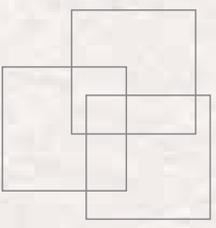




International  
Labour  
Office

# JOBS AND SKILLS FOR YOUTH:

## REVIEW OF POLICIES FOR YOUTH EMPLOYMENT IN MONGOLIA





# **JOBS AND SKILLS FOR YOUTH:**

REVIEW OF POLICIES FOR  
YOUTH EMPLOYMENT  
IN MONGOLIA

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# EXECUTIVE SUMMARY

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Young Mongolians continue to experience difficulties in their journey towards the labour market. The 2014 labour force data reveals an unemployment rate of 17.4 per cent among young people.<sup>1</sup> Many young Mongolians also experience a lengthy period of unemployment before finding a job. For those who are in work, many young people are often found in the informal economy, which absorbs over 90 per cent of rural working youth and nearly one-third of urban youth. There is also evidence that despite greater educational attainment by young women, their prospects in the labour market remain limited. Moreover, young women often have lower wages and higher levels of occupational segregation than young men. Nonetheless, young men are also at risk. Young men from rural communities are more likely to enter the labour market early and thus face a long-term trajectory of informal and low-paid jobs.

These weak employment outcomes are all the more striking since they persisted even during previously substantial economic growth rates. This report has been developed to try to shed light on these difficult transitions to the labour market by examining the policy environment, identifying gaps and proposing recommendations to support Mongolian efforts to improve the employment prospects of its young people.

Among the findings of the report are that:

***High growth rates do not automatically translate into high rates of employment in Mongolia.***

Currently Mongolia is experiencing significantly low and weak growth as a result of declining demand for minerals, which affects its capacity to deliver on policies. At the same time, the recent high growth based on extractive industries was also unable to make significant dents in the problems of unemployment and poverty. Growth rates reached a record high of 17 per cent in 2011 but dropped significantly to 2.3 per cent in 2015,<sup>2</sup> and the forecast for growth in 2016 may be even bleaker. Despite the high growth rate in 2011 based on data from 2012, more than one quarter of the population was still living below the poverty line. There is also evidence that inequalities are increasing.

The experience of Mongolia clearly illustrates that the policy mix surrounding growth is vital in terms of its impacts on job creation and poverty reduction. The overreliance on mining has not only exposed the economy to external shocks and fluctuating commodity prices, but has generated patterns of growth that

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<sup>1</sup> ILO STAT Database, Country Profiles. Available at: [https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?\\_adf.ctrl-state=15vqifcmum\\_9&\\_afriLoop=33959952286677](https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?_adf.ctrl-state=15vqifcmum_9&_afriLoop=33959952286677) [Accessed on 27 November 2015].

<sup>2</sup> The World Bank, Mongolia, Country at a Glance website. <http://www.worldbank.org/en/country/mongolia> [Accessed June 2016]

have adversely affected employment. A greater focus on employment as a central concern of economic policies in parallel with economic diversification will be essential for Mongolia to shift towards economic growth that is job rich and inclusive.

A significant development in that direction is the June 2016 adoption of the State Policy on Employment, which sets in place an employment-centred development framework with a plethora of measures to improve decent work outcomes in areas such as improving training opportunities, career counselling, employment services, the legal environment for labour relations, targeting of disadvantaged and remote regions for investment and skills upgrading opportunities, a range of supports to small and medium-sized enterprises (SMEs) as engines of employment growth, and a range of incentives for employers and for green investments. The State policy on employment works within the framework of the Mongolian 2030 Sustainable Development Vision, which details strategies to reduce poverty, improve educational access and reduce inequality. The latter policy was adopted in early 2016. While the State Policy on Employment currently lacks an explicit focus on youth employment, the opportunity still remains to develop targets and outcomes on this key issue within the context of implementation plans.

These policy developments are a step in the right direction in transforming the economy and shifting away from its current emphasis on natural resources to one based on human resources and the development of the skills and capabilities of its population, particularly its young people. Complementary to this will be the need for greater investment in industrial policies, particularly pertaining to the manufacturing and related sectors.

