is still weak among young jobseekers, while the traditional job application methods, such as direct contact with employers, are showing an upward trend (see figure 10). This might be a bit of dilemma for the policy-makers.

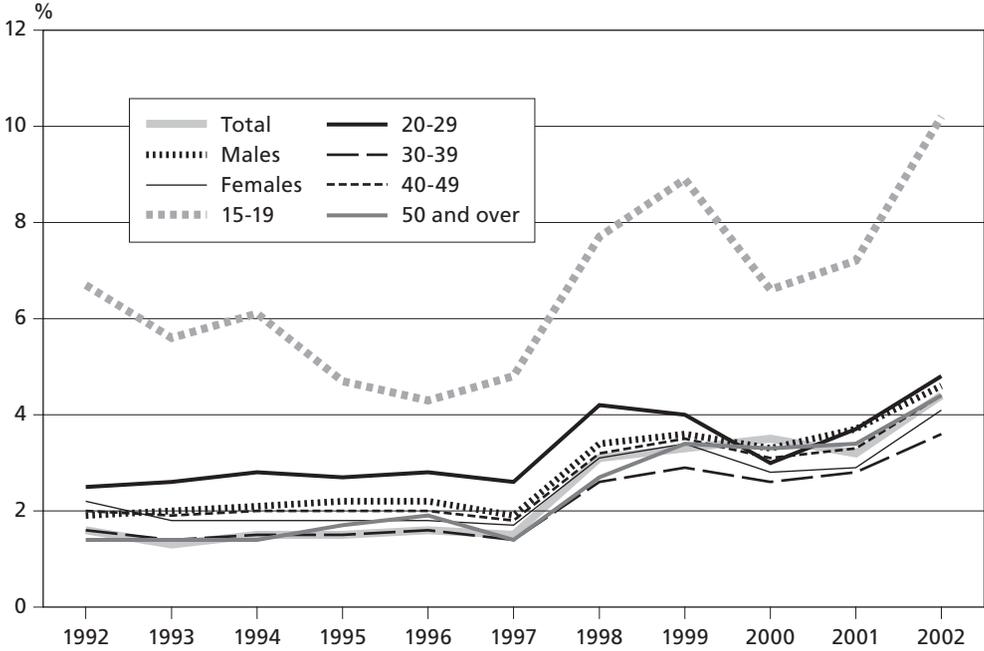
Singapore

Figures 11 and 12 give the general trend of youth unemployment in Singapore. The situation there looks quite similar to that in Hong Kong. Although the teenage youth group, i.e. 15- to 19-year-olds, has much higher unemployment and underemployment rates than any other age groups in the active population, the young adult group, i.e. 20- to 29-year-olds, has almost the same unemployment and underemployment rates as the other age groups. What is significant in the Singapore situation is the discernible fact that the teenage youth group is generally the one which is most affected by changes in the macroeconomic climate.

Singapore's Government has been active in implementing supply-side measures to help workers upgrade their skills. Although there seem to be no specific active labour market policies exclusively targeting young workers, the youth group, i.e. 15- to 29-year-olds, receives the highest benefit from the various training/retraining programmes offered by various training schemes (see figure 13 for training intensity by age group).

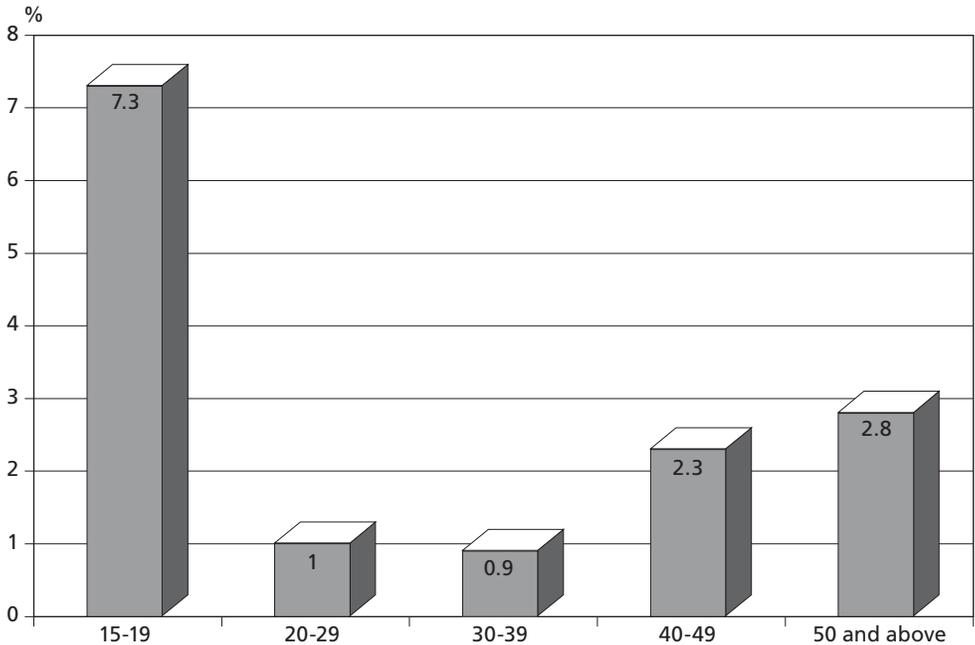
It is to be particularly noted that in the country's efforts in active labour market policies, the Singapore National Trades Union Congress (SNTUC) – the trade union national centre in Singapore – is playing a crucial role. The SNTUC strongly advocates lifelong learning and training in order to promote the employability of Singapore workers, and the Government has in fact taken over some ideas from the SNTUC's own initiatives. In view of the more volatile and fast-changing economic environment, the SNTUC says it has been urging employers not to cut back on workers' training opportunities, but to take advantage of the current downturn to invest in the skills of their employees.

Figure 11. Unemployment rate in Singapore by sex and age group, 1992-2002 (percentage)



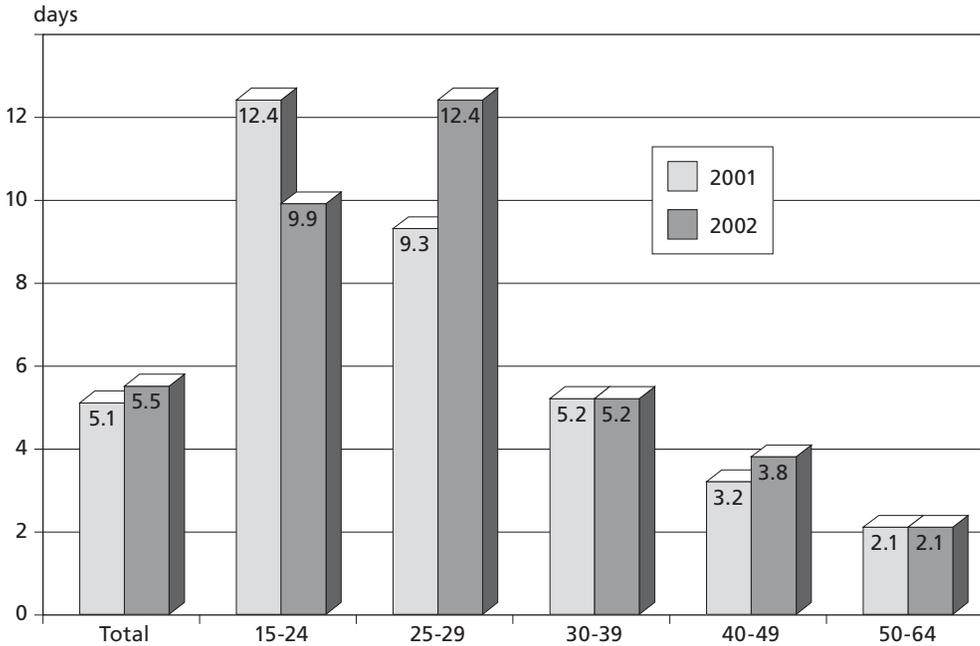
Source: Ministry of Manpower, *Labour Force Survey 2003*.

Figure 12. Underemployment rate by age group in Singapore, 2002 (percentage)



Source: *Labour Force Survey 2002*.

Figure 13. Training intensity by age group in Singapore, 2001 and 2002 (in days)



Source: Labour Force Survey 2002.

Singapore NTUC's initiatives in active market policy

Lifelong employability – Skills training and upgrading for our workers

SNTUC initiated what has now become a national Skills Redevelopment Programme (SRP) with funding from the Skills Development Funds (SDF) and Government. Under the programme, SNTUC takes responsibility for administration of the training fund and selection of appropriate training providers, with the main priority of providing continuous skills certification and lifelong learning programmes for workers to increase their chance of continued employability and to enhance their career prospects. It has been successful in achieving its primary target of reaching the older and lower-educated workers and helping them to acquire training opportunities that will help them stay employable.

Employment assistance programme

SNTUC set up a JobLink Centre in February 2002 as a one-stop job placement centre with full-time staffing, a network of 1,000 unionized companies and website portals for efficient and properly managed referrals. Unlike private employment agencies, services at JobLink are provided free to all workers. The key strategy of JobLink is to provide specific counselling and training for jobseekers in view of the job openings available. To this end, the programme actually helps the unemployed to acquire new skills before placing them in suitable jobs. Also, it develops a pool of part-time jobseekers to take up training and skills upgrading for eventual job placement with potential employers requiring non-permanent staff.

