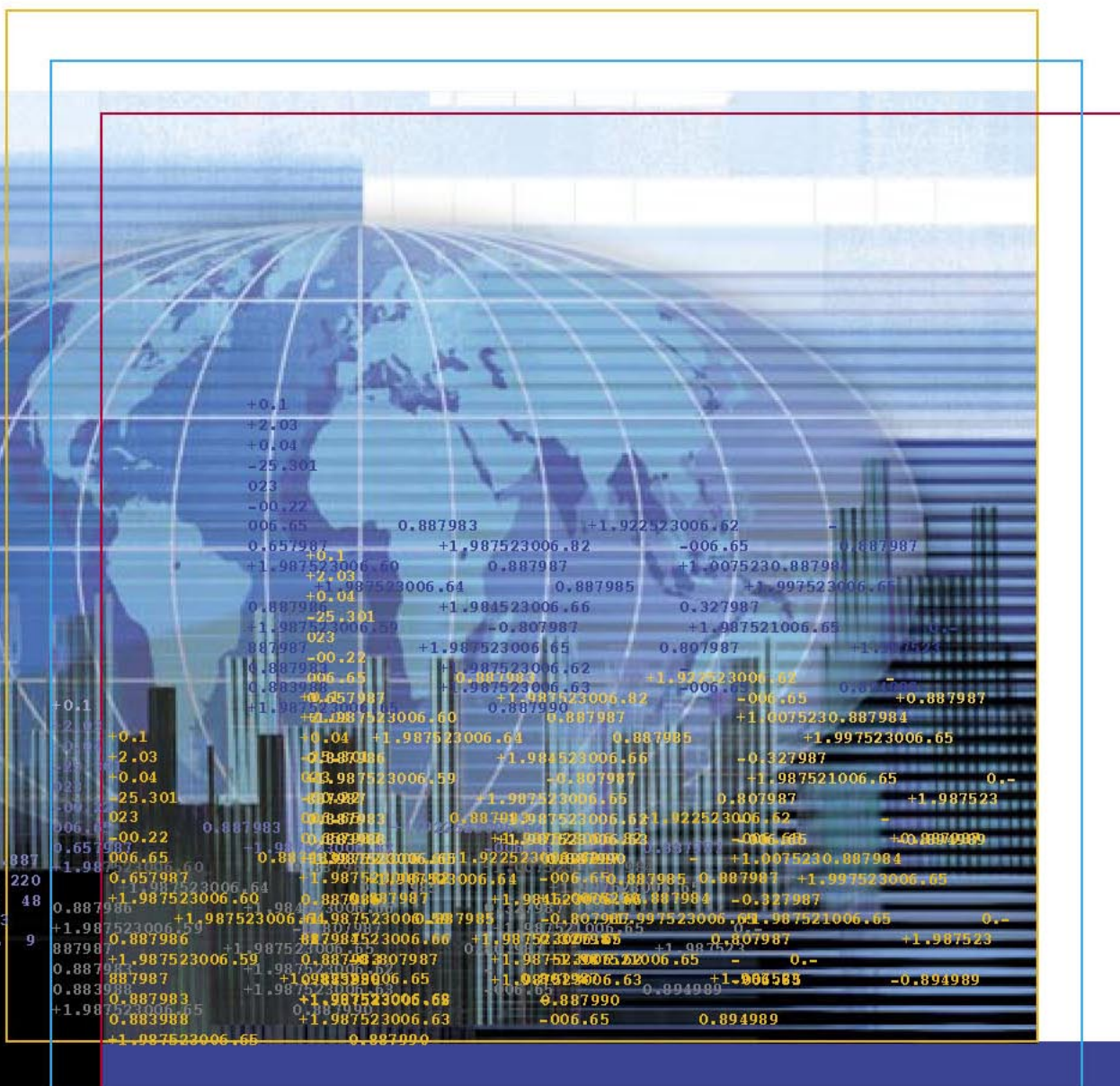




# GLOBAL EMPLOYMENT TRENDS FOR YOUTH



# **GLOBAL EMPLOYMENT TRENDS FOR YOUTH**

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## Foreword

Young women and men are the world's greatest asset for the present and future, but they also represent a group with serious vulnerabilities. In recent years increasing global unemployment has hit young people hard and today's youth are faced with high levels of economic and social uncertainty. Compared to adults, the youth of today are more than three times as likely to be unemployed. All too often, their full potential is not realized because they do not have access to decent and productive work.

The link between youth unemployment and social exclusion has been clearly established; an inability to find a job creates a sense of vulnerability, uselessness and idleness among young people and can heighten the attraction of engaging in illegal activities. For many young people today, being without work means being without a chance to work themselves out of poverty. In addition, an individual's previous unemployment experience has been proven to have implications for future employment chances. Yet open unemployment is only part of the challenge; even where young people are working, conditions of work may be poor. In both industrialized and developing economies, young people are more likely to have intermittent (temporary, part-time, casual) work and insecure arrangements, oftentimes in the informal economy with limited labour protection.

Giving people a chance to achieve decent employment early in their work-life would help to avoid the development of the vicious circle of unemployment, poor working conditions, poverty and frustration which, in turn, damages the future perspectives of whole economies. Since its inception in 1919, the ILO has aimed to improve the employment and working conditions of young people. Today, backed by a newfound sense of urgency at the global level in finding solutions to the employment difficulties of young people, the ILO is strengthening its commitment to facilitate, coordinate and provide technical guidance for an integrated programme of work on youth employment. A central feature of this work is the leading role of the social partners in the promotion of decent work and the eradication of poverty.

On the global level, the ILO acts as the Secretariat for the UN Secretary-General's Youth Employment Network (YEN), created in the framework of the Millennium Declaration where Heads of State and Government resolved to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work." Youth employment is both an integral part of the Millennium Declaration and a key contribution to meeting other Millennium Goals, including those relating to poverty reduction.

This report contributes to ILO efforts by defining the problems that youth face in today's labour markets and providing an analysis of the current labour market trends of young people. It incorporates the most recent information available in order to shed light on the possible factors contributing to the increasing difficulties today's youth face when trying to enter the labour force. The information provided here offers a concise picture of where decent work opportunities for young people are most needed around the world.

This report was prepared for International Youth Day, 12 August 2004. The press release is available at [www.ilo.org/dcomm](http://www.ilo.org/dcomm). The report is also available on [www.ilo.org/trends](http://www.ilo.org/trends).

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## 1. Overview

For most young people, finding productive and decent work is a coming-of-age symbol that marks the transition from childhood to adulthood. In finding employment, young people should gain independence and a freedom of choice about their lives. Unfortunately, the employment opportunities available to millions of young people are limited, making it inevitable that youth remain dependent on their families for a longer period of time. If family ties do not exist or break down, young people become increasingly exposed to the risks of leaving school prematurely and of being exploited in the labour force. This report gathers the latest information available in order to analyse labour market conditions for young people. Knowing the details of the problem is the starting point for formulating policies that fight against one of today's most urgent global challenges. Unless the potential of young people can be used in a productive way, neither youth nor economies as a whole will face a bright future.

### **How are young people faring in the labour market?**

In recent years increasing global unemployment has hit young people hard.<sup>1</sup> The number of unemployed youth increased steadily between 1993 and 2003, to reach a current high (though continuing to increase) of 88 million unemployed youth. This places the youth share of the total unemployed at 47 per cent, a particularly troublesome figure given that youth make up only 25 per cent of the working-age population.

The relative disadvantage of youth in the labour market is more pronounced in developing economies, where they make up a strikingly higher proportion of the labour force than in industrialized economies (21.8 per cent versus 14.0 per cent respectively in 2003). Young people in developing regions are 3.8 times more likely to find themselves unemployed when compared with older workers. In industrialized economies, youth are 2.3 times more likely to be unemployed. Furthermore, youth in both the industrialized and developing regions are not only more susceptible to finding themselves among the unemployed; they are also more likely to be working long hours, on short-term and/or informal contracts, with low pay and little or no social protection.<sup>2</sup> This is mainly a consequence of the difficulties associated with the initial school-to-work transition, the relative inexperience of job seekers and the frequent employment changes youth undertake in their search for decent and productive employment.

### **What are the future prospects of youth?**

In the years to come the largest challenge in terms of youth unemployment will fall on developing regions. The question is whether there will be enough employment opportunities to accommodate the labour market entrants and whether such employment will be decent and productive. Current evidence shows that the regions with the largest shares of youth within the working-age population (aged 15 years and over) – South Asia, the Middle East and North Africa and sub-Saharan Africa – fare worst in terms of youth unemployment (table 4). The fate of the youth entering the labour force in the years to come will very much depend on the rate of economic growth as well as on an improvement in the employment content of growth. In industrialized economies, where youth populations are expected to fall, the effects of demographic change are likely to reduce youth unemployment. But this will not happen

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<sup>1</sup> Young people are defined by the United Nations as persons between the ages of 15 and 24 years and adults as persons of age 25 years and over. See UN, 1992. For a general overview of global and regional labour market trends, see GET, 2004.

<sup>2</sup> UN, 2003, p. 55.



automatically. Only if integrated policies to reduce youth unemployment are put into place will young people be able to overcome their relative disadvantages against older, more experienced workers.

### **Why does youth employment matter?**

Halving the world's youth unemployment rate (from 14.4 to 7.2 per cent), could add an estimated US\$ 2.2 to 3.5 trillion to the world economy.<sup>3</sup> This represents 4.4 to 7.0 per cent of the 2003 value of global GDP (see section 4 for more details). The largest relative gains from getting youth into decent and productive work would be in sub-Saharan Africa, with an estimated 12 to 19 per cent gain in GDP (table 7).

The even more obvious gain in making the most of the productive potential of youth and ensuring the availability of decent employment opportunities for youth is the personal gain to the young people themselves. There is a proven link between youth unemployment and social exclusion.<sup>4</sup> An inability to find employment creates a sense of vulnerability, uselessness and idleness among young people and can heighten the attraction of engaging in illegal activities. Also, cohorts that face particularly depressed labour markets when they graduate from primary or secondary education are – other things equal – subject to relatively higher rates of unemployment during their whole prime-age work career.<sup>5</sup>

Finally, young people without a decent income cannot support themselves and will therefore be more likely to have to stay within the family household much longer than the family can afford. The extended financial burden on the household ruins the chance of the family as a whole to get out of poverty and sometimes hampers the chances of younger family members in gaining access to education (parents cannot afford to send them into education and forgo their limited earning potential) which then damages the future prospects of the younger siblings as well. It is not just the current family that gets stuck in the poverty trap but the next generation as well. For the poorest economies in the world, getting young people into decent employment means giving them the chance to work themselves and probably also their families out of poverty. In fact, out of the 550 million working poor in the world, defined as people who work but do not earn enough to lift themselves and their families above the US \$1 a day poverty line, it is likely that no fewer than 25 per cent, or 130 million, are young people.<sup>6</sup>

## **2. Labour market trends for youth**

### **2.1 Trends in the youth labour force**

Eighty-five per cent of the world's youth live in developing economies and the proportion is likely to increase even further given current demographic trends;<sup>7</sup> fertility rates are declining everywhere but remain above the replacement level in the regions of South Asia, the Middle East and North Africa and sub-Saharan Africa (see box 1).

