

Revisiting the conventional wisdom on youth employment

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Youth Share of Working Age Population

	1997	1998	2006	2007	2008	2009
WORLD	25.8	25.7	24.9	24.7	24.7	24.4
Developed Economies & European Union	16.8	16.7	15.7	15.5	15.4	15.2
Central & South-Eastern Europe (non-EU & CIS	22.0	22.1	22.2	21.9	21.5	21.0
South Asia	30.6	31.0	29.6	29.5	29.2	28.9
South-East Asia & the Pacific	29.8	29.4	26.9	26.5	26.0	25.6
East Asia	22.6	21.8	21.0	20.8	21.6	21.3
Latin America & the Caribbean	29.3	29.0	26.2	25.8	25.5	25.1
Middle East	34.4	34.9	33.3	32.7	31.6	30.8
North Africa	33.1	33.3	31.0	30.5	30.6	29.9
Sub-Saharan Africa	35.7	35.7	36.1	36.1	35.5	35.4

Is a large youth population a problem or an asset?

- Globally, the share of youth in the working age population has declined over the past ten years
- Sub-Saharan Africa is a notable exception
- Those regions with an above-average youth “bulge” within the overall demographics of the working age population are:
 - Sub-Saharan Africa (35.4%),
 - the Middle East (30.8%),
 - North Africa (29.9%),
 - South Asia (28.9%),
 - South-East Asia and the Pacific (25.6%) and
 - Latin America and the Caribbean (25.1%).

Trends in Youth Unemployment

- Prior to the Global Financial Crisis, Youth Unemployment showed a slight declining trend, from 12.4% in 1998 to 11.9% in 2008.
- However, as a result of the crisis, global youth unemployment rose to 12.8 % in 2009, falling slightly to 12.6 % in 2010.
- Unemployment rates showed the highest sensitivity to the financial crisis in
 - the Developed Economies and the European Union (4.6 % increase between 2008 – 2009),
 - Central and South-Eastern Europe (non-EU) & CIS (4.5 % increase);
 - Latin America and the Caribbean (2.2 % increase).
- Overall, the number of unemployed youth declined from a high of 79.6 million in 2009 to 77.7 million in 2010, which remains well above the 2007 level of 73.5 million.

Comparative Global Trends in Youth and Adult Unemployment

- The number of unemployed adults (aged 25 and above) continued to rise in 2010 by 1.7 million (an increase of 23.5 million since 2007).
- Adult unemployment rate remained at 4.8 %, unchanged since 2009 and up 0.7 % since 2007.
- Preceding the economic crisis in 2007, youth were 2.9 times more likely to be unemployed than adults at the global level. However, this ratio declined slightly to 2.6 % in 2010 as a response to the global economic crisis.
- Hence, a slight realignment of labour markets in favour of youth as a result of the global economic crisis, explained by:
 - Trend towards greater precarity in the overall labour market, and
 - Trends in declining youth labour market participation.

Source: Global Employment Trends 2011 and Global Employment Trends for Youth (2010), ILO. Geneva: 2010 and 2011.

Youth Participation in the Labour Force

- The crisis has reinforced a long-term downward trend in youth participation which decreased by 2.5 % between 2000 and 2009
- All regions, except Central and South Eastern Europe (non-EU) saw decreasing youth participation rates.
- The change at the global level is driven by the large decreases (- 6.4 %) in East Asia, in South-East Asia and the Pacific (- 5.2 %) and in Developed Economies and the European Union (- 4.1 %).
- The fall in youth participation was lowest in South Asia (- 0.3 %) and in Sub-Saharan Africa (- 0.1 %) and increased by 0.7 % in Central and South Eastern Europe (non-EU).

Youth Participation in the Labour Force

- These variations can be explained to varying degrees by
 - by young people extending their education ,
 - by the discouraged worker effect , or
 - the added worker effect on the other.
- Between 2008-2009 as a result of the crisis the “discouraged worker effect” was strongest in Developed Economies and the European Union with youth participation rates dropping 0.4 %, as well as in Latin America and the Caribbean (- 0.5 %)
- In all other regions youth participation remained stable or increased demonstrating the “added worker effect,” pushing youth back into the labour market to supplement family income.
- Across 56 countries with available data, there are 1.7 million fewer youth in the labour market than expected based on longer term trends, indicating that discouragement among youth has risen sharply. These discouraged youth are not counted among the unemployed because they are not actively seeking work.

The Crisis and Informal Employment of Youth

- The dilemma:
 - This is the best education generation of young people ever
 - The majority of young people work in informal employment
- The crisis has led to an increasingly crowded informal economy
- Trends in six countries – Chile, Colombia, Ecuador, Mexico, Panama and Peru – found between 2008 and 2009:
 - 3.8 % increase in own-account workers
 - 1.7 % increase in contributing family workers (urban areas only).
 - 82.4 % of teenagers aged 15-19 years were engaged in informal sector employment compared to 80.8 % in 2007 (compared to a share of 50.2 per cent for adults aged 30-64 years).

ILO: *Panorma Laboral 2009*, op. cit., p. 52.

Traditional Approaches to Youth Employment

Vocational Education and Training

- Entra 21 active in 13 Latin American countries to “provide disadvantaged youth, ages 16-29, with employment training and job placement services so they can find decent jobs and increase their employability.” At the end of the seven-year phase I, more than 19,600 youth benefited from comprehensive training and job placement services. Job placement rates averaged 54% across 35 projects, with the number of youth who re-enrolled in formal education nearly doubling. A majority of employers surveyed rated the graduates they hired as having better than average competencies in a variety of areas.
- Result: an average 116 graduates placed per country per year with better than average competencies: is this the most cost-effective means available to helping young people find and retain jobs?

See International Youth Foundation, <http://www.iyfn.org/entra21> .

Should we prepare young people for the labour market or prepare the labour market for young people?

Minsky argues that public policy that favours education and training over job creation puts “the cart before the horse” and is unlikely to succeed.

- Lays the blame on the unemployed
- Tells the poor that they must change their characteristics—including their behaviour—before they deserve to work.
- Can require a long time to see results
- A dynamic economy is always leaving old skills behind and demanding new ones. At any point, there will be a permanent, sizeable, pool of those with inappropriate skills and education
- There is the danger that the retrained will face a job shortage so that at best they simply displace previously employed workers who will join the ranks of the unemployed.
- Jobs must be made available that can “take workers as they are,” regardless of their skills, education, or personal characteristics.

Self-employment and Entrepreneurship

Development: Create your own job

- Most young entrepreneurs are self-employed.
 - Household data for a sample of 14 Latin American countries covering 89 percent of the total population show that 12.8 percent of workers between the ages of 16 and 24 are entrepreneurs. Most of them (11.9 percent) can be classified as self-employed by necessity, while the rest (0.9 percent) are employers.
 - Evidence shows that in a three-year period only a few are able to improve their situation. This poor overall performance means that they are highly vulnerable to business failure.
 - The income that this group generates does not have a large impact on overall economic activity, but it is basic to the survival of large number of young people.
 - The programmes are targeted towards those most likely to fail, namely vulnerable youth working in the informal economy.

Complementary Approaches

- Move from supply to demand driven programmes
- Revisit the roles of roles and public and private sectors in job creation
- Wage Policy: evidence that wage equality is correlated with low levels of unemployment
- Public sector and industrial policies
- Regulatory Frameworks to improve productivity in the informal economy
- Labour-intensive infrastructure development
- Rights based approaches: the state as employer of last resort