Australia

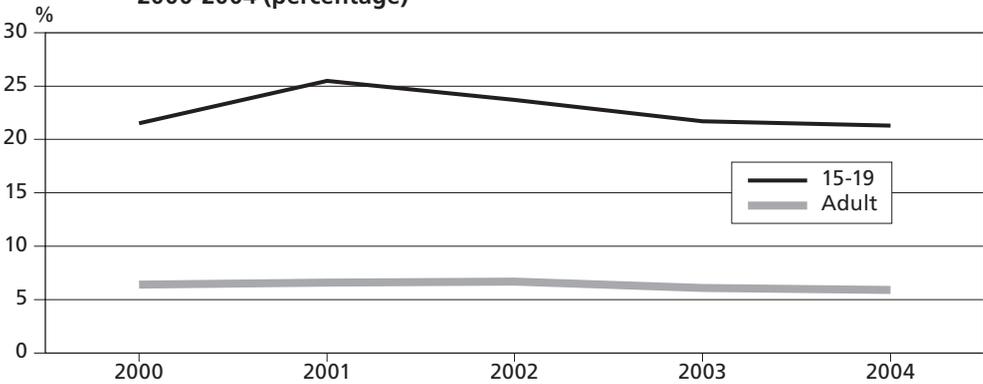
Figure 14 shows that, in Australia, unemployment among 15- to 19-year-olds is more than three times as high as that of the adult population. According to other data published by the Australian Bureau of Statistics, over one-third (38 per cent) of unemployed persons in 2003 were aged 15-24 years.

According to a study conducted by the Dusseldorp Skills Forum, 14.9 per cent of teenagers (14 per cent of males and 16.1

per cent of females) – about 206,200 young people – were not fully engaged either in employment or in education/training in May 2003. Among them, 6.9 per cent were doing part-time work, 4.2 per cent were unemployed, and 3.8 per cent were not in the labour force.

This analytical approach is quite interesting and important. In table 3, for instance, consider those in the categories of young persons who are not in full-time education/training and are in part-time work, are unemployed or are not in the

Figure 14. Unemployment rate in Australia, comparison between teenagers and adults, 2000-2004 (percentage)



Source: Australian Department of the Parliamentary Library.

Table 3. Education and labour market status of youth aged 15-24, Australia, May 2003 (percentage)

	In full-time education					Not in full-time education					Total
	Full-time work	Part-time work	Seeking part-time	Not in the labour force	Sub-total	Full-time work	Part-time work	Unemployed	Not in the labour force	Sub-total	
15-19 age group											
Total	0.3	26.3	4.9	37.7	69.1	15.9	6.9	4.2	3.8	30.9	100%
Male	0.5	21.3	5.1	39.4	66.4	19.7	6.0	4.7	3.3	33.6	100%
Female	0.1	31.4	4.7	35.8	72.0	11.9	8.0	3.7	4.4	28.0	100%
20-24 age group											
Total	0.8	12.4	1.5	10.1	24.9	48.6	10.9	6.5	9.1	75.1	100%
Male	1.0	10.7	1.3	10.0	23.0	55.1	9.0	7.5	5.4	77.0	100%
Female	0.7	14.2	1.8	10.2	26.9	42.0	12.8	5.5	12.8	73.1	100%

Source: *Labour Force, Australia*, May 2003 (as quoted by the study of Dusseldorp Skills Forum).

labour force. By closely monitoring these people to see why they are in such situations – whether for positive or for negative reasons – and also by studying their characteristics – gender, education and training attainment, social and economic background, etc., it might be possible to clearly identify what caused the problems. This would enable appropriate measures to be taken to meet the real needs of young people.

Youth Employment and Trade Unions in Asia and the Pacific

Initiatives by ICFTU-APRO

Faced with the instability of the labour demand–supply situation, trade unions in the region have started taking some initiatives on the youth employment agenda. At the centre of such initiatives are the regional and national youth committees of trade unions.

In an attempt to respond more consistently and dynamically to the issues and concerns of young workers, the ICFTU-APRO (Asia and Pacific Regional Organization of the International Confederation of Free Trade Unions) has taken two major initiatives in the last couple of years. First, it has institutionalized a Youth Committee within its organizational structure, and the Committee is now regularly meeting to discuss their particular concerns. Second, on the initiative of the Youth Committee, ICFTU-APRO conducted in 2002 a general survey on the situation of young workers.³ The survey consisted of studies in 22 countries conducted by affiliates and collaborators, and revealed an interesting picture of the economic and social conditions of young workers in the region.

The ICFTU-APRO is planning further action on the youth agenda. At its next Regional Conference, to be held in Kathmandu in January 2005, the organization is expected to adopt for the first time a specific policy and action plan on youth, of which youth employment is a major pillar.

In preparation for the Regional Conference discussion, the APRO Youth Committee will conduct another region-wide survey on the situation of young workers, which will serve as a basis for discussion and for a draft proposal on youth policy to be tabled at the Conference. The details of the proposal are still unknown; however, the Youth Committee plans to include specific guidelines for action on youth employment issues, so that the affiliates of ICFTU-APRO and their Youth Committee can take strong initiatives at national level on the youth employment agenda.

These initiatives by the ICFTU-APRO will contribute not only to mainstreaming the youth employment agenda in discussions on economic and social policies and strategies at the regional and national levels, but also to further promoting and consolidating the participation of young trade union activists in the mainstream of trade union action internationally and nationally.

National-level initiatives

In line with initiatives and activities by the ICFTU-APRO and other international organizations, national trade union centres are also trying to take some specific steps forward on youth employment issues. One of the positive developments is that youth committees have been institutionalized and are becoming more active in many national centres in the region. These national youth committees will surely be able to lead the national-level efforts and campaigns to mainstream the youth employment agenda at national-level discussions.

In fact, leaders of national youth committees are planning to take specific action on youth employment, taking into account the specific situations and problems of their own organization and country. For example, Mr. Lye Tech Hee, Chairperson of the **Singapore** NTUC Youth Committee, has proposed to initiate a project on mainstreaming a youth employment agenda within the NTUC organisation by building up the capacity of youth leaders

on employment issues and establishing a task force team which would take on the responsibility for making specific proposals for action. Mr. Choi Jang-Yoon, representing the youth group of the Federation of **Korean** Trade Unions (FKTU), expresses their willingness to start a campaign for promoting the involvement of youth representatives in the decision-making bodies of the FKTU and also in a national tripartite forum on the youth employment agenda, where the FKTU wishes to push the Government to take a more demand-side focused approach to the issue.

Mr. Carlos Carlos of the Youth Committee of the Trade Union Congress of the **Philippines** (TUCP) has put forward an action plan to create a new *youth@work* agency within the TUCP that will take on full responsibility for the entire youth employment issue, including unemployment alleviation, education and vocational training, job placement and policy lobbying vis-à-vis the Government, all in the interests of the youth members of the organisation. Mr. Mukesh Galav, President of the National Youth Committee of **HMS-India**, stressed that the priority of his Youth Committee would be to organize the unorganized young workers, so that HMS could better represent the interests of young workers on employment issues. Finally, the Chairperson of the Youth Committee of the Confederation of **Mongolian** Trade Unions (CMTU) plans to organize workshops and seminars in preparation for a CMTU policy on youth employment, which is to be submitted to their congress, and to lobby their leadership for its adoption.

Together with other initiatives planned by other national youth committees and national centres themselves, these planned activities will surely contribute to mainstreaming the youth employment agenda at both regional and national levels in the Asia and Pacific region.

Conclusion

Although the economic growth of the Asia and Pacific region is relatively strong, the employment situation is not bright in many countries. Given the imbalance and mismatch between supply and demand on the labour market, young workers in the region remain in a very difficult situation.

While many governments have already been taking initiatives on active labour market policies, their impact on alleviating the labour market imbalances and mismatches has yet to materialize. Public measures are largely targeting the supply side of the problem – that is, promotion of employability through education and training (see also article by Amparo Serrano on page 39) – but, if the problem is an excessive level of labour supplies, the government may need to focus more on the demand side of the problem – that is, to create more jobs directly or indirectly through public spending.

In this respect, the role of trade unions is crucial. They have to ensure that government takes a well-balanced approach in framing employment policies and strategies, focusing on demand-side, supply-side and matching effects. As stressed in this article, youth employment problems are different from country to country, and therefore the initial analyses of real situations and identification of problems must be conducted carefully and thoroughly. In this respect, trade unions should encourage their governments to take strong initiatives to collect reliable, accurate and comparable data on youth employment.

Youth employment policy cannot be independent of the overall economic and social policy of trade unions. In this respect, the starting point for trade unions is to have their own employment policy and strategy, of which the youth employment agenda must be an integral part. Such a policy and strategy should include specific objectives to be achieved, and actions to be taken, by the government, employers, trade unions and workers

(students) themselves, aimed at creating an environment where society as a whole addresses youth employment challenges. It needs to be emphasized that the future of any society depends on smooth and sound transition from full-time education to decent work for all young people.

Notes

¹ *2003 World Population Data Sheet*, Population Reference Bureau (<http://www.prb.org>).

² *Seizing opportunities for development – Promoting people-based governance*, Policy Address by Tung Chee Hwa (Hong Kong, Legislative Council), 7 Jan. 2004, para. 49 (<http://www.info.gov.hk/gia/general/200401/07/0107001.htm>).

³ *ICFTU-APRO Survey on situation of young workers*, 2002.

Getting young people into work: A challenge and an opportunity

In Latin America, 60 per cent of the population is aged below 30, and young people make up 40 per cent of the continent's 100 million poor. So developing and utilizing these youngsters' potential is a social responsibility. This opportunity won't be knocking twice in the region, at least not during the 21st century. Clearly, young people are not the problem. They are the solution.

Eduardo Rodríguez Calderón

Regional Labour Education Specialist
ILO Regional Office for Latin America and the Caribbean
Lima

Young people are an asset, invaluable partners for economic and social development, bringing creativity, enthusiasm and leadership to the table.