In 2015 660 million young people will either be working or looking for work which is an increase of 7.5 per cent over the number of youth in the labour force in 2003 (see table 1 and figure 1). During the decade up to 2015 there will be more first time job seekers than ever before and decent employment opportunities for young people will need to grow substantially.

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<sup>3</sup> See footnote 52 for details on the methodology used for this estimate.

<sup>4</sup> Ryan, 2000.

<sup>5</sup> Raaum and Røem, 2002.

<sup>6</sup> See footnote 34 for details on the methodology used for this estimate.

<sup>7</sup> Population data are from UN, 2002.

Indeed, the challenge will be greatest in the regions with the largest expected labour force growth, namely sub-Saharan Africa with forecasted growth of young people of 30 million, or about 28 per cent, and South Asia with forecasted growth of 21 million, or 15 per cent between 2003 and 2015.

### **Box 1** **How demographic trends affect youth labour force growth**

Social attitudes and the spread of modern medicine caused both birth and death rates to decline in most countries during the twentieth century. However, death rates have typically declined first and birth rates only after several decades. This gap in time creates a bulge in the population of young people, which then works its way through the age-distribution. In general, a country proceeds through three stages of demographic shifts: In the first stage, the proportion of the young in the population rises. In the second stage, the proportion of young people declines, that of the elderly cohort increases modestly and, most importantly, that of adults of working age increases sharply. Finally, in the third stage, the proportion of working-age adults falls while that of old people rises.

By 2000, the industrialized economies were already nearing the third stage of the demographic transition; the youth share in the working-age population was already below one-fifth. Given the trend toward prolonging the period of education and delaying labour market entry, the shrinking of the youth labour force in this region is well confirmed and likely to continue. A 3 per cent decrease in the youth share of the working-age population (the potential labour force) is estimated for the 2003 to 2015 period. In order to predict the effects of a decline in the youth share on the youth unemployment rates, one can look at the experiences of the industrialized economies which first underwent the demographic shifts. A study of the United Kingdom, for example, found no evidence that the declining youth share led to a decline in youth unemployment rates. In fact, the youth unemployment rate deteriorated rather than improved during much of the period when the youth share of the labour force was falling.

The demographic trends in South-eastern Asia also indicate the movement toward the growing share of the older cohort, although at a slower pace than in the industrialized economies. With decreasing births per women in most countries of the Asian regions, one can expect a steady ageing of the population with a shift in population percentage shares from the younger to the older levels and a decrease in the youth share of the working-age population, which is exactly what is seen in the estimates for 2015. The children and youth cohorts are projected to decrease while the share of adults will increase. In the second stage of the transition, the youth labour force will continue to grow but at a smaller rate – one that is much lower than the expected increase in the adult labour force. Reduced labour force growth means that increasing productivity per labour unit becomes more critical. Historically, growth was also driven by the rapid rise in education standards, but given that the big gains in education have already been achieved, innovative mechanisms must be found to further enhance the productivity of the much slower growing total labour force.<sup>1</sup>

**Population distribution by age groups and estimated labour force growth (2003-15), selected regions, 1980, 2000 and 2015**

Age group	Industrialized economies (incl. transition economies)				South-eastern Asia				Sub-Saharan Africa			
	1980	2000	2015	Labour force growth, 2003-15	1980	2000	2015	Labour force growth, 2003-15	1980	2000	2015	Labour force growth, 2003-15
0-14 yrs	22.4	18.4	17.2	...	40.7	32.4	29.2	...	45.6	44.3	43.6	...
15-24 yrs	16.6	13.7	11.6	-3.1%	20.3	19.9	16.9	3.8%	19.0	20.2	20.3	28.2%
25+ yrs	61.0	67.9	71.2	2.6%	39.0	47.7	53.9	26.4%	35.4	35.5	36.1	30.8%
Youth share in working-age population	21.4	16.8	14.0	...	34.2	29.4	23.9	...	34.9	36.3	36.0	...

Source: Population data are from UN, 2002 and labour force growth estimates are from the GET Model, 2004.

In sub-Saharan Africa fertility rates are also declining but at a much slower pace than in the rest of the world, for numerous reasons.<sup>2</sup> There are cultural resistances, both among the population and governments, to the area of family planning. There is also a very low level of development, with a high proportion of the population practising subsistence farming, a system in which extra hands produce extra food. In this region, therefore, the youth labour force is expected to grow in pace with the adult labour force at least until 2015 despite the HIV/AIDS pandemic which seems to have a bigger impact on young people (see box 2). In a region where the youth unemployment rates are already above 20 per cent, the slow fertility transition and forthcoming increases in the youth labour force do not bode well for the labour market prospects of youth – unless there is a significant boost to economic growth in the region.

<sup>1</sup>Asian Demographic Ltd., 2004. <sup>2</sup>Caldwell, 2002.

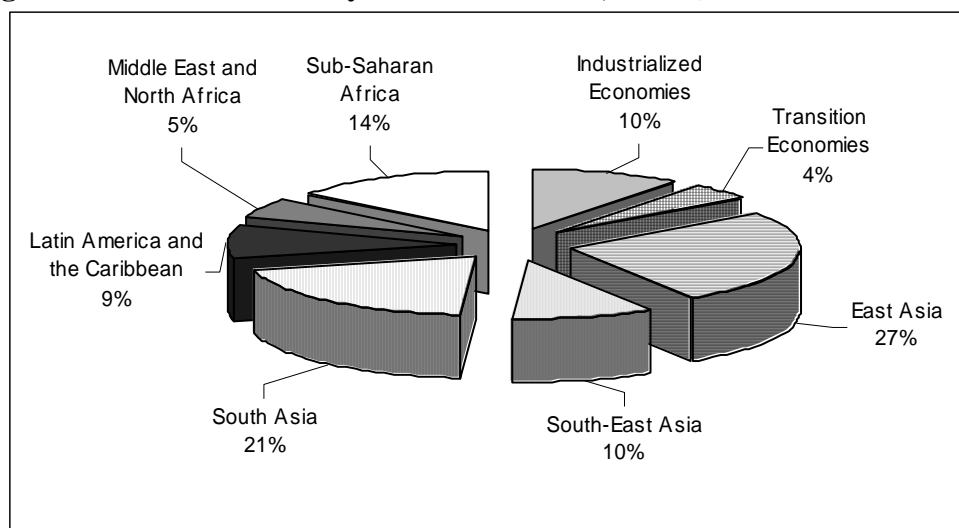
**Table 1**  
**Regional distribution of the youth labour force (2003 and 2015) and**  
**youth labour force growth between 2003 and 2015**

	Youth labour force in 2003 ('000)	Youth labour force in 2015 ('000)	Net growth in youth labour force 2003-15 ('000)*
<b>WORLD</b>	614'255	659'669	45'414
<b>Industrialized economies</b>	64'284	64'431	147
<b>Transition economies</b>	27'163	19'814	-7'349
<b>East Asia</b>	161'822	155'926	-5'896
<b>South-East Asia</b>	60'979	63'662	2'683
<b>South Asia</b>	122'347	144'272	21'925
<b>Latin America and the Caribbean</b>	56'986	58'772	1'786
<b>Middle East and North Africa</b>	31'982	35'277	3'295
<b>Sub-Saharan Africa</b>	88'692	117'515	28'823

Source: GET Model, 2004; see also GET, 2004, Technical note.

\* calculated as total youth labour force 2015 minus total youth labour force 2003

**Figure 1**  
**Regional distribution of the youth labour force, 2003 (world total 614 million)**



Source: GET Model, 2004; see also GET, 2004, Technical note.

As table 2 shows, **labour force participation rates** for young people decreased in the world as a whole by almost 4 percentage points between 1993 and 2003, mainly the result of an increasing number of young people attending school, more young people staying longer in the education system as well as some dropping out of the labour force as they lost hope of finding work. Labour force participation rates of young people were highest in East Asia (73.2 per cent) and sub-Saharan Africa (65.4 per cent). They were lowest in the Middle East and North Africa, with a regional average of 39.7 per cent, which is mainly the result of the low participation rates of young women, who generally maintain the traditional role in the family and thus have had few opportunities to participate in the labour market. However, this region and sub-Saharan Africa were the only that showed increases in the labour force participation rates of young people, reflecting an overall trend of women participating more in the labour market recently.<sup>8</sup>

<sup>8</sup> For details see Elder and Schmidt, 2004.

**Table 2**  
**Youth labour force participation rates, 1993 and 2003**

	Youth labour force participation rate (%)	
	1993	2003
<b>WORLD</b>	58.8	54.9
<b>Industrialized economies</b>	53.0	51.5
<b>Transition economies</b>	47.6	39.9
<b>East Asia</b>	77.4	73.2
<b>South-East Asia</b>	58.5	56.5
<b>South Asia</b>	48.0	44.4
<b>Latin America and the Caribbean</b>	57.3	54.7
<b>Middle East and North Africa</b>	39.3	39.7
<b>Sub-Saharan Africa</b>	64.4	65.4

Source: GET Model, 2004; see also GET, 2004, Technical note.