At the same time, rural development cannot be neglected. With few economic opportunities in rural areas and large outflows of the population to urban areas, there is a strong need for the expansion of existing local development strategies to enable young people to remain in their communities with viable livelihood options. Investing in infrastructure development in rural areas should not only generate employment in disadvantaged regions; it should also build community assets, such as schools and roads. The use of employment-intensive methodologies has been shown to have multiplier effects that can significantly revitalize local economies. In addition, Mongolia could also consider strategies to intensify agricultural production while also developing diversification and alternative livelihood strategies for the poorest amongst rural communities. Fiscal incentives could also be provided to businesses to relocate to rural areas, though this would only be feasible with adequate infrastructure to support business growth in the regions.

*Mongolia has achieved remarkable progress with regard to access to education; however, the quality of education still remains a major concern.*

Mongolia has high rates of literacy and educational participation, which it has achieved despite the dislocations caused by the transition to a market economy,

and a geographically dispersed and highly mobile population. In 2014/15 the enrolment rate in primary education reached 99.1 per cent and in secondary education 96.1 per cent. Furthermore according to census data analysed by the 2016 Mongolian Human Development Report, the share of young women and men with a tertiary degree increased by a factor of more than three in the period 2000-2010. Some groups continue to be left behind, however, including rural youth, who are likely to drop out of education early. Young men tend to fare badly in terms of higher educational attainment, compared to young women. Expanding scholarships, progressive university fees and other financial incentives will be needed to retain more rural young men in education beyond secondary school.

*The school to work transition persists in being a difficult journey for young Mongolians.*

While a comprehensive School-to-Work Transition Survey (SWTS) was undertaken in 2008, there are indications that the path to decent work for young people is still protracted and difficult. The 2016 United Nations Development Programme (UNDP) Human Development Report for example shows that among 25 to 34 year olds, more than half are still looking for work and 40 per cent have not undertaken the school-to-work transition. Some young people take up to 2.9 years before obtaining their first job.

These difficult transitions mean that many young people are likely to experience skill erosion. They are more likely to undertake poorly paid and poor quality informal work and are at risk of becoming discouraged workers.

*Higher educational attainment by young women has not resulted in better employment outcomes.*

While young women have greater access to education and perform well, they still experience difficulties gaining a foothold in the labour market. They often have longer periods of job search, and when they do find work they are more likely to be concentrated in a limited number of occupations and have lower rates of pay than young men (with a rate 1.4 times lower). In 2011, according to the UNDP, some 17 per cent of young women aged 25 to 29 years were engaged in unpaid work in the home compared to only 1 per cent of similarly aged men.

Mongolia will need to develop a range of measures to support young women in the labour market, including, for example, better job search outreach to young women; career counselling; measures to provide greater access to resources, including skills and entrepreneurship training; finance; technology and market information. Policy development will also be needed to put into effect the principles of equal pay for work of equal value.

*Young people do not consider entrepreneurship a viable employment option.*

Entrepreneurship culture is still in a fledging state and young Mongolians do not regard it as a viable employment option. Given that entrepreneurship is a major source of employment creation in most countries, there is great scope for embedding it within the curriculum, as well as developing business incubators in universities and vocational training centres. A welcome development has been the establishment of a number of non-governmental organizations (NGOs) to support and mentor young entrepreneurs in Mongolia. This could be complemented by geographically dispersed business advisory services, both public and private, as well financial reforms to enable easier access to credit for young people from formal banks and microfinance organizations. Additionally there are indications that the overall environment for doing business has been improving, which can only support greater entrepreneurship amongst young people. The World Bank's 'Doing Business' ranking improved from 59 (out of 189 economies) in 2015 to 56 in 2016.<sup>3</sup>

*The informal economy absorbs large numbers of working youth, but the costs are high.*

Large numbers of young Mongolians work in the informal economy, particularly in rural areas where over 90 per cent of youth are working informally. Mongolia has recognized the substantial costs of informality, not only in terms of individual frustrations and poor returns on skills and education, but also in terms of costs to enterprises and the national economy. It has therefore developed national policies on informality, and was one of the first countries in the world to do so. However large gaps in implementation and periods of inactivity have led to missed opportunities to comprehensively reduce the scale of informality. A tripartite review of the policies and obstacles to implementation, including levels of resourcing, is warranted to galvanize action on addressing this pressing issue.