High-Level Panel of the Youth Employment Network¹

Work and employment have many different implications for young people, the most relevant factors being the shaping of their social identity, the way in which they organize their day-to-day living inside and outside the home, their independent development, self-esteem, income, present and future access to social protection, chances of finding their own accommodation, and socio-economic and political citizenship. So the integration of young people into the world of work is also key to greater social equality. A loss of employment leads to exclusion and segregation, while increasing civil and social insecurity. Unemployment causes frustration because it makes it impossible to develop an independent life plan or to be part of a culture of work and, ultimately, of dignity.

The lack of access to decent work for young men and women is a two-fold problem as, on the one hand, society deprives itself of the contribution that they could have made to growth and development and, on the other, these young people lose the opportunity of being able to count on

basic social protection. They are therefore doubly excluded.

At the same time, when it comes down to it, the development of nations depends not so much on the quantity of natural resources at their disposal as on their human and cultural heritage and on their people's ability to generate wealth and to share that wealth equitably, thus creating the conditions for well-being.²

The unfair practice of excluding young people, as well as being ethically unacceptable, is macroeconomically inefficient, as real development means ensuring the well-being of "ordinary people", by placing it at the centre of economic and political action rather than concentrating on the artificial priority of balancing the macroeconomic books.

The challenge for all societies is to generate sufficient opportunities for all young people to obtain decent and productive work in conditions of freedom, equity, security and human dignity, a working life that makes full use of their talents, abilities and aspirations. This challenge is enormous.³

Employment policies and programmes have often fallen into the conceptual trap of generalizing, of not identifying the various differences within the economically active population, as regards gender, age, socio-cultural background, discriminatory factors, etc. This abstraction has meant that such efforts have been relatively inefficient. In fact, if account is not taken at the very least of the specific traits of youth unemployment and gender equality, employment policy cannot be effective.

The perception of access to decent work and high-quality employment may be seen as a result of the conjunction of economic and social policies and as an objective which informs and guides them. Up to now, the first focus has taken precedence, and its results have contributed little to equitable development. Thus, social and labour policies have tended to be seen as compensatory or conflict-limiting and not as fundamental components of the democratic development model and of its governability.

Youth unemployment is not a short-term phenomenon governed by economic ups and downs. Rather, it is structural. So if this problem is to be overcome, brief, occasional programmes are not enough. Micro, meso and macro policies have to be integrated, and this entails making structural changes to the development model adopted.

There is something inconsistent about setting the age of majority at 18 while refusing to recognize young people's ability to participate in the definition of employment policies. The region now has the opportunity to strengthen young people's participation by recognizing them as social protagonists and as interested parties in the construction of future society, while at the same time bringing about a change in the focus of the political agenda, based on policy integration rather than fragmentation and on avoiding the subordination of social policy to economic policy.

Generating youth employment opportunities is also a strategic option, to break the vicious circle of poverty and exclusion in which millions of young people are trapped today.

Youth employment in the region

The employment situation in the region has various characteristics. In what follows, we will highlight some of the most significant ones, in order to give an outline of the situation.

The participation rate of young men and women in the urban economically active population varies according to both gender and country. For men and women together, it ranges from 33.6 per cent in Chile to 64 per cent in Guatemala (see table 1).

This characteristic of the general population also affects levels of employment and unemployment among young people, and it is a basic factor that should be taken into account in plans and programmes aimed at the young, especially as the region has a high level of population concentration in

Table 1. Participation rate of urban youth in economic activity, by gender, 2002 (specific rate^a)

Country	Age group: 15-24		
	Both sexes	Men	Women
Argentina	41.4	48.2	35.1
Bolivia	44.5	50.9	38.8
Brazil	61.7	70.6	53.0
Chile ^b	33.6	39.1	28.1
Colombia	55.5	60.8	50.9
Costa Rica	47.3	56.7	37.3
Ecuador	50.0	59.7	40.2
El Salvador ^c	45.3	57.3	34.6
Guatemala	64.0	74.5	54.4
Honduras	49.4	63.3	37.8
Mexico	47.9	59.3	36.5
Nicaragua ^c	55.1	71.7	39.9
Panama	49.0	58.3	39.4
Paraguay ^b	59.0	68.1	50.7
Peru ^c	50.6	56.4	44.9
Dominican Republic	53.3	61.7	44.8
Uruguay	55.2	63.4	47.0
Venezuela ^d	54.8	67.2	42.0

^a The economically active population within a given age and gender group as a percentage of the total population in the same age and gender group. ^b In 2000. ^c In 2001. ^d Nationally.

urban areas. It is estimated that by 2005, 76.5 per cent of the population of Latin America and the Caribbean will be urban, and this figure could reach 79.1 per cent by 2015.

Generally, strategies and policies for the creation of sustainable employment do not take account of young people in the rural sector.⁴ Moreover, the opening of Latin America's markets to external trade, the development of para-tariff barriers affecting the region's exports, technological and organizational change, and changes in consumption patterns for agricultural products have all led to lower demand for labour in the rural sector. This has perpetuated the causes of the migratory flows to the urban areas and abroad, which in turn could help to deepen these countries' dependence as far as food supplies are concerned.

In all countries, youth unemployment is higher than for the economically active population as a whole. This is an irrefutable fact which everyone is compelled to recognize.

The dynamics of youth unemployment are complex and diverse. Thus, according to ILO figures for 2002-2003 (see table 2), the youth unemployment rate increased in Argentina and Chile, whereas total unemployment went down during this period. In other cases, such as Costa Rica and Peru, youth unemployment declined more than unemployment as a whole. In countries such as Brazil, Mexico, Uruguay and Venezuela, youth unemployment showed a stronger dynamic than the overall jobless rate.

Unemployment is of a different magnitude in each country. However, in most of them, the trend is upwards. If we take as our reference point the data available for 2003, we may state that youth unemployment was between 1.53 and 3.32 times higher than total unemployment.

As ILO Director-General Juan Somavia has pointed out, "the fact that young people are the most affected by unemployment and that, in addition, the majority of those affected come from poor families, creates a vicious circle of poverty which is passed on from one generation to another, thus cancelling out the traditional mechanisms for poverty reduction".⁵

The greatest concentration of youth unemployment is in the unstructured sector of the economy. This is because that sector contains the most dynamic activities, but it is also due to a number of other factors, such as the vulnerability of the Latin American economies and their dependence on movements in the international economy; the reduction in the region's capacity to generate jobs in the industrial, manufacturing, rural and public sectors; a lack of competitiveness, combined with the accelerated opening up of the region's economies and the adoption of labour-saving new technologies.

Informal economy

The informal economy has grown steadily. In 1990, it accounted for 42.8 per cent of the active population, and had risen to 46.5 per cent by 2002.⁶ Over the same period, according to ILO figures, out of every 100 new jobs created, 66 were in the informal economy.⁷ Such jobs do not qualify as "decent work", as they are not performed in safe conditions, nor do they meet the criteria for incomes, social protection, respect for trade union freedoms and other necessities of human development.

In the formal economy, young men and women are for the most part in insecure, tertiarized jobs. It is mainly young people who have been hired on the terms that have come to prevail in the region following the flexibility-oriented, deregulatory reforms of labour relations.⁸ Thus, when young people do find work in the formal sector, it is generally in subcontracted, casual or temporary jobs, without registration as employees, which is why some social protagonists call these arrangements "junk contracts" or working "on the black".

Some youth employment programmes have promoted atypical forms of contract – in other words, with reduced labour rights or social rights. While this may enable young people to gain work experience, it does not allow them to become fully integrated.⁹

Table 2. Total unemployment and youth unemployment in nine Latin American countries, 1990-2003

Country and economically active population	1990		1995		2000		2003*	
	Rate	Times higher than total	Rate	Times higher than total	Rate	Times higher than total	Rate	Times higher than total
Argentina								
Total	7.3		18.8		15.4		16.4	
age 15-19	21.7	2.97	46.8	2.48	39.5	2.56	51.2	3.12
age 15-24	15.2	2.08	30.1	1.60	
Brazil								
Total	4.3		4.6		7.1		12.4	
age 15-17	...		11.0	2.39	17.8	2.50	37.9	3.05
age 18-24	...		9.3	2.02	14.7	2.07	23.5	1.89
Chile								
Total	7.4		6.6		9.2		8.9	
age 15-19	15.9	2.14	15.8	2.39	26.1	2.83	29.6	3.32
age 20-24	12.0	1.62	10.1	1.53	20.1	2.18	20.0	2.24
Colombia								
Total	11.0		8.7		20.5		16.3	
age 12-17	...		21.0	2.41	33.3	1.62	30.7	1.88
age 18-24	...		16.6	1.90	32.4	1.58	33.2	2.03
Costa Rica								
Total	5.4		5.7		5.3		6.7	
age 12-24	10.4	1.92	13.5	2.36	10.9	2.05	14.5	2.16
Mexico								
Total	2.7		6.3		2.2		3.2	
age 12-19	7.0	2.59	13.1	2.07	5.4	2.45	8.2	2.56
age 20-24	...		9.9	1.57	4.0	1.81	6.4	2.00
Peru								
Total	8.5		7.9		7.0		9.4	
age 14-24	15.4	1.81	11.2	1.41	17.1	2.44	14.4	1.53
Uruguay								
Total	9.2		10.8		13.9		17.4	
age 14-24	26.6	2.45	25.5	2.36	31.7	2.28	40.1	2.30
Venezuela								
Total	11.0		10.3		13.9		18.9	
age 15-24	18.0	1.63	19.9	1.93	25.3	1.82	31.3	1.65

* Figures for third quarter.

Source: Compiled by the author from ILO data, *Labour Overview 2003*.