**Box 2**  
**Youth and HIV/AIDS**

The devastating impact HIV/AIDS is having on many parts of the developing world is clear both in human terms (some 38 million individuals are currently HIV-positive and nearly 3 million AIDS deaths are estimated to have occurred in 2003) and also in economic and social terms, as the countries hardest hit by the disease struggle to cope with the multitude of adverse effects of the declining health status of their populations.<sup>1</sup> The ILO recently reported that more than 26 million labour force participants are HIV-positive and found that “the inability of persons in the labour force who are HIV-positive to work when they become ill (and not only the loss of workers through death) has consequences for every aspect of the social and economic context of countries, particularly in Africa”.<sup>2</sup>

Importantly, HIV/AIDS disproportionately affects the world’s youth. UNAIDS estimates that HIV infections among young people account for fully half of the 11,000 new infections occurring each day. In total, an estimated 10 million young people were living with HIV/AIDS at the end of 2003, many of them young women: in sub-Saharan Africa, home to 6.2 million young persons who are HIV-positive, 75 per cent of them are young women. In addition, UNAIDS estimates that there are nearly 15 million AIDS orphans in the world today, a figure that is projected to rise. For example, it is projected that in sub-Saharan Africa, where there are now an estimated 12 million AIDS orphans, the number is expected to increase by 50 per cent - to 18 million - by 2010. These figures reveal a dire and serious situation for many of the world’s youth – one that is often tied to decent work deficiencies as demonstrated below:

- Young sex workers are a sad example of how decent work deficiencies can contribute to rising HIV/AIDS rates among youth. Noting high HIV prevalence among young sex workers, one UN report finds that “poverty and the scarcity of employment opportunities are the principal reasons why young people enter into sex work”.<sup>3</sup> From this perspective it is clear that promoting alternative productive employment opportunities is one clear way to reduce HIV transmission among youth.
- HIV/AIDS is directly destroying the productive potential of youth themselves and lessening the likelihood of youth to secure decent jobs. Young people living in households in which parents with the disease have become sick or have died may be forced to leave school in order to supplement the household’s diminishing income. One study in Benin found that only 17 per cent of children whose parents had died attended school, compared with 50 per cent of those whose parents were both still living.
- The productive potential of youth can be diminished in still other ways. Rising parental death rates due to HIV/AIDS reduces the transfer of skills from parents to youth and may result in an overall loss of traditional skills.<sup>4</sup> For instance, youth with little farming experience may lack knowledge about irrigation, soil enhancement, crop rotation or livestock management which could ultimately result in a shift towards subsistence farming and thereby a reduction in productivity and real incomes.

To protect the potential of youth in regions hardest hit by the HIV/AIDS crisis, policy-makers must act urgently and forcefully. They must acknowledge the adverse effects the disease is having on the ability of young people to find decent work and must promote basic education along with life-skills and traditional training. A comprehensive education programme must also educate youth about sexually transmitted diseases and how to prevent them. Policy-makers must also work to foster alternative employment opportunities for young sex workers and for those young people who, because of economic necessity, are trapped in exploitative and potentially dangerous relationships, as well as in other harmful forms of work.

<sup>1</sup>UNAIDS, 2004. <sup>2</sup>ILO, 2004. <sup>3</sup>UN, 2003. <sup>4</sup>Ibid.

In sub-Saharan Africa the rising share of young people participating in labour markets goes in tandem with the stagnation in poverty reduction in the region, as poverty forces those who are able to work to take any employment opportunity that is offered to them. (For a review of the impact of HIV/AIDS on the labour force participation of young people, see box 2.) In all regions in the world, labour force participation rates for young people are lower than those for adults mainly because of the higher share of young people in education.

Both the smaller percentage of youth among the total working population and the overall decrease in labour force participation rates of youth indicate a decrease of the labour supply of youth. This follows, in part, from both declining fertility trends within most regions as well as increased education: more youth are attending school and are staying in school for longer periods of time. But it is likely that this trend also reflects that many young people are too discouraged even to enter the labour force, perceiving their chances of finding work as limited.<sup>9</sup>

## 2.2 Trends in youth employment

The overall youth population grew by 10.5 per cent over the past ten years while youth employment grew by only 0.2 per cent (table 3). The picture was even more remarkable for some regions. In the transition economies the youth population grew by 10.1 per cent, whereas youth employment dropped by 11.7 per cent. In East Asia the youth population fell by 11.3 per cent but at the same time youth employment fell by 18 per cent. South-East Asia witnessed growth in the total number of young people of 13.1 per cent but employment grew by only 0.3 per cent. In South Asia, the youth population grew by 21.9 per cent whereas employment only grew by 11.6 per cent. Finally in Latin America and the Caribbean there were 13.1 per cent more young people in 2003 than in 1993 but only 2.8 per cent more young people working.

Only the Middle East and North Africa and sub-Saharan Africa saw a relative balance between youth population growth and youth employment growth. At the same time the Middle East and North Africa still had by far the lowest youth **employment-to-population ratio**, with only every third young person working in 2003. In this region education enrollment rates are comparably low, especially for young women, and youth unemployment rates are high (table 4). The indicators together point to the enormous challenge the region faces in terms of its youth population. On the other hand, the youth employment-to-population ratios in sub-Saharan Africa are the second highest in the world, but one has to keep in mind that this does not say anything about the quality of the work that youth are engaged in (see section 3). In fact, most jobs that were created in sub-Saharan Africa in the recent past were in the informal economy and were characterized by low earnings that were insufficient for young people to lift themselves out of poverty (for details see GET, 2004).

The difference between youth employment and youth population is also reflected in the employment-to-population ratios for youth, which give the proportion of those young people that work amongst all young people. In 2003 the youth employment-to-population ratio decreased over the previous decade in all regions except the Middle East and North Africa and sub-Saharan Africa, and even in these regions the increases were small. For the world as a whole less than half the total youth population was employed in 2003. In 1993 slightly more than one in two young people had work. This indicates that today less young people are employed compared with their total population size than ten years ago. However, it is important to keep in mind that the decreasing youth employment-to-population ratio could imply that more youth are voluntarily postponing employment perhaps to stay in school for

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<sup>9</sup> O'Higgins, 2003.

longer.<sup>10</sup> Given that youth unemployment rates globally are still so high, nevertheless, strengthens the case for an increasing scarcity of employment opportunities for the young population.

**Table 3**  
**Population, employment and employment-to-population ratios of youth,**  
**1993 and 2003**

	Youth population (000)			Youth employment (000)			Youth employment-to-population rate (%)	
	1993	2003	(% change)	1993	2003	(% change)	1993	2003
<b>WORLD</b>	1'011'874	1'118'098	10.5	525'142	526'060	0.2	51.9	47.0
<b>Industrialized economies</b>	128'166	124'942	-2.5	57'484	55'675	-3.1	44.9	44.6
<b>Transition economies</b>	61'883	68'146	10.1	25'037	22'112	-11.7	40.5	32.4
<b>East Asia</b>	249'297	221'211	-11.3	183'575	150'530	-18.0	73.6	68.0
<b>South-East Asia</b>	95'356	107'891	13.1	50'846	50'990	0.3	53.3	47.3
<b>South Asia</b>	225'929	275'504	21.9	94'428	105'384	11.6	41.8	38.3
<b>Latin America and the Caribbean</b>	92'143	104'229	13.1	46'241	47'513	2.8	50.2	45.6
<b>Middle East and North Africa</b>	59'151	80'512	36.1	17'264	23'810	37.9	29.2	29.6
<b>Sub-Saharan Africa</b>	99'948	135'663	35.7	50'268	70'046	39.3	50.3	51.6

Source: GET Model, 2004; see also GET, 2004, Technical note.

There are, of course, large regional variations in the employment-to-population ratios of youth. East Asia still has the highest ratio, followed by sub-Saharan Africa. In the transition economies and the Middle East and North Africa chances for young people to work are very low: only every third young person is working. Whereas the latter region traditionally had low employment-to-population ratios – again as a result of the low engagement of women in labour markets – it is a rather new phenomenon in the transition economies. In recent years, however, as a result of the lack of employment prospects in most transition economies, young people are opting to stay within the education system longer. Notwithstanding this reason, low employment among youth implies unutilized potential and negatively affects living standards.

### 2.3 Trends in youth unemployment

**Unemployment rates** are still considered as the most visible and obvious indicator of a youth employment challenge, which explains its selection as an indicator for monitoring the UN Millennium Development Goal to “develop and implement strategies for decent and productive work for youth”.<sup>11</sup> (For an explanation of the need to assess unemployment under a wider umbrella of indicators, see box 3.) A person is only counted as unemployed if he or she is actually looking for work which means he or she is neither discouraged nor voluntarily staying in education and training.<sup>12</sup> A high rate of unemployment therefore indicates that there are many people actively looking for work but not finding any.

<sup>10</sup> UNESCO estimates that the number of students in secondary education has increased tenfold over the past fifty years. See website: [http://portal.unesco.org/education/en/ev.php-URL\\_ID=29700&URL\\_DO=DO\\_TOPIC&URL\\_SECTION=201.html](http://portal.unesco.org/education/en/ev.php-URL_ID=29700&URL_DO=DO_TOPIC&URL_SECTION=201.html).

<sup>11</sup> The Millennium Development Goals statistics are available at website: [http://millenniumindicators.un.org/unsd/mi/mi\\_goals.asp](http://millenniumindicators.un.org/unsd/mi/mi_goals.asp). The ILO is responsible for assembling, analysing and disseminating the data for the MDG target on youth employment.

<sup>12</sup> For a precise definition of unemployment see website: <http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf>.

### Box 3 Developing broader indicators of the youth labour market

Traditionally, the focus for discussion of youth employment challenges has been on unemployment. It is important to realize, however, that unemployment is only one aspect of labour force status. A young person can be inactive (outside of the labour force), unemployed, underemployed, employed full-time, part-time or even over-employed (those who in addition to full-time employment, have a secondary job), with each status contributing equally to the development of young men and women as they begin their working life. The measurement of numbers and conditions in each status merit equal attention.

An additional criticism of the aggregate unemployment for youth is that it mask information on the composition of the young jobless population and therefore misses out on the particularities of the education level, ethnic origin, socio-economic background, work experience, etc. of the unemployed.<sup>1</sup> Moreover, the unemployment rate says nothing about the type of unemployment (is it cyclical or structural?), which is a critical issue for policy-makers in the development of their policy responses (structural unemployment cannot be addressed by boosting market demand only).

In countries without effective unemployment support mechanisms, concentrating on unemployment also runs the risk of excluding from the analysis the less privileged population who simply cannot afford to be unemployed. In several developing countries, young people of higher socio-economic backgrounds are over-represented in the unemployment numbers because it is only they who can afford to spend time looking for work, without incoming wages. The problem is not so much unemployment, therefore, in developing countries but rather the conditions of work of those who are employed. In such cases the indicators mentioned in section 3 which relate more to conditions of work would be a much more informative gauge of the labour market situation of youth.

The advantage of using aggregate unemployment rates is their relative ease of collection and comparability for a significant number of countries, but looking at unemployment alone ignores other elements of the youth labour market that are more difficult to quantify. The ILO hopes that by adding its voice to a call for more detailed analysis of disadvantaged youth and their experience in both unemployment and employment, the awareness of the need to produce more detailed data at the country level will grow.

<sup>1</sup>Godfrey, 2003.