*Labour market information systems are not functioning well.*

Balancing supply and demand in the labour market requires efficient and reliable information systems that can reach young job seekers on the one hand and employers on the other. Results from the report show that institutions such as public employment agencies will need capacity- building to enable their services to better reach young people. Many youth rely on informal networks and families to find out about job opportunities, resulting in long periods of job search. There is ample scope for building the capacity of public employment services to strengthen linkages with the private sector, disseminate information on vacancies, reintegrate young unemployed back into the labour market, and to create links with mechanisms to identify and forecast labour market demand.

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<sup>3</sup> World Bank Doing Business website, Mongolia data <http://www.doingbusiness.org/data/exploreeconomies/mongolia> [Accessed June 2016]

*The development of a human resource policy could greatly enhance the efficiency of the labour market.*

While Mongolia has put in place a range of sectoral policies that contain human resource elements, there is as no explicit policy that sets out the framework for building the country's human capital in line with its rapidly changing economy. Such a framework could be anchored in sound analysis of skills in demand, as well as forecasting for the intermediate and long term. It could also ensure policy coherence with other policies and develop explicit indicators for youth employment outcomes.

*A dialogue platform specifically on youth employment will be necessary to take the issue forward on the national agenda.*

While young people are relatively well organized in Mongolia, there is as yet no platform that focuses specifically on employment issues for young people. Rather, these issues are dispersed among general youth forums. Such a platform specifically on employment is warranted given the scale of issues related to youth transition and the fact that policy measures have been developed to support youth employment with only a limited impact. A tripartite discussion and review of existing policies, gaps and progress to date would be a major step forward in identifying obstacles to the improvement of youth employment outcomes.



# 1

## OVERVIEW OF THE ECONOMIC AND SOCIAL CONTEXT

Mongolia has undergone a series of remarkable transformations in the past two decades, from a centrally planned economy to a market-oriented lower-middle-income country with one of the fastest growing economies in the world. Multiparty democracy is now well established, along with free and fair elections. There are indications that gender inequalities are being reduced, with greater participation of women in the labour market and in the public sphere.

In 2016 Mongolia embraced the launch of the sustainable development goals, which calls for ending all forms of poverty, improving the tertiary and the vocational education system, promoting employment for the younger generation – including through entrepreneurship – and placing greater emphasis on developing a knowledge-based society. This has been further reinforced by the adoption in 2016 of the State policy on employment, which is aligned with the 2030 Agenda for Sustainable Development (discussed in Chapter 4).

Mongolia has ratified 15 ILO Conventions, including the eight core conventions.

However, Mongolia also faces many challenges and remains vulnerable on a number of fronts. High rates of economic growth have been driven mainly by reliance on extractive industries, which has meant that growth has not resulted in strong employment nor has it been inclusive. Previous unemployment rates of young people (aged 15–24) showed levels around 11 per cent; when discouraged workers are included, that number reaches as high as 16 per cent. (UCW, 2013). This is reinforced by more recent data from the 2014 Labour Force Survey, which shows a youth unemployment rate of 17.4 per cent.<sup>4</sup>

Despite double digit growth in the previous period, poverty remains high, and inflation climbed to around 9 per cent in 2014. Urban and rural divisions in poverty and unemployment are stark, and there are also significant regional disparities in income. Mongolia is also vulnerable to natural disasters, particularly *dzuds* (harsh winters). Environmental degradation is also a concern, with impacts on pasture land and forests, and scarce water resources.

To ensure sustainable and inclusive growth, Mongolia will need to strengthen institutional capacity to manage public revenues efficiently; allocate its resources effectively among spending, investing, and saving; reduce

poverty; and offer equal opportunities to all its citizens in urban and rural areas (World Bank, 2014). It will also be imperative for Mongolia to diversify its economy and create alternative sources of employment, especially for youth.