The vulnerability of young men and women, as regards access to stable employment, puts them at a disadvantage when exercising their right to organize freely in trade unions, as when they try to unionize, they are dismissed. Within the

region, anti-union discrimination is the most frequent violation of the principles and rights enshrined in ILO Conventions Nos. 87 and 98.¹⁰

Although young men and women now have above-average educational levels

Table 3. Overt urban unemployment rate, by gender and years of education, 2002^a (average annual rate)

Country	Gender	Years of education				
		Total	0-5	6-9	10-12	13 or more
Argentina	Both sexes	17.9	17.9	19.7	19.7	13.3
	Men	17.8	22.2	20.1	17.4	12.4
	Women	18.0	10.6	18.8	22.8	14.0
Bolivia	Both sexes	6.4	4.2	7.3	7.5	7.0
	Men	5.2	4.0	5.9	6.0	4.6
	Women	7.9	4.4	9.2	9.8	10.0
Brazil	Both sexes	10.4	8.7	13.8	11.9	4.5
	Men	8.4	7.2	11.0	9.3	4.0
	Women	13.0	11.3	18.0	14.6	4.9
Chile ^b	Both sexes	10.6	12.4	13.2	11.4	6.6
	Men	9.9	12.8	13.3	9.7	6.0
	Women	11.7	11.5	13.0	14.1	7.4
Colombia	Both sexes	17.3	13.1	19.3	21.1	16.1
	Men	14.9	11.5	16.9	17.6	14.5
	Women	20.1	15.4	22.2	24.9	17.6
Costa Rica	Both sexes	6.8	9.8	8.5	6.2	3.4
	Men	6.1	11.2	7.3	4.6	2.8
	Women	7.8	7.1	10.5	8.4	4.1
Ecuador	Both sexes	9.1	7.5	9.4	11.1	7.3
	Men	5.8	6.1	5.7	6.6	5.0
	Women	13.9	9.4	15.8	17.2	10.3
El Salvador ^c	Both sexes	7.0	7.1	7.0	8.7	4.4
	Men	8.8	9.9	8.9	10.1	4.5
	Women	5.0	4.3	4.2	7.1	4.2
Guatemala	Both sexes	6.0	2.0	7.0	9.1	6.9
	Men	5.2	1.5	5.8	8.2	5.8
	Women	7.0	2.6	8.8	10.3	8.8
Honduras	Both sexes	6.0	4.8	6.1	7.6	5.9
	Men	6.3	5.8	6.5	7.1	5.6
	Women	5.7	3.3	5.6	8.0	6.3
Mexico	Both sexes	3.4	2.1	3.1	4.3	4.2
	Men	3.9	3.1	3.6	4.6	4.4
	Women	2.6	0.5	2.3	3.8	3.9
Nicaragua ^c	Both sexes	12.5	8.7	14.3	16.6	11.5
	Men	13.2	9.1	15.4	19.5	9.8
	Women	11.7	8.0	12.5	14.1	13.6
Panama	Both sexes	19.4	40.3	19.1	20.2	13.2
	Men	16.5	34.1	16.9	16.2	9.9
	Women	23.5	49.7	23.4	25.5	16.1
Paraguay ^b	Both sexes	10.2	8.5	10.8	12.6	7.4
	Men	9.7	8.4	10.7	12.4	4.7
	Women	10.7	8.7	11.0	12.8	9.9

Table 3. (continued)

Country	Gender	Years of education				
		Total	0-5	6-9	10-12	13 or more
Peru ^d	Both sexes	7.2	5.2	6.4	9.3	6.5
	Men	6.8	5.8	6.3	8.3	6.0
	Women	7.6	4.7	6.5	10.9	7.3
Dominican Republic	Both sexes	16.8	12.8	19.1	19.8	14.5
	Men	11.1	9.4	12.7	12.6	9.1
	Women	24.5	19.4	29.1	28.1	19.6
Uruguay	Both sexes	16.9	13.2	19.1	17.8	12.2
	Men	13.4	10.6	15.1	13.3	10.2
	Women	21.1	18.3	25.3	22.7	13.8
Venezuela ^d	Both sexes	16.2	13.4	16.6	18.0	15.7
	Men	14.4	12.7	15.1	14.9	14.1
	Women	18.8	14.9	19.4	21.9	17.1

^a For those aged 15 or over. ^b Refers to 2000. ^c Refers to 2001. ^d Nationally.

compared to the economically active population as a whole, the high unemployment levels and the use of new technology tend to mean that employers are looking for higher qualifications and greater work experience in job candidates.¹¹ Young people do face less gender-based discrimination in access to employment than do older age groups,¹² a sign of a trend towards greater equality of opportunity in employment. Nevertheless, women – including young women – do on average have higher unemployment rates, whatever their educational level, except in cases like El Salvador, Honduras, Mexico and Nicaragua, where they are in a more favourable position. Other trends are less clear.

As may be seen from table 4, a large proportion of young people, even those with educational levels above the national average, have had to seek refuge in the informal economy in order to find a job and reach a certain income level, albeit precarious. We may therefore conclude that employment levels do not depend solely on educational levels, as has sometimes been claimed in connection with the concept of “employability”, although we do of course

recognize the importance of education to decent work and human development.

Opportunities

Turning to other matters, we should note that the region is experiencing a demographic transition which opens up new historic opportunities. While the fertility rate is going down, the proportion of people of working age is rising. In this respect, women are in a special position. This advantage is temporary, as it will later mean an increase in the proportion of retirees, with all that that entails in terms of social responsibilities.

Nonetheless, the rate of growth of the young population has been greater than the capacity to create jobs in general and, more particularly, decent jobs. Thus, youth unemployment has increased and has become a major obstacle to development. This political, social and economic impasse demands a new focus, a redefinition of public policies and the building of a new social consensus which gives priority to decent work and high-quality employment.

Table 4. Youth unemployment and informal employment, by educational level (age 15-24), 1990-1999

Year	Informal youth employment as percentage of non-agricultural employment				Breakdown of informal youth employment (does not add up to 100, due to non-declaration)			
	Total	Years of education			Total	Years of education		
		0-5	6-9	10 or more		0-5	6-9	10 or more
1990	42	52	38	30	100	47	41	10
1999	47	63	48	33	100	26	53	19

Note: Figures calculated on the basis of 11 countries representing 78 per cent of Latin American economically active population.

Source: Compiled by CEPAL on the basis of ILO statistics from 2000.

Policies and initiatives to date

The challenge of youth unemployment has called for various alternative responses. These take different forms, as regards, for example, the extent of young people's participation in drawing up the programmes; the type of authority that controls them; the degree of linkage between institutions; and the major focuses (for instance, reinsertion into the education system, occupational training, employability, intermediation with the labour market, etc.). Account should also be taken of the programmes' geographical scope (usually urban), their duration and their coverage or outreach.¹³

The youth employment programmes undertaken in the region, despite all the efforts made, have not been sufficient to contain or reverse the regional trends towards unemployment and the casualization, tertiarization and informalization of employment, as the data referenced in the previous section show. In general, the opportunities provided through the programmes reduce or restrict income, the work is temporary and sometimes the young men and women are excluded from social protection, hence constraining their right to unionize and to collectively negotiate their employment conditions. All in all, this helps to promote greater flexibilization of the labour market. The

arguments advanced for this are a lack of training, a lack of work experience and the cost of labour, although the validity of these points may be questioned.

In the approaches tried to date, deficits may be observed as regards policy integration and linkages between institutions. To tackle the challenge of providing jobs for young men and women, it is necessary to redraw employment policies, as regards their quantitative content but also in terms of the quality of the jobs to be generated and of improving what already exists. Dealing with the problem of youth unemployment requires social solidarity and a clear commitment to an alternative model of social development based on the principle of decent work for all, regardless of age, gender, social origin, etc.

Below are some points that could be discussed with a view to drawing up an agenda for the integration and reassessment of youth employment policies.

Participative governmental management

To overcome the fragmentation of policies and programmes at the various levels of government, inter-institutional spaces need to be created within government structures and, through social dialogue, the participation of the socio-economic

and political actors should be sought in building consensus on a plan for the kind of nation they want.

The return to democracy has, basically, taken place in electoral terms, but not very much in the social and economic spheres. This is why we face the apparent contradiction that many people prefer strong-arm governments, as long as they provide an effective solution to problems concerning employment, public safety and access to other social goods that are necessary for human development.

Young people generally do not have access to national bodies for consultation and dialogue. The reasons for this are their low organizing rate and the fact that they are not put in touch with, nor do they put themselves in touch with, the actors of national society and production. This is why governments should make an effort to facilitate organizing among young people and to include them in the processes of consultation and dialogue.

The integration of policies is achieved through the building of consensus and through a politico-institutional re-articulation which is part of a project for the nation to which the social and economic actors are committed, so as to act in coordination and solidarity.

The State as market regulator

The free interplay of market forces does not lead to full employment, neither to higher-quality employment, nor to a more equitable distribution of the benefits generated both by production and by the international marketing of products. To achieve that requires that the State serve as a regulator of the market, as a guarantor of the fulfilment of the consensual social and economic objectives, so that in this way it may contribute to the development that society demands.

Market distortions include the segregation of whole regions within countries, producing dynamic poles in some places but paralysis in others, where conditions of poverty and destitution remain and even

increase. This breeds the conditions for social conflict and ungovernability.

Savings and productive investment

To generate and promote new employment opportunities, private and public productive investments are needed. But various countries in the region are carrying heavy financial commitments, due to the rise in their foreign debt and the costs of servicing it. Thus, Latin America today is a net exporter of capital, which is precisely one of the resources most needed by the countries of the region in order to make productive investments within their territories. The situation would be even more serious were it not for the remittances sent back by migrant workers, who are getting younger and younger and have educational levels above the average in their countries of origin.

The capital flows resulting from the growing number of incentives (legal, political, institutional and others) granted in order to attract foreign investment have been insufficient, and part of them has gone into buying firms rather than generating new jobs. In the game of attracting productive investors, there are now some big competitors, with China leading the field. Many export-processing firms have moved there, putting mainly young people and women out of work.