**Table 4  
Youth unemployment (rates and total) and the ratios of youth-to-adult unemployment rate, 1993 and 2003**

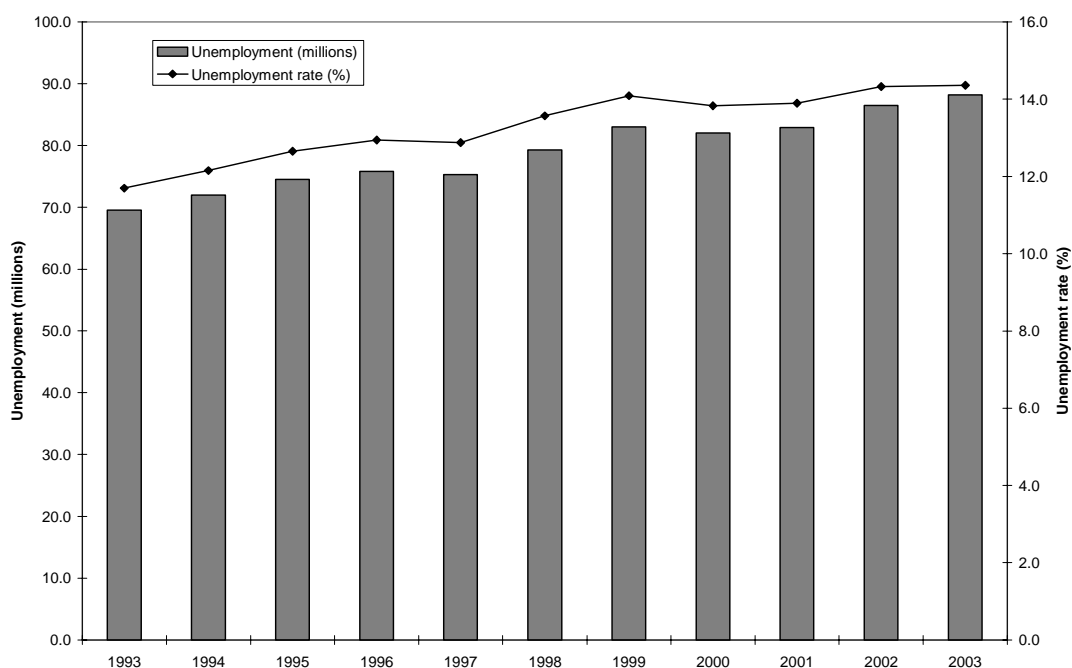
	Youth unemployment (000)			Youth unemployment rate (%)			Ratio of youth-to-adult unemployment rate	
	1993	2003	(% change)	1993	2003	(% change)	1993	2003
<b>WORLD</b>	69'542	88'195	26.8	11.7	14.4	23.1	3.1	3.5
<b>Industrialized economies</b>	10'441	8'609	-17.6	15.4	13.4	-13.0	2.3	2.3
<b>Transition economies</b>	4'399	5'051	14.8	14.9	18.6	24.8	2.9	2.4
<b>East Asia</b>	9'288	11'292	21.6	4.8	7.0	45.8	3.1	2.9
<b>South-East Asia</b>	4'894	9'989	104.1	8.8	16.4	86.4	3.9	4.8
<b>South Asia</b>	13'921	16'963	21.8	12.8	13.9	8.6	5.9	5.9
<b>Latin America and the Caribbean</b>	6'568	9'473	44.2	12.4	16.6	33.9	2.8	3.1
<b>Middle East and North Africa</b>	5'962	8'172	37.1	25.7	25.6	-0.4	3.4	3.3
<b>Sub-Saharan Africa</b>	14'068	18'646	32.5	21.9	21.0	-4.1	3.6	3.5

Source: GET Model, 2004; see also GET, 2004, Technical note.

Youth unemployment in the world has increased since 1993 when the unemployment rate for young people was 11.7 per cent (table 4 and figures 2 and 3). In 2003 it had reached its historical height of 14.4 per cent, leaving 88 million young people without work. This was 26.8 per cent more than in 1993. Youth unemployment rates in 2003 were highest in the regions of the Middle East and North Africa (25.6 per cent) and sub-Saharan Africa (21 per cent) and lowest in East Asia (7 per cent) and the industrialized economies (13.4 per cent).

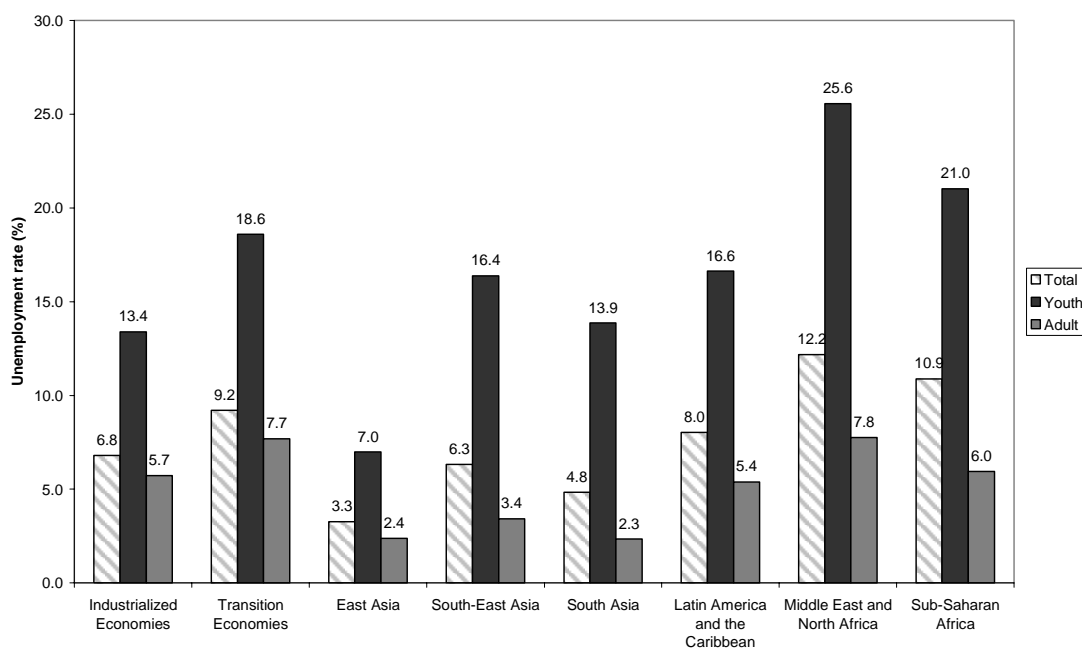
It is equally important to look at the time trend of regions. In so doing, one sees that although the unemployment rate of youth was lowest in East Asia, this represents a 46 per cent increase on the 1993 rate, whereas the developing regions with the highest rates actually showed slight decreases in their rates over the period. Only the industrialized economies saw a notable decrease in youth unemployment (from 15.4 per cent in 1993 to 13.4 per cent in 2003). This results from a combination of demographic development, longer education spells and policies specifically focusing on young people.

**Figure 2**  
**World youth unemployment and youth unemployment rates, 1993 to 2003**



Source: GET Model, 2004; see also GET, 2004, Technical note.

**Figure 3**  
**Regional unemployment rates (total, youth and adult), 2003**



Source: GET Model, 2004; see also GET, 2004, Technical note.



A deeper look at country level data shows the close relationship between youth unemployment rates and adult unemployment rates. A rough categorization of 88 developed and developing economies was made based on trends in available national youth and adult unemployment rates between 1993 and 2002.<sup>13</sup>

**Table 5**  
**Trends in youth unemployment and adult unemployment rates, 1993 to 2002**

	Increasing YUR		Decreasing YUR		No clear trend in YUR
	Increasing AUR	Decreasing AUR	Increasing AUR	Decreasing AUR	
<b>Industrialized economies (26)</b>	4	1	2	17	2
<b>Transition economies (20)</b>	15	...	...	5	...
<b>Developing economies (42)</b>	25	1	...	13	3

Notes: YUR = Youth unemployment rate, AUR = Adult unemployment rate. The number in parentheses indicates the number of economies included in the analysis. Those countries with data available from 1993 to at least 2000 were included in the counts. The threshold for categorizing “no clear trend in YUR” was a time-series slope of less than 0.0 per cent in absolute value. Source: KILM, 2003.

The results, shown in table 5, indicate the following:

- With the exception of three developed economies and one developing economy, youth and adult unemployment rates tended to move in the same direction.<sup>14</sup> However, the magnitude of correlation differed across countries.
- Those countries which showed no clear trend in youth unemployment rates also showed very weak trends in adult unemployment rates.

Additional ways of looking at youth unemployment help to complete this picture. For example, the **youth share of the total unemployed** (total unemployment was 186 million in 2003) was 47 per cent in 2003. This is a particularly troublesome figure given that youth made up only 25 per cent of the working-age population. It makes it again obvious, therefore, that young people have greater difficulty in finding employment than their adult counterparts. The **ratios of the youth-to-adult unemployment rates** are probably the best quantifier of the discrimination between young and older worker. The global youth unemployment rate in 2003 was 3.5 times that of the global adult unemployment rate, and has remained more than three times higher throughout the decade (1993 to 2003) (table 4). The industrialized economies’ ratio is 2.3 indicating that young people’s chance to be unemployed is more than double that of adults. Even though youth unemployment increased dramatically in the transition economies, the ratio of the youth-to-adult unemployment rate declined over the past ten years as a result of the even sharper increase in adult unemployment. The same was true for East Asia where young people’s risk of being unemployed was three times as high as that of adults. South-East Asia saw a dramatic rise in the ratio, which increased from 3.9 to 4.8. In all other regions the ratio stayed more or less stable. South Asia had the worst ratio with 5.9.

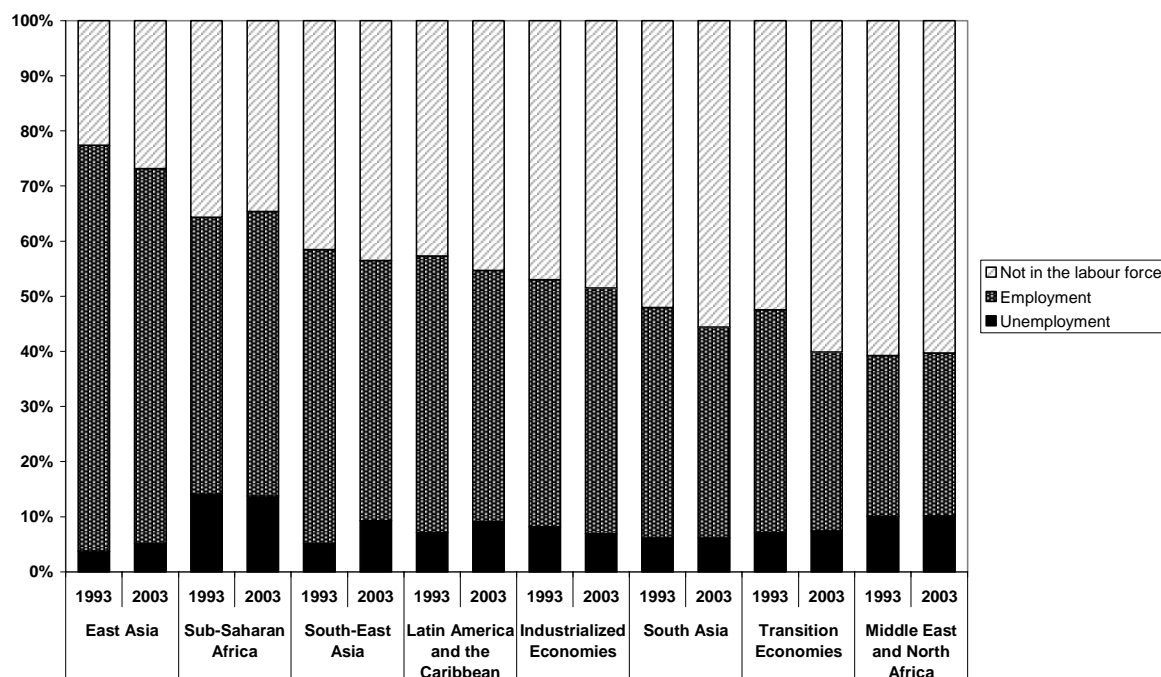
Figure 4 gives a summary of the youth population by labour force status and makes it even more clear that in most regions of the world it is the employment status of youth that is

<sup>13</sup> The country coverage across different developing regions was extremely skewed, with Africa being almost entirely excluded from the sample due to lack of data.

<sup>14</sup> Age-specific effects of the trend have not been controlled for, which means that a definitive statement cannot be made about the relationship between the trend in youth and adult unemployment rates. The assumption is that the labour market status of young people in 1993 is independent of their labour market status in later years before 2002, when they join the adult work force. The life-cycle approach would indicate the opposite – dependence, rather than independence – but for gaining some ideas of the direction and cross-country variations in the youth employment challenge, it is considered adequate to look at the overall trend in the unemployment rate between young and adult workers.

being squeezed as more youth are falling outside of the labour force and youth unemployment numbers are growing.

**Figure 4**  
**Distribution of the youth population by labour force status, 1993 and 2003**



Source: GET Model, 2004; see also GET, 2004, Technical note.

Reviewing a mix of unemployment indicators together makes it possible to draw conclusions on how labour market institutions at the national level might impact the situation for young people. Even though the youth unemployment rate in the United States was lower than in Europe (15 EU countries with Norway, Sweden, Switzerland and Turkey) – 12 per cent compared to 15.5 per cent in 2002 – the youth-to-adult unemployment ratio was higher in the United States than in Europe (2.6 and 2.3 respectively). This indicates that there was greater variance between the youth and adult situation in finding work in the United States in comparison to Europe. Further evidence is that the share of youth unemployment in the youth population was higher in the United States than in Europe. The difference in results could lie in the strong focus on youth of some European economies, with specific policies in place to ease the integration of young people into labour markets. It is likely to also stem, in part, from the higher labour force participation of young people in the United States. Regardless of the reason, it is clear that a less regulated labour market such as that of the United States does not automatically solve the challenge of youth unemployment.

#### **2.4 Discrimination trends within the youth unemployed population**

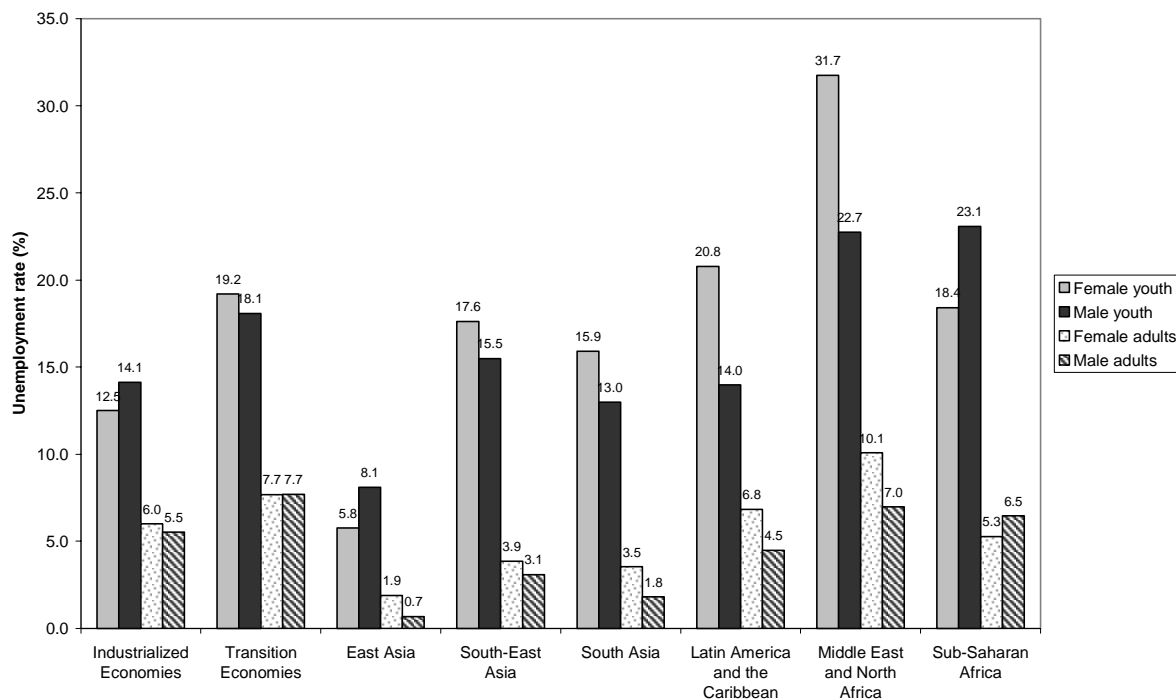
Not only do young people suffer from lower chances of finding employment but there are also significant differences in unemployment rates based on age, sex, and socio-economic background within the youth labour force. Thus, it is important to look at youth unemployment rates disaggregated along the following lines:

##### *By sex*

In all developing regions except East Asia and sub-Saharan Africa the regional female youth unemployment rate exceeded that of the male rate. The regions of Latin America and the Caribbean and the Middle East and North Africa showed the greatest difference between

the unemployment rates for young women and young men (figure 5). It is worrying that in regions where female unemployment rates are considerably higher than male unemployment rates the trend also holds for young people. This is likely to indicate that the gender gap will persist for the next generation.

**Figure 5**  
**Regional unemployment rates of youth and adults, by sex, 2003**



Source: GET Model, 2004; see also GET, 2004, Technical note.

**Table 6**  
**Comparison of youth labour market statuses, by sex, 2003**

<b>Men fare better than women in the youth labour market (percentage point gap in parentheses)</b>		
The <b>inactivity rate</b> of young women is higher than young men.	Less young women are <b>employed as a share of their population</b> than young men.	The <b>unemployment rate</b> of young women is higher than young men.
South Asia (32.3)	South Asia (28.9)	Middle East and North Africa (9.0)
Middle East and North Africa (28.4)	Middle East and North Africa (24.2)	Latin America and the Caribbean (6.8)
Latin America and the Caribbean (22.9)	Latin America and the Caribbean (22.7)	South Asia (2.9)
South-East Asia (17.0)	South-East Asia (15.4)	South-East Asia (2.1)
Sub-Saharan Africa (15.3)	Sub-Saharan Africa (9.1)	Transition Economies (1.1)
Industrialized Economies (7.3)	Industrialized Economies (5.5)	
Transition Economies (5.6)	Transition Economies (5.0)	
<b>Women fare better than men in the youth labour market (percentage point gap in parentheses)</b>		
The <b>inactivity rate</b> of young men is higher than young women.	Less young men are <b>employed as a share of their population</b> than young women.	The <b>unemployment rate</b> of young men is higher than young women.
East Asia (0.4)as	East Asia (2.1)	Sub-Saharan Africa (4.7)
		East Asia (2.3)
		Industrialized Economies (1.6)

Source: GET Model, 2004; see also GET, 2004, Technical note.

In addition, table 6 confirms that in almost all regions young women fare worse than young men in the other indicators of labour market status. More women than men fall outside of the labour force (the inactivity rate equals the number of persons who are not in the labour force divided by the working age population); less young women are employed as a share of their population (the employment-to-population ratio) than young men; and, as stated above, the unemployment rate of young women is higher than that of young men.<sup>15</sup> East Asia, dominated by the trends in China where gender equality in education and employment is heavily enforced, is the exception in all cases.

#### *By age*

In the majority of countries with data available, the unemployment rate tends to fall with age.<sup>16</sup> In Latin America, for example, the unemployment rate of teenagers (aged 15-19 years) in most countries was more than double that of young adults (aged 20-24 years), who in turn had significantly higher unemployment rates than adults (aged 25 years and over).<sup>17</sup> It is relevant to note, however, that unemployment among youth who are still in school – more prevalent in the teenager group than in young adults – is not always a major problem, as many students seek part-time work that provides a secondary income rather than seeking work as their primary activity.

#### *By education/skills level*

In developed economies and some developing regions, the incidence of unemployment tends to be higher among less educated youth. In South Africa, for example, it was estimated that nearly two-thirds of the unemployed youth did not hold a Grade 12 certificate (secondary level).<sup>18</sup> The trend holds for Latin American countries as well, where the higher the educational level of youth, the lower the relative level of unemployment.<sup>19</sup> Higher levels of education generally not only reduce the risk of unemployment, but also increase the chance of obtaining full-time employment with a long-term contract.

In some developing economies, however, the data may be skewed by the fact that young poor people in a country with no unemployment benefits or other social provisions for the unemployed cannot afford to either stay in education or be unemployed.<sup>20</sup> They will take up whatever work is available, including precarious and informal economy employment. For example, in Indonesia in 1986 unemployment rates among youth with primary schooling or less were negligible, while among those with secondary or tertiary education they were in double digits.<sup>21</sup> Only young people with no families to support and with families to support them can afford to be unemployed and search for a suitable or preferred employment opportunity. This, in combination with a scarcity of work requiring high education, results in a situation in which a disproportional share of the young unemployed have higher education and come from higher income households.<sup>22</sup>

Although it is rare to find comparable data on unemployment by education level that is disaggregated by age, data available from the Organization of Economic Co-operation and Development (OECD) seems to confirm the claim made above. Figure 6 shows the higher likelihood of a young person in France with a low level of education (secondary level or below) to face unemployment in comparison to a youth holding a high-level degree (tertiary

<sup>15</sup> All these trends are also evident among the adult cohort. For details see Elder and Schmidt, 2004.