National savings capacities are being reduced, chiefly because the higher income groups are placing a large part of their wealth outside their countries of residence and the profits from the most dynamic enterprises are being transferred to the developed countries. Risk financing of productive ventures is not being undertaken by the banking system, partly due to the interest rates.

National economic integration

The region has an irregular heartbeat and is unable to achieve growth rates¹⁴ sufficient to absorb the arrival of new contingents of young workers on the labour

market and to reduce the present deficits. Growth in international trade is said to be an indispensable precondition for creating the employment needed in the region. That argument is basically sound for the sector linked to external trade, but not for the rest of the economy in these countries.

The international trade of most Latin American countries is strongly concentrated and dependent on the United States, and this situation is tending to intensify, due to the bilateral or multilateral free trade agreements that have been signed without establishing cooperation mechanisms to compensate for asymmetries or to drive forward the productive conversion needed. The lack of business diversification is an economic vulnerability factor which impacts on the ability to generate work and employment opportunities.

On the other hand, the biggest global and regional commercial exchanges are between units of the same multinational corporations. This limits their impact on national economies and on the creation of new opportunities for decent employment.

The case of the maquiladoras and the export processing zones, which showed great dynamism over the past decade and which mainly provide work for young people, is a typical example of the lack of joined-up production. One of the declared aims of promoting them was to galvanize the national productive apparatus through the subcontracting of goods and services, but such supply contracts have been few and far between. If we exclude electricity, water, sanitation and telecommunications, national suppliers have provided less than five per cent of the product content. And within that percentage, the biggest item is packaging.

Economic policy ought to achieve a happy balance between the home market and the external market, as well as better integration of the national productive apparatus, but in most of these countries it is fragmented and dislocated. So, properly oriented national economic integration is required in order to increase competitiveness.

Reactivating agriculture

Agriculture is not a thing of the past. Countries like Chile have managed to reactivate and modernize this sector which provides the country with important resources and employs more than 457,000 people. A big proportion of them are women and young people. The countryside is potentially a generator of jobs, goods and provisions, as well as a pole of development and of the combat against poverty. In the recent negotiations at the WTO, an historic agreement was reached. In the view of the organization's Director-General, Dr. Supachai: "For the first time, member governments have agreed to abolish all forms of agricultural export subsidies by a certain date. They have agreed to substantial reductions in trade-distorting domestic support in agriculture."¹⁵ It may therefore be hoped that agricultural production will be reactivated in the countries of the region.

The creation of rural infrastructure (dams, irrigation networks, roads, silos, etc.) is another opportunity to generate jobs in the rural areas and to promote development and economic integration, and young people could participate on favourable terms in this field.

Technological development

The advent of new technologies has further deepened the existing dependence, since these technologies were developed and patented in developed countries and are mainly owned by the multinationals. Over the past decades, demand for new technologies has taken off and has contributed to the creation of new jobs. However, most of these jobs are in the developed countries, although they are now tending to be distributed more and more widely, given the growing internationalization of the production processes controlled by the corporations.

New technologies are generally labour-saving, but this does not mean that they should be rejected. Rather, the aim should be an active policy of appropriating and

developing their applications, thus exploiting nationally the advances that they often bring.

Opening and competitiveness

There is no doubting the importance of integrating countries into the globalization process, thus redefining their position in the concert of nations and giving them access to new, socially necessary goods and services. However, opening up without being competitive, or without clearly formulated programmes to become so, has resulted in significant job losses in various sectors, reducing opportunities to obtain or retain work, whether decent or otherwise.

To increase competitiveness, the option generally taken has been to reduce costs, particularly labour costs, by reforming standards or imposing on labour relations elements of deregulation and flexibility in relation to hiring and firing but also to working conditions. To a great extent, this has lowered the quality of jobs while at the same time reducing access to employment. Aiming for competitiveness in this particular way has had negative consequences for young people.

So any policy on market opening and on trade areas should include, as a factor of feasibility and assessment, a balance sheet of its impact on the creation of decent employment and work.

Linking education policy and vocational training

Education policy

As regards education policy per se, various elements need to be reconsidered as a matter of priority: although there have been significant advances in educational coverage in recent decades, illiteracy rates are still high; drop-outs and poor attendance are still widespread; the quality of education and the relevance of training – with respect to the labour requirements of the

production process and developments in that regard – should be the subject of a process of dialogue and strategic social consensus.

It is worth noting that, as long as they are in the education system, people generally do not join the economically active population,¹⁶ so this is not only an indispensable phase of training but also an effective way of containing premature entry into the labour market.

Vocational training

For the moment, we will consider only training for work and not training at work. On the one hand, few countries have an integral and integrated system to which people of working age have access. On the other hand, some countries have been taking concrete steps to link up the (technical and technological) education system with vocational training, as part of the standardization and certification of labour skills, and this is one of the options.

One thing that youth employment promotion programmes have in common is that they weigh the options for giving young people access to vocational training, which is a wise move. Also seen as a good thing is the promotion of young entrepreneurs, although this is quantitatively much more limited. The most successful schemes have been those that link training with job placement.¹⁷ As V. Tokman points out, the most relevant indicator of success, in this context, is placement after the programme.¹⁸

In some countries, such as Argentina, Chile and Uruguay, education policies and vocational training have targeted young people from poor backgrounds, primarily through bursaries. This is a significant move, even though it remains inadequate, given the extent of the problem.

In some countries, it is legally possible to opt for apprenticeship contracts as a mechanism for placing and training young workers. Such contracts have caused controversy, as they have been subject to abuse and falsification, to the detriment of

those working under them. So experience has shown that it is useful to keep a register of such contracts and follow up with strict checks.

The call for a knowledge-based society and the demands on training for employment mean that the population must have access to permanent high-quality education and training.

Full intermediation in the labour market

Intermediation in the labour market is evolving into a fully-fledged service which helps to ensure the transparency of labour supply and demand, provides vocational guidance, evaluates job search strategies and encourages targeting and focus within the vocational training on offer, be it private, public or mixed. Achieving such integration would help to overcome a deficit in labour policy.

Intermediation in the labour market is asymmetric in terms of its nature, integration, geographical coverage, segments of the population reached, provision without charge to the user, etc. The majority of employment services are active within the urban areas. Exceptionally, they respond to the demand for certain types of rural employment, usually when major infrastructural work is being carried out or export-oriented cultivation is being expanded.

So truly national coverage of all sectors is an aim that should be pursued with greater urgency, not least because of the growing sectoral and social impact that the integration processes may have on labour dynamics and labour markets.

Social distribution of working time

This is really a political decision which has a bearing on people's access, and particularly young people's access, to work. Today, we are going through the third scientific and technological revolution, which has considerably reduced the

time socially needed for the production of goods and services in all fields. Nevertheless, the length of the working day has remained the same as that achieved in the first half of the last century in the Latin American countries. In fact, many people are putting in extra hours in order to boost their meagre incomes. Obviously, this only aggravates the situation as far as job opportunities are concerned.

In some countries, such as Brazil, the trade union movement is launching a campaign to reduce the maximum legal working hours per day; other countries, such as Peru, have adopted a policy setting the daily maximum at eight hours. This may seem contradictory, but it has nothing to do with the reality experienced by the workers.

This political decision is also related to the question of unemployment insurance, of which there is little in the region. Where it does exist, coverage is minimal, as it is designed to protect those who lose formal employment.

So increasing employment opportunities in a country goes hand in hand with decision-making on how to distribute social working time and how to protect those who do not obtain it.

Conclusions

It is our belief that these ten agenda items for the integration and reassessment of youth employment policies are compatible with the Recommendations of the High-Level Panel of the Youth Employment Network, approved by the UN General Assembly on 28 September 2001 and constituting a commitment, on the part of countries, which must be fulfilled. These points are also compatible with the draft Ibero-American Charter of the Rights of Youth,¹⁹ which is in the process of adoption.

We are going through a demographic transition which gives the region a historic opportunity to integrate 100 million young people into productive life. If we do not seize that opportunity, there will

be negative repercussions when today's young people reach retirement age.

The policies and programmes undertaken in Latin America have mitigated the youth employment problem but have not halted the trend or reduced the extent of the exclusion to which young men and women are subject. The lack of employment also excludes them from social protection.

Social dialogue and participation by young men and women are the strategic route towards the consensus and cohesion needed in order to articulate policies and programmes fully targeted at young people and, in particular, to create the necessary opportunities for full, decent employment.

The governments that have been most successful in the fight against youth unemployment are those that have achieved greater integration of their policies and better coordination between institutions. These factors have promoted a cross-cutting approach to youth issues, with the participation of young people themselves.

Solidarity and social responsibility on the part of everyone concerned are a precondition for tackling the challenge of decent work for all.

Notes

¹ Recommendations of the High-Level Panel of the Youth Employment Network, presented by the United Nations Secretary-General to the 56th session of the General Assembly. Document A/56/422, presented on 28 September 2001.

² In most countries of the region, the wealthiest 10 per cent receive between 40 and 47 per cent of total income, while the poorest 20 per cent receive a mere 2 to 4 per cent. This is undoubtedly one of the greatest obstacles to regional development.

³ High-Level Panel of the Youth Employment Network, op. cit.

⁴ Interamerican Development Bank. Report 1998-1999.

⁵ ILO. 1999. *Trabajo decente y protección para todos: Prioridad de las Américas*, presentation by the Director-General to the 14th Regional Meeting of ILO Member States in the Americas (Lima), p. 34.

⁶ ILO. 2003. *Labour Overview 2003* (Lima). It is important to note that, over this period, the participation rate for women was constantly higher than that for men, and was thus above the average.

⁷ *ibid.*

⁸ For a regional perspective on changes in standards, see Ciudad, Adolfo. 2002. *Reformas laborales y procesos de integración en los países de la OEA: 1980-2000* (Lima, Proyecto OIT-CIMT).