<sup>16</sup> Ryan, 2000.

<sup>17</sup> Fawcett, 2001, p. 5.

<sup>18</sup> du Toit, 2003.

<sup>19</sup> Fawcett, 2001.

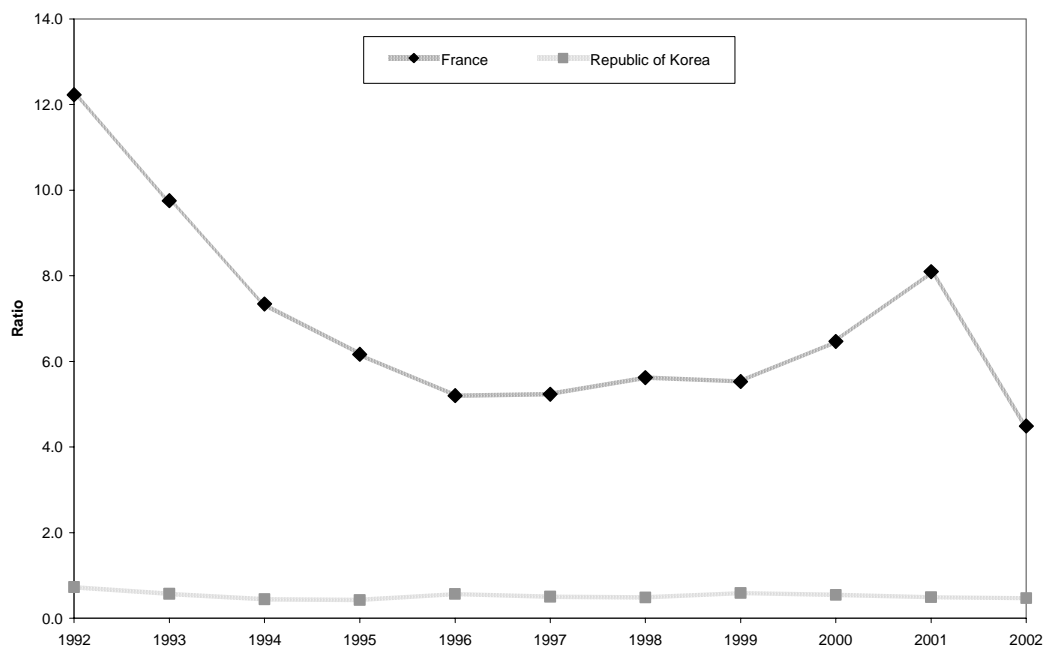
<sup>20</sup> ILO, 1999, p. 7.

<sup>21</sup> Godfrey, 2003, p. 3.

<sup>22</sup> Keune, 2004.

level) while in the Republic of Korea the level of education seems to make little difference to the unemployment outcome. The employability advantage that the more educated youth in France once had over the less educated has clearly declined over the period analysed. In 1992 the educated youth was 12 times more likely to be employed than the less educated while in 2002 the advantage had decreased to just over four.

**Figure 6**  
**Ratio of unemployed youth with lower-level education to unemployed youth with higher-level education, France and Republic of Korea, 1993 to 2003**



Source: OECD, online database, labour force status by educational attainment, sex and age.

With the growth in educational participation, especially at the highest level, there is now fierce competition among educated graduates for professional and high-level technical jobs.<sup>23</sup> In many countries, qualified young people are currently being forced to accept employment below their skill level. Where the supply of qualified workers outpaces the increase in the number of professional and technical employment opportunities, high levels of underemployment – if defined as those working in lower-level jobs than those in which they might make more appropriate use of their skills (discussed further in section 3) – are inevitable.<sup>24</sup> In developing economies, underemployment among youth with undergraduate degrees has led to a rise in graduate study. The graduates may no longer be youth when they finish their formal education but will they be any less vulnerable and any more likely to find work that matches their credentials?

A possible consequence of the presence of highly educated unemployed in a country is a “brain drain”, whereby young educated professionals migrate in order to try their luck in other areas of the world. A United Nations Development Programme report found that more than 450,000 Arab university graduates were settled in European countries and the United States in 2001, resulting in a loss of human and economic potential in the countries from

<sup>23</sup> UN, 2003, pp. 58.

<sup>24</sup> A study of the Republic of Korea, for example, found that “ironically, and arguably as a result of government policies aimed at easing the transition to a global economy, the wages of college graduates are actually increasing at a slower rate than are those of high-school graduates”. UN, 2003, p. 296.

which these young workers emigrated and an overall negative impact on development.<sup>25</sup> Migration data, particularly outflows and inflows of young nationals, would be a useful supplement to an analysis of the youth employment situation.<sup>26</sup>

#### *By ethnicity*

Structural youth joblessness, associated with economic and social disadvantages, is also a matter of concern. Almost every country shows different results in the unemployment figures according to ethnic origin, with the dominant group generally faring better than minority groups.<sup>27</sup> There are only a few economies that produce data by both ethnic origin and age. Australia is one that reported 70 per cent of Indigenous young adults (aged 20 to 24 years) were neither in full-time education nor working in 2001, a share that was much higher than that for young people in general.<sup>28</sup> In the United States it was estimated that around one-third of black male teenage workers and one-quarter of black female teenagers remained unemployed in 1999, again rates that were much higher than the overall youth unemployment rates at the time (10.3 per cent young males; 9.9 per cent young females).<sup>29</sup>

#### *By family income*

Unemployment rates among young people tend to decline as family income increases, at least in the more developed economies. A report on youth in the United States found that in March 1999, 31 per cent of youths who were in the labour force and from families in the lowest income quartile (in 1998) were unemployed. By contrast, only 12 per cent of those whose families had incomes in the top quarter of the distribution were unemployed.<sup>30</sup> It would also be interesting to look at unemployment by family type – youth in married-coupled households versus single-parent households – although data on this are not yet widely available. In the United States, however, one report found youth in single-parent families relatively less available for paid work, perhaps because they bear a larger burden of the housework and unpaid child care responsibilities within the household. Their higher unemployment rates indicate, however, that even among those who are available to work, youth in single-parent families are less successful at finding employment.<sup>31</sup>

### **3. Additional youth labour market indicators**

Unemployment rates represent only the tip of the iceberg in terms of fully explaining the multitude of employment-related problems facing youth. Joblessness among young people is indeed a problem, but equally worrying is the fact that working conditions of employed young people are often substandard. Young workers are more likely to find themselves working long hours, on short-term and/or informal contracts, with low pay and little or no social protection. To substantiate this claim, one must turn to indicators relating to conditions of work, many of which are less readily available for a large number of countries and, if available, are not likely to be disaggregated along the age-breakdowns necessary to appraise the youth situation specifically. Thus, this section can focus only on country examples and speculate broadly on expected trends in these indicators. In any case, the following list should serve as an important but not exhaustive “wish list” of indicators that, if available in the

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<sup>25</sup> UNDP, 2003.

<sup>26</sup> See, for example, the International Labour Migration database of the ILO, available at <http://www.ilo.org/public/english/protection/migrant/ilmdb/index.htm>.

<sup>27</sup> O'Higgins, 2001, p. 29. See also Ryan, 2000.

<sup>28</sup> DSF, 2003, p. 4.

<sup>29</sup> Ryan, 1999, pp. 437-58.

<sup>30</sup> US Department of Labor, 2000, p. 33.

<sup>31</sup> Ibid.

future, could describe youth employment challenges in the depth necessary for devising solutions.

#### *Unemployment duration*

Usually, long-term unemployment leads to poverty and social exclusion, and this tends to further undermine future chances to find new work. Long durations of unemployment spells indicate a stagnant labour market, where chances to escape unemployment are limited. Information on incidences of long-term unemployment among young people is urgently needed so that policy-makers can target the particularly vulnerable youth experiencing long-term unemployment and help them re-enter productive society.

This indicator does exist for OECD countries and shows that the incidence of long-term unemployment among unemployed youth fell in almost all OECD economies over the period of 1993 to 2000. For adults, on the other hand, the incidences of long-term unemployment remained more or less stable.<sup>32</sup> In truth, this indicator might be more useful in developed economies as young people in the poorest economies simply cannot afford to be unemployed for a long period and instead take any employment opportunity available.

#### *Underemployment*

Time-related underemployment is defined as all persons in employment whose hours of work fall below a certain cut-off point and who wish to work additional hours.<sup>33</sup> A high rate among youth could imply that a large number of youth are accepting work conditions that are less than ideal, either because they view the work as temporary or because they do not have the confidence or voice to bargain for improved working conditions. Most of the 550 million working poor in developing economies (people who work but do not earn enough to lift themselves and their families above the US\$ 1 a day poverty line) are underemployed and wish to work more but do not get the chance. It is very likely that the share of working poor is even higher among youth than adults. In fact, ILO estimates give a total number of young working poor as 130 million or around 25 per cent of the total working poor in the world.<sup>34</sup>

#### *Incidence of temporary work*

Evidence suggests that temporary work is disproportionately filled by younger, less educated workers.<sup>35</sup> Workers in such employment not only face “considerably higher risk of job loss and labour market exclusion they also ... receive lower wages than permanent employees with the same qualifications who are doing the same job.”<sup>36</sup> The issues here, therefore, concern whether or not temporary employment is an additional source of insecurity and precariousness for workers. Do holders of temporary employment welcome temporary employment as a means of securing an immediate source of income while gaining work experience? Or do they find themselves in an unwelcome situation in which they have become trapped in a second-best “temporary” employment situation that has become permanent?

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<sup>32</sup> OECD, 2002, p. 22.

<sup>33</sup> Resolution concerning statistics of the economically active population, employment, unemployment and underemployment, adopted by the 13<sup>th</sup> International Conference of Labour Statisticians, Geneva, 1982; available at website: <http://www.ilo.org/public/english/bureau/stat/download/res/ecacpop.pdf>. There are variations to the definition, one of which requires that the person “sought” additional work during the reference period.

<sup>34</sup> The calculation that 25 per cent of the total working poor are young people is based on UN Population Fund (UNFPA, 2004) estimates on the regional shares of young poor people in the total population. It is important to note, however, that these shares have yet to be resolutely substantiated by the data and the assumption is not without its critics. For further details on the calculation of working poor, see Kapsos, 2004.

<sup>35</sup> OECD, 2002, p. 130.

<sup>36</sup> European Commission, 2003, p. 179.

Additionally, the challenge is to study the degree to which institutional labour market restrictions force youth into the temporary route of job entry.<sup>37</sup> Evidence suggests a relationship between a higher incidence of temporary work and the presence of employment protection legislation in an economy. This suggests that in economies with strict employment protection legislation, employers will hire more workers on a temporary basis to avoid legislative restrictions. In southern Europe, for example, economies with relatively strict employment protection such as Spain and Portugal have the highest incidence of temporary employment of all the economies studied.<sup>38</sup> In comparison, in the United States where legislation is less restrictive, the incidence of temporary employment is low.

One would expect that temporary work in developing regions is not a question of choice but of economic necessity and a lack of alternatives. Based on the current knowledge of developing economies, it is safe to say that employment there is very often characterized by scant security. People can easily lose their jobs without the right or the voice to fight against it or demand remuneration. Given that young workers are less likely to be unionized and that they are more lacking in experience than adults, they are also more likely to be affected by temporary, precarious employment.

#### *Employment status*

The measurement of status in employment categorizes workers into the major groups of wage employment, self-employment and unpaid family workers (also termed contributing family workers), according to the international classification.<sup>39</sup> It is an indicator that is particularly interesting for developing regions because a look at the number of people in wage employment gives an idea of progress in the development process. The assumption here is that the goal of workers is wage employment, which is viewed as more stable and thus more desirable,<sup>40</sup> so that if country results show relatively large proportions of youth in the unpaid family worker or even self-employed category, it is an indication that youth in this country are facing difficult job-entry transitions. Again, one might expect that in the poorest regions of the world young people without experience and often with little education may be forced to enter the labour market at a time when they have a higher likelihood not to be in wage employment.

#### *Informal economy employment*

What is the proportion of youth working in the unprotected informal economy? Estimates, based on a variety of methodologies, now exist but information relating to the involvement of young people in the informal economy has not yet been specifically compiled for a wide range of economies. So, although one may assume that young people are disproportionately represented in the informal economy, there are not yet adequate data to make a proper analysis. Where data are available and time-series comparisons can be made, an increasing trend in informal economy employment is evident. For example, employment in the urban informal economy as a percentage of total employment increased more than 70 per

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<sup>37</sup> For a proper assessment of the issues relating to temporary work, one should seek to quantify first the various types of temporary employment within a country (on-call workers, temporary help agency workers, seasonal workers, fixed-term contracts, etc.); second, characteristics of temporary job holders (age, skill-level, sex, industry, duration, etc.); third, the success rate of the transition from temporary to permanent employment; and perhaps most importantly, the reasons for temporary work, i.e., whether voluntary or involuntary. Unfortunately, none of these elements will be easy to quantify in a systematic manner.

<sup>38</sup> See Canadian Policy Research Networks website: [http://www.jobquality.ca/indicator\\_e/int.stm](http://www.jobquality.ca/indicator_e/int.stm).

<sup>39</sup> Resolution concerning the international classification of status in employment, adopted by the 15<sup>th</sup> International Conference of Labour Statisticians, Geneva, 1993; available at website: <http://www.ilo.org/public/english/bureau/stat/download/res/icse.pdf>.

<sup>40</sup> The ILO-sponsored school-to-work transition survey in Viet Nam, for example, found that 70 per cent of young male respondents and 83 per cent of female respondents wanted to find wage employment (ILO, 2003).



cent in Lithuania (1997 to 2000) and 15 per cent in Mali (1989-96).<sup>41</sup> The growth of employment in the informal economy is of particular concern in the region of Latin America where, according to an Economic Commission for Latin America and the Caribbean (ECLAC) estimate, urban informal employment increased from 43 per cent in 1990 to 48.4 per cent in 1999.<sup>42</sup> For most youth in Latin America, the informal economy of short-term temporary work offers the best labour market opportunity for new entry. This is not surprising as an estimated 85 per cent of all new employment opportunities globally are created in the informal economy.<sup>43</sup>

#### *Employment by sector and occupation*

This indicator is closely related to the status in employment indicator as well as to the informal economy employment indicator because of the evidence that the agricultural sector and the service sector in developing regions have a much higher likelihood of being dominated by informal employment. In addition, the agricultural sector is very often characterized by unpaid family work.

Structural change has evolved over the past 50 years in tandem with the swift advance of technologies and the opening up of economies to international competition in the context of globalization. Most employees today work in the services sector,<sup>44</sup> often in occupations that were not imagined 50 years ago. In many Latin American economies, 80 to 90 per cent of youth are employed in services, with the remainder in manufacturing or construction.<sup>45</sup> However, in sub-Saharan Africa, and the Asian regions, about half of the increase of youth in the labour force is still in agriculture.<sup>46</sup>

#### *Discouraged workers*

Discouragement is a concept used to describe individuals who would like to work, but who are not seeking work because they *feel* or perceive that no suitable work is available. It is, therefore, a subjective measure, in contrast to the objectively-based measure of unemployment.<sup>47</sup> Based on a cursory analysis of discouraged rates of youth and adults in OECD countries, the results were mixed as to which group is more affected. The percentage of discouraged workers within the population was higher for youth than adults in Belgium, Greece, Hungary, Norway, Sweden and the United States; the likelihood of a young person being discouraged was double that for an adult in the United States and ten times greater in Sweden. However, youth-to-adult incidences of discouragement were more or less the same in Australia, Canada, Finland, Italy and New Zealand. Women are more likely to be discouraged than men. The OECD estimated that in 1993 women made up approximately two-thirds of the total of four million discouraged workers in OECD countries.<sup>48</sup>

What can one expect in terms of discouragement in the developing world? In the poorest economies it is not very likely that people can afford to be discouraged, they simply have to work to survive. This might be even more true for young people since their income is

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<sup>41</sup> KILM, 2003, table 7b. The difficulty with the informal economy is first in defining it and second in measuring participation in it. Changing employment arrangements require not only new ways of conceptualizing the informal economy but also new approaches to measuring its size and contribution to the overall economy. The ILO Bureau of Statistics has taken a leading role in developing data collection methods, in standardizing definitions and in providing technical assistance to national statistical offices to improve their data collection. For more details on measurement issues, see ILO, 2002 and Hussmanns, 2004.

<sup>42</sup> Fawcett, 2001, p. 14.

<sup>43</sup> ILO, 1999, p. 24.

<sup>44</sup> KILM, 2003, p. 141.

<sup>45</sup> Fawcett, 2001, p. 14.

<sup>46</sup> ILO, 1999, p. 6.

<sup>47</sup> OECD, 1995, p. 45.

<sup>48</sup> *Ibid*, p. 47.

often needed to support the household as a substitute for the lost income of inactive household members.

#### *Vulnerability rate*

An interesting group to look at would be the sum of the unemployed plus those who are involuntarily outside the labour force. Set in relation to the total working-age population this number would give a good indication of the share of the population that society needs to worry about. In other words, such a measure would define persons who are “socially excluded”, thus highlighting the segment of the population which most needs support either from social safety nets or families. To have this indicator – a measure of young people who are neither in education nor in employment – especially for young people would give policy-makers a clearer idea of the extent of the untapped potential of young people who would be willing to work if properly assisted.<sup>49</sup>

#### *Wages*

Because income surveys exist for many countries, wages by age could potentially be one of the easier indicators to collect. However, the interpretation of such an indicator proves to be difficult. Young people will naturally earn less as they lack the experience of older workers, but the question of how much “less” is acceptable and how much “less” reflects discrimination against young people is very hard to judge.

#### *Various indicators of job satisfaction*

Finally, various indicators to judge differences between youth and adult job satisfaction would complete the picture of labour market conditions for young people. But the big question is how one quantifies job satisfaction and makes comparisons across countries. It is not a simple process but the school-to-work surveys described in box 4 could be a cornerstone to produce statistically sound data on such difficult-to-quantify variables.

## **4. Summary and outlook**

Given their lack of experience and tenure and the fact that youth are more likely to “experiment”, trying out different employment scenarios before settling into their work-life path, it is not surprising that youth unemployment is higher than adult unemployment. But is a differential of 3.5 times excessive? Is it indicative of some underlying malfunctioning of the youth labour market? If viewed over the past decade, the global ratio of youth-to-adult unemployment rates in 2003 of 3.5 is more than 12 per cent higher than it was in 1993. However, as a result of the demographic changes mentioned above and discussed in box 1 it is not very likely that this increasing trend will continue indefinitely.

In addition, the high ratio of 3.5 reflects the last worldwide economic downturn in 2001 and early 2002 in which youth unemployment grew faster than adult unemployment. During times of recession, youth are doubly vulnerable in comparison to the older cohort. First, in the initial stages of the downturn, firms will stop hiring so that new young entrants to the labour force will face limited employment opportunities and will thus begin their labour market experience as unemployed. Second, if the economic downturn becomes prolonged, firms are likely to downsize with many firms resorting to the “last-in, first-out” firing

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<sup>49</sup> The OECD undertook the measure of a similar indicator, termed the “youth non-employment rate” and found that the trends followed closely that of the youth unemployment rate. See OECD, 2002 and O’Higgins, 2001, pp. 19-20.

practice. Given that young workers are likely to have less tenure, they could then be the first to go, thus boosting the unemployment rates of youth in comparison to adults.<sup>50</sup>

#### **Box 4**

##### **School-to-work transition surveys**

As its title indicates, the central element of a school-to-work transition survey is the concept of *transition*. A transition may be defined as the passage from the end of schooling to the first significant employment of a young person. The notion of significant employment is meant to discard temporary small jobs or paid or unpaid internships that a young person may voluntarily or involuntarily accept before engaging in a career path. The following expresses schematically the notion of “easy” and “difficult” transitions:

*Easy transition:* School → Permanent employment

*Difficult transition:* School ↔ Unemployment ↔ Temporary employment

The ILO has designed a school-to-work transition survey questionnaire and assists countries in the running of the survey in order to contribute to the global effort to “define” the employment challenges of youth. The objectives of the surveys are 1) to identify the factors influencing the movement of young people from education and training to the labour market; 2) to highlight hiring practices of employers in regard to young women and men; 3) to contribute toward reducing youth unemployment among young men and women and to facilitate their full and productive integration into the labour market; and 4) to contribute to advancing the knowledge of youth employment in order to facilitate the ILO’s ability to provide technical assistance to constituents in the area of labour market data collection for policy planning and evaluation purposes.

The survey will serve as a tool allowing countries to capture both quantitative and qualitative variables such as young people’s education and training experience, their perceptions and aspirations in terms of employment, their life goals and values, the job search process, the family’s influence in the choice of occupation, barriers to and supports for entry into the labour market, the preference for wage employment or self-employment, attitudes of employers towards hiring young workers, current employment/working conditions, control over resources, job satisfaction, marriage and family responsibilities and gender differentials. The survey focuses on the transition and the variables behind the relative ease or difficulty of the transition in order to gauge where and how countries can proceed to improve the process of matching the supply and demand for young labour.