⁹ cf. Tokman, Victor. 2003. *Desempleo juvenil en el Cono Sur: causas, consecuencias y políticas* (Santiago, FES), pp. 18 ff.

¹⁰ In the period from June 1990 to 2004, the incidence of breaches related to anti-union discrimination was more than 32.73 per cent of the total. See the ILO/ACTRAV database QVILIS at www.oit.org.pe/qvilis

¹¹ This destroys the expectation that education will guarantee social betterment, and it therefore does away with one of the preferred means of distributing well-being and social stability.

¹² ILO. *Labour Overview 2003*, op. cit. As regards experiences and results from programmes to promote employment with gender equality, youth job placement programmes in Argentina, Chile, Peru and Paraguay are cited.

¹³ The Inter-American Research and Documentation Centre on Vocational Training (CINTERFOR) has developed a major web feature on youth, training and employment. As well as descriptive sections, there are links to numerous practical examples. In Spanish: <http://www.cinterfor.org.uy/public/spanish/region/ampro/cinterfor/temas/youth/exp/index.htm> There is also an English version, but with different content: <http://www.cinterfor.org.uy/public/english/region/ampro/cinterfor/temas/youth/exp/index.htm>

¹⁴ According to the figures in *Labour Overview 2003*, the average regional growth rate between 1994 and 2004 was only 2.3 per cent, and in three of the years concerned, it was less than 1 per cent.

¹⁵ See the news item dated 31 July 2004 at: http://www.wto.org/english/news_e/news04_e/dda_package_sum_31july04_e.htm

¹⁶ ILO, op. cit. The economically active population is defined to include all persons who, having reached the minimum age specified, meet the requirements for inclusion in the category of persons who are in employment or who are unemployed. So it is the total number of the employed and unemployed.

¹⁷ Examples are the Chilean programmes, as well as *Joven*, *Capacitar* in Argentina and *Pro Joven* in Uruguay.

¹⁸ Tokman, op. cit., p. 31.

¹⁹ See <http://www.oij.org/oij03.htm>

The African perspective on youth employment

Youth employment problems in Africa are part of a much larger problem of ineffective labour markets, often due to ill-conceived adjustment measures. The need now is for comprehensive policies that cut across various sectors of the economy. The Poverty Reduction Strategy Papers may provide an opportunity for change.

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Various authors observe that youth unemployment¹ is a growing and perennial problem in many countries, including industrialized ones, although the problem is much more serious in developing and transition economies. Globalization of labour markets, labour market flexibility and atypical forms of employment are generally seen as contributing to the inability of a large segment of the population to participate in the economy. This is a view supported by other analysts (see for instance White and Kenyon, 2000; Kanzenze, et al., 2000). Even more worrying are the typically higher rates of youth unemployment as compared to the national average (*Ed. A similar situation is described in Asia in the article by Michihiro Ishibashi – see p. 49*). In a number of African countries, youth unemployment is at least twice the unemployment rate – four times the national average in Nigeria; and 2.4 times in Zimbabwe. In Egypt, 93.4 per cent of the unemployed population are young people between the ages of 15 and 30.

Youth unemployment in Africa is part of a much bigger problem of unemployment and underemployment from which most countries have yet to find a way out. While the average world population growth rate for the 1990s was no higher

than 1.5 per cent, Africa's population was growing at over 2.6 per cent a year (World Bank, 1997). Projected to contain some 854 million people by 2010, sub-Saharan African economies have not grown at a pace that would match the increase in population. Worse still is the youthfulness of the population, implying a high dependence ratio. Yet those who are depended upon are scraping a living in the low-productivity areas such as agriculture and the informal sectors.

Then there is the HIV/AIDS pandemic. It is projected that AIDS will reduce life expectancy by up to 20 years from today's modest levels – erasing the gains achieved since the 1950s (World Bank, 2000). AIDS is a tremendous drain on the meagre resources of most countries, and since the most sexually active are also the most economically productive among the population, the implications for the labour market are alarming. Open urban unemployment is also a common phenomenon in most African cities. The most disadvantaged are the young women with little or no education.

As mentioned above, the demographic and economic scenarios are to blame for the under-utilization of youth labour in Africa. After initial boom periods post-

independence, most African economies stagnated in the 1970s and went into recession for much of the 1980s. Africa's average output per capita in constant prices was lower at the end of the 1990s than 30 years before – and in some countries had fallen by more than 50 per cent. In real terms, fiscal resources per capita were smaller for many countries than in the late 1960s. The employment generation potentials of these economies were therefore wasted in such a situation.

An equally important reason for failure to tackle the unemployment crisis has been the inappropriate skills possessed by young people. It has been argued that the education systems in Africa are geared towards churning out job-seekers rather than job-creators. The theoretical nature of the skills, plus the perception that employment should primarily be a salaried job in the formal sector, has helped create a mismatch between labour supply and demand. In cases where there have been attempts to address this problem, the first option has been an expansion of technical, vocational and education training (TVET), without paying much attention to the demand side.

Labour market and youth unemployment situation

Labour market inefficiencies are the root cause of youth unemployment in Africa. However, the labour market situation is itself a reflection of the economic malaise that has limited the ability of most African economies to create much-needed jobs for its young people. In the wake of the structural adjustment policies of the 1980s, most state-owned enterprises that had been a major source of employment were either privatized or wound up. In both cases, massive retrenchments were not uncommon. This lack of new opportunities in the formal sector has led many to seek refuge in the sprawling informal sector, in anticipation that better jobs will be available at some time in the future. However, as this has not always happened, and as

the urban to rural migration continues, the urban informal sector itself is becoming saturated. Besides, the performance of the informal sector very much depends on the health of the “economy” (i.e. the formal sector). Thus, despite an expansion of the informal sector in most African countries, there is no “success story” to show. At the same time, the release of labour from the rural and agricultural sector does not necessarily lead to higher productivity. Lack of modernization has meant that the agricultural sector remains a means of satisfying subsistence needs and providing raw materials for exports.

An equally worrying trend is the high unemployment situation among the educated youth. As mentioned above, time spent in school does not guarantee paid employment, because of the non-availability of matching jobs (due mainly to skill deficiencies). The irrelevance of training to the needs of the job market effectively leads to the “discouraged worker” phenomenon, whereby able-bodied youth bide their time, waiting for the “decent” and deserving jobs to appear. Moreover, because of the extended family support networks in most African societies, there is a tendency for the youth to have a high reservation wage as a condition for their entry into the labour market. The enormous resources used by the State on training such individuals, who in the end do not make returns to the economy by way of contributing their labour, are therefore wasted. The end result is to swell the ranks of the unemployed.

In general, labour force participation in Africa has historically been in men's favour, with women representing less than 40 per cent of the labour force. But more and more young women are now legitimately entering the labour force.

Addressing youth unemployment

Many African countries have no comprehensive employment policy. The economic restructuring process in the name of structural adjustment and stabilization policies

was considered to be an end in itself, with reliance being placed on the power of the markets and economic growth. With the State taking a back seat and letting the private sector take charge, the result was supposed to be an enabling environment in which markets would provide a sound economy, of which one of the main fruits would be employment. This has not happened. The reality on the ground is all too evident.

Nevertheless, various countries have tried a number of active labour market policy interventions. While some are public initiatives, others are initiatives taken by the private sector – non-governmental organizations – and in others still, employers’ and workers’ organizations have played a part. Overall, the objective of these programmes has been to enhance the employment generation potential of the economy. There have been attempts at making the educational and training system more “demand-driven” and better geared towards the demands of the labour market. Direct targeting of unemployed young people through direct job creation and training for skills development has also been tested.

In an attempt to streamline the supply and demand of labour, a number of countries have sought to implement reforms in their education and training systems. While some reforms are specific in content, others are comprehensive in terms of the institutional structure, organization and content of the courses.

In **Nigeria**, the National Open Apprenticeship Scheme (NOAS) is an attempt to match skills to jobs. Under the National Directorate of Employment (NDE) in the Ministry of Labour and Productivity, the programme utilizes production facilities, such as workshops, and technical instructors from private industry, government institutions and, by way of a sub-contracting arrangement, wayside craftsmen and tradesmen (informal sector operators). It is reported that some 400,000 trainees eventually started their own businesses, while those who fail to get employment are provided with equipment to do so.

The experience of technical education and training in **Zambia** is a classic example of such institutions in other parts of the continent. Designed to serve the formal sector, they have not adjusted their training portfolios to the realities of the changing labour market conditions and the broader economic environment of the modern age. The onset of structural reforms in the early 1990s also saw a need to tailor the education and training policies. The result was a Strategy Paper on the new Technical Education, Vocational and Entrepreneurship Training (TEVET) Policy, completed in 1997, aimed at making training and education more demand-led and flexible. Despite slow progress in implementing the recommendations, the strategy was a significant departure from past practice.

In **Egypt**, the Co-operative (Dual) System in Technical Education and Vocational Training, popularly known as the Mubarak-Kohl Initiative, focuses on the training of youth by employers as a way of ensuring that the needs of the labour market are taken into consideration. In this way, the private sector would be able to play a greatly enhanced role in imparting skills. Potentially, the initiative would lead to more jobs for youth and also to the alleviation of skills shortages.

A number of countries have also made use of programmes that lead to direct employment creation. Labour-intensive public works schemes, for instance, have been used for various reasons in both rural and urban areas. **South Africa**’s Community Based Public Works Programme (CBPWP) is one well-known initiative. With the mandate to reduce unemployment, educate and train beneficiaries, create, rehabilitate and maintain physical assets, and build the capacity of communities, the CBPWP is to target the “poorest of the poor”, the women and youth, although no quotas have been set.

The public works programme in **Egypt** focuses on creating rural-based jobs for youth, with activities covering productive infrastructure, economic infrastructure, social infrastructure and complementary projects.

In **Namibia**, the Katatura Youth Enterprise Centre (KAYEC) provided training, information, work space and support for youth aspiring to start their own businesses.

In **South Africa**, the Education with Enterprise Trust (EWET) runs “Youth Enterprise Society” (YES) for secondary schools, and “Business Now” for out-of-school youth. These are examples of enterprise development programmes for non-school youth (Chigunta, 2002).

In its Sessional Paper Number 2 of 1992, *Small enterprise and Jua Kali development in Kenya*, the government identifies the small-scale and Jua Kali enterprise sector for support to assist it to “graduate into the formal sector” and to become a major player in the creation of new jobs and economic growth. **Kenya’s** Micro- and Small Enterprise Training and Technology Project was a World Bank-funded initiative launched in the mid-1990s. The aim of the project was to enhance entrepreneurial development in the private sector and, more specifically, reduce constraints on employment promotion and income enhancement in the micro- and small enterprise (informal) sector in Kenya. A major component of the project was the Micro- and Small Enterprise Training Fund, funded at US\$11.5 million to cover a training voucher programme (\$6.1 million) and a contract training scheme (\$5.4 million). On receipt of their vouchers, the beneficiaries were given a directory of approved training providers. Beneficiaries then use a training provider of their choice.

The Informal Sector Training and Resource Network (INSTARN) Programme in **Zimbabwe**, which became operational in 1995, aims at tackling the problems of the informal sector by providing technical training, business training and access to funding. The traditional apprenticeship system is the main focus of the programme. The main skills are carpentry and joinery, metal fabrication, dressmaking, hairdressing, radio and TV repair, motor mechanics and refrigeration. To date, 102 people have graduated from the programme, while a further 120 are undergoing training.

Following the President’s Conference on Small Business in March 1995, the

National Small Businesses Act of 1997 of **South Africa** was promulgated. This was to mark the start of various initiatives for small business. The Centre for Small Business Promotion (CSBP) was established to spearhead, monitor and evaluate the implementation of the national small business development strategy and to provide support services such as entrepreneurial training, line training, provision of development finance and marketing support.

The National Action Programme for Youth (NAPY) in **Zambia** was developed in 1996 and early 1997 with broad-based participation by government, youth, NGOs, the UNDP, the ILO and the donor community. The NAPY is a comprehensive strategy to support out-of-school youth with low educational attainment. In 1997, 15 Youth Skills Training Centres were operational. Most of these centres provide training in tailoring and carpentry, brickwork, metalwork or agriculture.

The ongoing «entandikwa»² credit scheme was instituted by the **Uganda** Government in conjunction with the World Bank and IMF in the financial year 1994/95 to enable enterprising individuals to access start-up capital, hitherto unavailable, for micro projects. The credit scheme is geared towards the vulnerable groups who are confronted by institutional obstacles, other than providing collateral, while trying to access credit. The scheme was expected to facilitate productive commercial ventures by small entrepreneurs. It was allocated 6.4 billion Uganda shillings (US\$6.4 million), which were to be disbursed to 214 counties, each receiving a share of Shs. 30 million (US\$30,000).

Youth unemployment focus of Poverty Reduction Strategy Papers (PRSPs)

PRSPs analyse the macroeconomic, social, structural and institutional constraints on faster growth and poverty reduction. The assumption is that if youth unemployment is considered a major bottleneck to poverty reduction, the PRSPs ought to lay out strategies towards addressing the unemploy-

ment of young people. This section looks at the youth employment focus of a sample of full or interim PRSPs.

In the **Democratic Republic of the Congo** in 2000, only 2 per cent of the total population were employed. As a result, “the Government has made job creation and sustainable income generation a short- and medium-term objective”.

In **Ethiopia**, the PRSP is cognizant of the employment-creating and income-generating potentials of public employment generation. “Accelerated and sustainable growth in Ethiopia can be brought about by utilizing labour-intensive rather than capital-intensive production processes”, it states, signalling the Government’s attitude towards taking advantage of the abundant human resources available. With regard to Technical and Vocational Education and Training (TVET), the Government intends to increase TVET enrolment from 25,000 to 130,000 by the end of the plan period, 2004-05. Other plans for TVET would include curricula modernization; skills upgrading for TVET teachers through in-service training; establishment of more TVET colleges; and introduction of a distance education programme.

In **Ghana**, the introduction of entrepreneurial training in the universities, polytechnics and agricultural colleges is being planned. Support to investment-oriented young graduates will be in the form of credit, technology and access to markets and land. Entrepreneurial development will be focused through the pipeline Skills and Entrepreneurial Development Programme by the Ministry of Manpower Development and Employment, with the support of the Ministry of Youth and Sports. On the other hand, a community-based apprenticeship scheme targeting barely literate young people is also planned, while entrepreneurial development will target secondary and tertiary education leavers who are unemployed or who wish to be self-employed. Training and retraining, with the emphasis on business management, are to be key.

In the **Malawi** Poverty Reduction Strategy Paper (MPRSP), lack of or limited

off-farm employment is noted as one of the many causes of poverty.³ The MPRSP sees technical, entrepreneurial vocational education and training (TEVET) as an answer to the above scenario. The following measures are planned for:

- i) Promotion of self-employment through skills development initiatives;
- ii) Improving the quality and relevance of TEVET;
- iii) Rehabilitating the existing infrastructure and equipment;
- iv) Strengthening the management and financing of TEVET. Micro-, small and medium-scale enterprises (MSMEs) are to play a central role in ensuring pro-poor growth. General problems that are all too often in the way of MSME development – lack of business skills and technological expertise, lack of capital, and inadequate supportive infrastructure for efficient production and marketing – are also targeted in the MPRSP.

“Inasmuch as it is the main vehicle for breaking the cycle of poverty, employment will be a central concern of the economic and development policies”, notes **Senegal’s** PRSP. A general policy of promoting highly labour-intensive activities in the construction, rehabilitation and maintenance of productive, economic and social infrastructure facilities is encouraged. Employment for young people is one priority the Government seeks to implement. Measures towards youth employment include:

- i) Boosting the resources of the National Action Fund for Employment (*Fonds National d’Action pour l’Emploi-FNAE*) and the National Fund for the Promotion of Youth (*Fonds National de Promotion de la Jeunesse*)
- ii) Increasing the number of counselling centres;
- iii) Developing programmes to deal with young drug addicts. For vocational education for young people and adolescents, the strategies will centre around:

- In-depth review of the formal and non-formal education (literacy, basic community education, etc.) offered and the establishment of a new menu;
- Preparation/review of the training programmes according to the skills-based approach;
- Promotion of a dynamic partnership with the private sector;
- Organization of the apprenticeship system by developing a consensus, basing apprenticeship on social solidarity values and establishing an appropriate legal framework;
- Reduction of the inequalities between the sexes, and lessening of geographical disparities by paying special attention to girls and giving consistent support to the under-privileged areas;
- Training for adolescents and young people from 13 to 18 years of age who are not at all equipped for working life;
- Extension of the field of action, to include attitudes and values connected with peace, tolerance, health, preservation of the environment, vocational skills in languages, arithmetic, etc.;
- Alternation between theory-based instruction and workplace training;
- Development of the *faire-faire* (outsourcing) approach, along the lines of that applied in literacy training.

Zambia's PRSP has a number of specific clauses. Lack of jobs was noted as one major factor that needed very urgent attention, having been identified in awareness workshops across the regions as well as in the thematic papers presented. Through access to credit, the PRSP plans to generate incomes and employment in agriculture – with a target total of 800,000 jobs in the agricultural sector, up from 520,520 in 2000. Improvement of industrial skills and craftsmanship through the reintroduction

of two apprenticeship schemes is also anticipated. Development and improvement of operations of MSME entrepreneurs will be undertaken to fulfil the overall goal to “promote growth of an export-led industry leading to employment creation and poverty reduction”. The number of such entrepreneurs is to increase from 92 in 2002 to 500 in 2004. In the period 2002-04, manufacturing employment is forecast to increase at an annual rate of 5 per cent. In recognition of the human resource situation, the PRSP courts the involvement of the private sector in developing in-house training programmes and upgrading HTTI. Skills training and tertiary programmes are earmarked for improvement in order to increase their quality, accessibility and relevance.

Conclusions and recommendations

This article has argued that the problem of youth unemployment is part of a much larger problem of ineffective labour markets. However, it is also understood that the economic malaise that has afflicted much of the African continent is the root cause of unemployment in general and youth unemployment in particular. Therefore, a starting point ought to be a strategy that aims at providing basic education to the whole population in order to ensure that innumeracy and illiteracy are rooted out. A reform of the education systems to ensure that they impart values that promote self-reliance and skills development would be a good beginning.

It is imperative that direct targeting of youth be made in order to reduce further incidences of youth unemployment. More emphasis needs to be put on enabling the youth to make themselves employable or to employ themselves. Imparting entrepreneurial abilities and technical and vocational skills, through training and skills upgrading, is a way of enhancing employability and promoting self-employment.

Given the spiralling nature of youth unemployment in most African countries, it is imperative that the PRSPs adequately

address the problem, with the aim of putting in place the requisite policy measures. There is no doubt that piecemeal programmes will not do the job.

Notes

¹ Different countries define “youth” differently, as various dimensions are usually taken into account – demographic, cultural, biological, social or economic (Kanyenze, et al., 2000). The United Nations defines “youth” as those between 15 and 24 years of age. For the purpose of the present article, however, a “youth” is defined as any person aged between 15 and 35 years of age.

² “Entandikwa”, literally translated, means “to start”.

³ According to the labour market survey of 1998, about 300,000 people leave the formal education system every year. However, only 30,000 enter formal employment annually, leaving a balance of 270,000 people who enter the labour market annually and seek some source of income other than formal wage employment.