##### *Results of the school-to-work transition in Indonesia*

A review of the information generated in one country that finalized the survey process – Indonesia – reveals some interesting clues about the “mismatch” between young people’s aspirations when joining the labour force and the demand of employers hiring young workers. For example, the survey data in Indonesia revealed the following results:

- Only 44 per cent of youth, most of who were already employed, received educational and vocational guidance; only 28 per cent of job seekers reported having received guidance; 70 per cent of those who responded said they had not received guidance and would like to make use of it if offered to them.
- A total of 20 per cent of youth still in school, and 19 per cent of job seekers, felt that men and women do not have equal opportunities for accessing education.
- Of the self-employed youth surveyed, 58 per cent left school for financial reasons.
- Youth still in school and young job seekers rated job security and high wages as the most desirable job quality issues.
- 40 per cent of employers reported using informal networks (friends and relatives of employees/managers) to fill vacancies.
- In the employment search process, 43 per cent of job-seeking respondents used informal networks, 24 per cent responded to advertisements and only 8 per cent relied on employment services.
- Inadequate education and training were cited as the main obstacle in finding work for 55 per cent of youth.
- Of the young employees interviewed, 21 per cent were without formal working agreements.

These results will be reviewed by the Government as they create a national employment plan for youth. (Further analysis of survey results is available in Sziraczki and Reerink, 2004.)

<sup>50</sup> UN, 2003, p. 62. Economic depression does not affect youth disproportionately in all countries, however. In some countries (Germany, Ireland and the Netherlands, for example) youth unemployment has been no more sensitive to the economic cycle than has its adult counterpart (Ryan, 1999).

Yet another likely explanation for the differential between youth and adult unemployment rates is the higher rate of employment separation among youth.<sup>51</sup> Large labour flows of the overall labour force between employment and unemployment indicate a dynamic labour market, where there is a lot of both firing and hiring. Many lose their work, but find new work relatively easily, thus their unemployment spells tend to be short. The question then is to what degree young people suffer from the “last-in, first-out” firing practice of companies mentioned above. In contrast, limited labour flows point to a stagnant labour market, where few lose their work, but those who become unemployed have little chance of finding new work. In such a case, unemployment is a stagnant pool, workers tend to stay jobless for a long time, with their chances of finding work gradually declining, often up to the point that they become detached from the labour market. Regardless of whether it is the structure of labour markets or the effects of business cycles, young people are likely to be among those who have to shoulder the bigger burden.

Young people might lack experience but on the other hand they might be more motivated and offer new ideas or insights. Ignoring this potential signifies an economic waste. Halving the world’s youth unemployment rate (from 14.4 to 7.2 per cent), and thus bringing it more in line with the adult rate of 6.2 per cent (in 2003) while allowing for some natural differences would add between an estimated US\$ 2.2 and 3.5 trillion, or between 4.4 and 7.0 per cent of the 2003 value, to the global GDP.<sup>52</sup> Table 7 shows the potential additional GDP by region. The largest relative gains in getting youth into productive work would be in sub-Saharan Africa, with an estimated 12 to 19 per cent gain in GDP.

**Table 7**  
**Estimated increase in GDP if the youth unemployment rate is halved**

	GDP in 2003 (billions)	Estimated additional GDP by halving youth unemployment rate (lower estimate, billions)	Estimated additional GDP by halving youth unemployment rate (upper estimate, billions)	% increase in GDP (lower estimate)	% increase in GDP (upper estimate)
<b>WORLD</b>	49'870	2'173	3'477	4.4%	7.0%
<b>Industrialized economies</b>	26'656	1'136	1'818	4.3%	6.8%
<b>Transition economies</b>	3'111	205	329	6.6%	10.6%
<b>East Asia</b>	7'383	114	183	1.5%	2.5%
<b>South-East Asia</b>	2'190	101	162	4.6%	7.4%
<b>South Asia</b>	3'579	149	238	4.2%	6.7%
<b>Latin America and the Caribbean</b>	3'835	186	298	4.9%	7.8%
<b>Middle East and North Africa</b>	1'939	138	221	7.1%	11.4%
<b>Sub-Saharan Africa</b>	1'177	143	228	12.1%	19.4%

Source: Own estimations. GDP data come from IMF: *World Economic Outlook*, database, April 2004.

There is also the even more obvious gain to making the most of the productive potential of youth which is the personal gain to the young people themselves. An inability to find employment upon first entering the labour market creates a sense of exclusion and

<sup>51</sup> OECD, 1983.

<sup>52</sup> GDP is measured in current PPP-adjusted dollars for 2003. The estimates are based on historical country-level GDP-to-youth-employment elasticities. If the elasticity is negative or greater than 1.75, the sub-regional elasticity is substituted. The lower estimate is based on a diminishing returns scenario in which for the first 1/4 of additional employment, the elasticity is 100 per cent of value, for the second 1/4, the elasticity is .75 of its value, for the third 1/4 it is 50 per cent of its value, and for the final 1/4, it is 25 per cent. The upper estimate is based on a constant returns assumption, whereby there is no decline in elasticity.

uselessness among youth and can heighten the attraction of engaging in illegal activities. In addition, an individual's previous unemployment experience has been proven to have implications for his or her future labour market behaviour.<sup>53</sup>

Many young people from low-income households, whose parents held low-status, low-paying employment, are often forced by the financial need of the family to enter the labour market at an early age and will typically end up in low-paid, precarious jobs with little prospect of future improvement.<sup>54</sup> The intergenerational links in poverty are proven: people living in chronic poverty will remain poor for much or all of their life and are likely to pass on their poverty to their children. This cycle needs to be overcome and can best be surmounted by giving young people the opportunity to work themselves out of poverty.<sup>55</sup>

Poor young people whose incomes do not cover their living costs are not only a major challenge in developing countries but also in the developed economies. Most economies with a high share of youth unemployment report growing poverty among young people and acknowledge that this is the result of growing unemployment and also the increasing number of young people in casual and part-time employment.

It is during the formative stages of life – childhood, adolescence and youth – that long-lasting aspects of personal development take place and determine “success” or “failure” later in life. With this in mind, it becomes all the more crucial that youth employment challenges are addressed and solutions developed to enhance and fulfil their potential and ensure decent employment opportunities for youth. The integration of young people into decent and more productive employment is the key challenge for national governments, the social partners, civil society, United Nations agencies and the Bretton Woods institutions. Within the international community, the ILO has a special role to play to achieve this goal (see box 5 for details on recent ILO activities specific to youth employment). Whether young or old, people in decent employment are the base for stability in communities and thereby a solid pillar for the future of a globalized world.

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<sup>53</sup> See, for example, Arulamplam et al., 2001.

<sup>54</sup> See, for example, ILO Jakarta, 2004, p. 2.

<sup>55</sup> CPRC, 2004.

### **Box 5** **The ILO response**

Since its inception in 1919, the ILO has aimed to regulate or improve the employment and working conditions of young people. The Minimum Age (Industry) Convention (No. 5) and the Night Work of Young Persons (Industry) Convention (No. 6) were the first in a series of what would soon be a substantial list of conventions and resolutions aimed at abolishing child labour and establishing safe working condition for young workers.<sup>1</sup>

Today, given the recognition of the continuity of youth issues and a newfound sense of urgency at the global level in finding solutions, the ILO is strengthening its commitment to addressing the youth employment challenge and attempting to institutionalize its responsibilities toward assisting constituents on youth employment matters. The **ILO youth employment team** will facilitate, coordinate and help to provide technical guidance for an integrated programme of work on youth employment linked to decent work and poverty eradication and closely involving the social partners. Additionally, the ILO's Governing Body approved the holding of an International Tripartite Meeting on "Youth Employment: The Way Forward" in October 2004 and identified youth employment as a topic for general discussion at the International Labour Conference in 2005.

On the global level, the ILO acts as the Secretariat for the **Youth Employment Network (YEN)**. The UN Secretary-General's YEN was created in the framework of the Millennium Declaration where Heads of State and Government resolved to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work." The ILO sees youth employment as both an integral part of the Millennium Declaration and a key contribution to meeting other Millennium Goals, including those relating to poverty reduction.

The Network is a partnership between the UN, the World Bank and the ILO to bring together policy-makers, employers and workers, young people and other stakeholders to pool their skills, experience and know-how in an attempt to find new, durable policy and programme solutions to the youth employment challenge. In partnership with youth leaders, representing organizations with more than 100 million members worldwide, the YEN is creating space for young people to play an essential role in the design and implementation of National Action Plans.

As invited by the YEN High-Level Panel in their policy recommendations in 2001, nine countries have stepped forward to volunteer as lead countries for the YEN: Azerbaijan, Brazil, Egypt, Indonesia, Iran, Namibia, Rwanda, Senegal and Sri Lanka. As lead countries they have committed themselves to take the lead in the preparations and the implementation of National Action Plans for youth employment to be submitted to the UN General Assembly by September 2004. For more details on YEN and progress made by the lead countries, see website: <http://www.ilo.org/yen>.

<sup>1</sup>Freedman, 2004.



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## Global employment trends for youth

Young women and men are the world's greatest asset for the present and future, but they also represent a group with serious vulnerabilities. In recent years increasing global unemployment has hit young people the hardest and today's youth are faced with high levels of economic and social uncertainty. All too often, their full potential is not realized because they do not have access to productive and protected jobs.

Compared to adults, the youth of today are more than three times as likely to be unemployed. Yet open unemployment is but the tip of the iceberg. In both industrialized and developing economies, young people are more likely to find themselves working longer hours under informal employment, intermittent (temporary, part-time, casual) work and insecure arrangements, which tend to be characterized by low productivity, low wages and limited labour protection. There can be no doubt that there is a link between youth unemployment and vulnerability; an inability to find a job creates a sense of exclusion and uselessness among youths and can heighten the attraction of engaging in illegal activities. In addition, an individual's previous unemployment experience has been proven to have implications for his future employment chances.

This report continues the ILO Global Employment Trends series to provide a valuable analysis of the current labour market trends of young people. It incorporates the most recent information available in order to shed light on the possible factors contributing to the increasing difficulties youth face today when trying to enter the labour force.

The report identifies indicators which help to quantify the situation of young workers with an eye towards identifying the specific challenges necessary to meet the UN Millennium Declaration initiative to "develop and implement strategies that give young people everywhere a real chance to find decent and productive work".

The information provided here also offers a concise picture of where decent work opportunities are most needed around the world.



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+1.997523006.65	0.887986	+1.984
0.327987	+1.987523006.59	-0.807
+1.987521006.65	0.-887987	+1.98
0.807987	+1.987523	0.887983
-0.883988	0.887987	+1.987523
0.894989	+1.987523006.65	-006.65
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