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Conclusions of the Tripartite Meeting on Youth Employment: The Way Forward (Geneva, 13-15 October 2004)

The Tripartite Meeting on Youth Employment: The Way Forward,

Recalling the ILO decent work paradigm, the Global Employment Agenda (GEA), the United Nations Millennium Declaration, the Declaration of Philadelphia, international labour standards including those relating to the promotion of employment, and the resolution concerning youth employment adopted by the International Labour Conference in 1998,

Having met in Geneva from 13 to 15 October 2004,

Adopts this fifteenth day of October 2004 the following conclusions:

The youth employment challenge

1. Achieving decent work for young people is a critical element in poverty eradication and sustainable development. It is a challenge shared around the world. Globally the youth unemployment rate and level have increased during the past decade; in 2003 about 88 million young men and women were unemployed, accounting for 47 per cent of the global unemployed, reaching a level more than double the overall unemployment rate. While there has been some growth in overall employment, between 1993 and 2003 youth employment levels have not grown. In many countries, female youth unemployment rates are higher than those for males. A higher number of youth are in education today than during the past generation. Particular groups of young people, especially socially disadvantaged youth, are more prone to unemployment than others.

2. Unemployment rates, however, reflect just one facet of the youth labour market. Many young people in countries across the world often work unacceptably long hours under informal, intermittent and insecure work arrangements. They can be and often are exposed to serious deficiencies in decent work, such as in terms of low wages, poor and precarious working conditions, lack of access to social protection, and lack of freedom of association and access to collective bargaining. In many developing countries, youth represent the bulk of the underemployed and those working in the informal economy both in rural and urban areas.

3. The youth employment challenge is bound to the general employment situation, while it has its own dimensions, which require specific responses. In developed economies, the youth employment challenge may be linked to the transition into employment, discrimination, social disadvantages, cyclical trends, and a number of structural factors, while in developing economies it is linked to the problem of promoting growth and development, and to the uneven impacts of globalization. The particular dimensions of the youth employment challenge are such that employment prospects for young people vary according to sex, age, ethnicity, educational level and training, family background, health status and disability, amongst others. Some groups are, therefore, more vulnerable and face particular disadvantages in entering and remaining in the labour market. The challenge is to bring young people into decent work without displacing adult workers from employment.

4. The opportunities for young people to obtain decent work are influenced by a number of factors, including demographic trends, the level of aggregate demand, the employment intensity of growth, and the policy space for pro-employment policies at the national level, an enabling regulatory environment for both workers and enterprises, education and vocational training outcomes and quality, work experience and entrepreneurship options. Meeting the youth employment challenge calls for an integrated and coherent approach that combines interventions at the macro- and microeconomic level, focuses on labour demand and supply, and addresses both the quantity and quality of employment.

Youth employment at the national level

5. A number of the approaches and structural adjustments adopted over the past decade have not produced the expected results in terms of improving employment prospects for young people. In certain cases these structural adjustments have also restrained the ability of States to play an active role in the promotion of youth employment despite the existence of a pool of young people.

6. While recognizing that there is no one-size-fits-all approach and that interventions vary within and across countries, the Meeting agreed to the necessity to promote decent work for young people at the national level through the Global Employment Agenda, including:

- (a) through an integrated pro-employment and pro-youth growth approach that combines macroeconomic development frameworks geared at expanding aggregate demand, productive capacity and employment opportunities, with targeted interventions aimed at overcoming disadvantages, while promoting equality, social inclusion and an equitable society;
- (b) by placing decent and productive employment at the heart of economic and

social policies, and targeting youth employment as a key priority based on national circumstances. Among other initiatives, governments, employers' and workers' organizations can play a major role in identifying, in the short, medium and long term, sectors that have strong potential for employment of young people;

- (c) through appropriate national legislation based on international labour standards and good governance of the labour market, that continues job creation for young people and ensures that all young people, including those in temporary employment, enjoy and exercise their rights at work, and in particular their fundamental rights;
- (d) through a combination of policies and programmes, including those that encourage public and private enterprises and cooperatives in the creation of productive and decent jobs for young people, specifically those in vulnerable situations. Policies for young people should not prejudice the quantity or quality of jobs for adult workers. These include:
 - access to universal, free, quality public primary and secondary education and investment in vocational training and lifelong learning that enhance the employability¹ of young people. Literacy and numeracy, alongside core work skills, constitute basic skills that are fundamental for working life. There is a need to foster measures and partnerships that link education and training with the world of work, and to anticipate skills that will be required in the labour market, especially in growth sectors;
 - targeted initiatives and incentive schemes to raise labour demand for young people, especially disadvantaged youth without decreasing the quantity and quality of work for others. Employment-intensive approaches in infrastructure, public works programmes, promotion of

- high employment-absorbing sectors and methods of production, particularly in developing and transition economies, work placement and other innovative schemes can increase employment prospects of young people;
- entrepreneurship and productive and sustainable self-employment as career options and sources of decent employment for young people. A comprehensive youth employment strategy should also promote an entrepreneurial culture, small and medium-sized enterprises, enabling policies and regulations, and support services. Cooperatives and social enterprises are an important means of promoting job opportunities for young people and should be promoted through comprehensive national and international strategies;
 - employment services, guidance and career advice such as labour market information and career counselling should be made available to young people and more intensive assistance should be provided for youth who have experienced lengthy periods of unemployment;
 - wage policies that ensure that young people receive fair and adequate incomes for productive work, policies that promote freedom of association, collective bargaining, safe and secure working conditions and appropriate hours of work, and policies that promote the creation of jobs for young people on a sustainable basis;
 - strengthen existing networks of young entrepreneurs and young trade unionists around the world;
- (e) close coordination between government institutions and agencies, both at national and local levels. To increase job quantity and quality, initiatives investing in young people should be supported by adequate human and financial resources;
- (f) the involvement of the social partners in the design and implementation of policies and programmes promoting decent work for young people;
- (g) promotion of gender equality at all stages of the life cycle and elimination of discrimination against youth are imperative. The creation of more and better jobs for adults and, in many countries, the abolition of child labour are key to the promotion of quality jobs for young people;
- (h) encouraging efforts by governments to create a conducive environment for significant, sustainable and inclusive economic growth, decent work and the development of public, private and social enterprises.

ILO action

7. The Meeting further agreed that the ILO should play a major role in mainstreaming the decent work paradigm into the international development agenda. In this context, the ILO should strengthen cooperation with multilateral institutions and other international organizations to promote a coordinated approach that makes the achievement of full employment and decent work a priority through policies that ensure adequate aggregate demand and an expansion of productive capacity. The Meeting called for improved coordination within ILO's advisory services and technical cooperation activities to ensure policy coherence based on the GEA across existing national initiatives, such as the Poverty Reduction Strategy Papers (PRSPs), the Decent Work Country Programmes (DWCPs), and the Youth Employment Network (YEN). In regard to ILO work on youth, the Decent Work Agenda provides the paradigm, the GEA, its ten core elements, and cross-cutting themes provide the policy pillars. These include the "four Es" of the YEN. The YEN can also assist through high-level support and networks to ensure the success of the strategy.

8. The Meeting recommended that the ILO's future work should focus on expanding the knowledge base on the nature and magnitude of the youth employment challenge, developing measurable indicators of decent work, establishing benchmarks and goals for achieving increases in decent work for young people, and documenting country-level experience that has achieved these objectives without displacing adult employment. The ILO should promote tripartite forums for the exchange of national experiences on youth employment.

9. The Meeting requested the ILO to develop a set of tools that could be used flexibly and adapted by member States in the formulation of youth employment policies and programmes to bring young people, including young migrant workers, into productive and decent employment. These tools, which include active labour market policies, vocational training, employment services and career guidance, should promote, inter alia, all the relevant international labour standards and best practice, employability, job creation and entrepreneurship, cooperatives, small and medium-sized enterprises and social dialogue.

10. The Meeting agreed that a combination of educational, preventive, care and treatment measures related to HIV/AIDS is needed to decrease the impact of the epidemic/pandemic on the youth employment force. This could include the integration of the promotion of the ILO code of practice, joint initiatives devised by employers' and workers' organizations and partnerships with international institutions in the ILO's activities on decent work for young people.

11. The Meeting recommended the Office to ask the Governing Body to consider innovative ways of exchanging national experiences related to youth employment, possibly through a panel of experts and round-table discussion, in the General Discussion on youth employment at the

93rd Session of the International Labour Conference in 2005. Such a panel or round-table discussion should be designed to assist in the practical implementation of policies and programmes beneficial to youth employment, based on national circumstances. Furthermore, it was agreed that governments and employers' and workers' organizations should strive to ensure a strong participation of young people in the Conference.

12. The Meeting agreed that the central objective of this discussion was to identify initial areas of agreement and to act as a framework for a more complete discussion of this issue at the International Labour Conference in June 2005, where more comprehensive conclusions will be decided. These conclusions have been drafted and agreed in that spirit.

Note

¹ Employability is defined broadly. It is a key outcome of education and training of high quality, as well as a range of other policies. It encompasses the skills, knowledge and competencies that enhance a worker's ability to secure and retain a job, progress at work and cope with change, secure another job if he/she so wishes or has been laid off, and enter more easily into the labour market at different periods of the life cycle. Individuals are most employable when they have broad-based education and training, basic and portable high-level skills, including teamwork, problem solving, information and communications technology (ICT) and communication and language skills, learning to learn skills, and competencies to protect themselves and their colleagues against occupational hazards and diseases. This combination of skills enables them to adapt to changes in the world of work. Employability also covers multiple skills that are essential to secure and retain decent work. Entrepreneurship can contribute to creating opportunities for employment and hence to employability. Employability is, however, not a function only of training – it requires a range of other instruments which results in the existence of jobs, the enhancement of quality jobs, and sustainable employment. Workers' employability can only be sustained in an economic environment that promotes job growth and rewards individual and collective investments in human resources training and development.