## 1.1 Macroeconomic framework

Mongolia is experiencing a marked slow down in growth in the current period. The rate of growth has fluctuated dramatically in the last five years, which highlights the country's dependence on its extractive industries. Driven by the exploitation of vast mineral resources, Mongolia's economy grew rapidly, reaching a peak of gross domestic product (GDP) growth of 17.3 per cent in 2011 before, dropping down to 11.7 per cent in 2013. By 2015, with a slow-down in China and rapid reduction in the demand for mineral resources, the growth rate had dropped to 2.3 per cent in 2015. Forecasts remain weak for 2016. Mineral commodities account for about 80 per cent of the country's exports, and mining provides around 40 per cent of total Government revenues (UNDP, 2014). The manufacturing sector contributes only about 11 per cent to GDP, about half of the mining sector's contribution. This excessive dependence on mining revenues exposes the economy to global price fluctuations. The period 2008-2009 saw a significant drop in global demand resulting in a difficult period for Mongolia. While it was able to recover from this and has subsequently opened new large-scale mining projects, there has been a significant slowdown in growth in the current period. The European debt crisis and the recent slowing down in China, which is the biggest trading partner of Mongolia, are having a major impact on the economy of the latter. With 93 per cent of its exports to China in 2012 (mainly minerals), Mongolian exports contracted in April 2012 for the first time in two years, reflecting weaker global economic conditions, sliding commodity prices and slowing growth in China (UNDP, 2014).

Inflation continues to pile pressure on the economy. In 2006 inflation rose from 6 per cent to 12 per cent in 2007 and peaked at 23 per cent in 2008 (ILO, 2011). Currently, inflation stands at 9.2 per cent. The Bank of Mongolia has been able to contain inflation below double digits by curbing prices with the Price Stabilization Programme. However, a sliding exchange rate has been putting increasing pressure on the cost of imported goods, making it difficult for suppliers to keep sales prices in check (World Bank, 2014).

## 1.2 General labour market trends

When growth had been high, it still failed to translate into a commensurate increase in productive employment. The reasons for this can be explained, to a large extent, by the sector composition of growth, that is, the predominance of mineral extraction as the main driver of growth. The share of the mining sector has

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<sup>4</sup> ILO STAT Database, Country Profiles. Available at: [https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?\\_adf.ctrl-state=15vqifcmum\\_9&\\_afirLoop=33959952286677](https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?_adf.ctrl-state=15vqifcmum_9&_afirLoop=33959952286677) [Accessed on 27 November 2015].

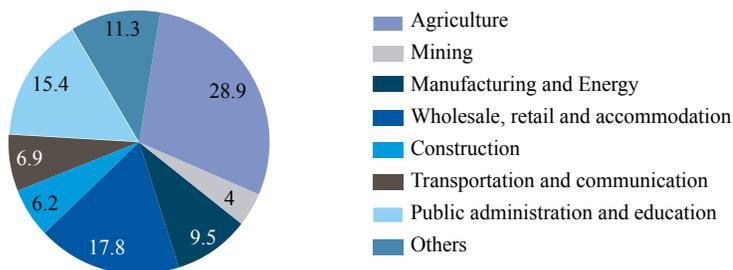
been around 4 per cent of total employment since 2010, but employment within the mining sector declined by 27 per cent during the same quarter in 2013, indicating the weak business prospects in the sector, particularly in coal mining. See Figure 1.1 below.

Structural shifts continue in Mongolia, with employment in agriculture showing a downward trend. Agriculture held 29 per cent of total employment in the second quarter, but its share of total employment has experienced a downward trend from 42 per cent in 2007. The share of the industrial sector, including mining, manufacturing and construction, rose steadily over the same period, reaching 20 per cent in the first quarter of 2014 from 11.9 per cent in 2007. Service sectors, including wholesale and retail businesses, rose to 52 per cent from 44 per cent, absorbing many workers who moved away from agriculture (World Bank 2014b).

There have also been indications of deteriorating job quality since the share of self-employed workers – usually small-scale and family-based businesses, including kiosks and small vendors – rose to 21.8 per cent of the total employment in the first quarter of 2014 from 16.5 per cent during the same period in the previous year. The share of paid employees declined to 49.2 per cent in early 2014 from 52.6 per cent during the same period in the previous year. The shift in composition of job types may suggest weakened employment in the formal sector. It may also suggest that while there has not yet been an increase in unemployment, the labour force may be increasingly absorbed by small-scale or informal self-owned businesses due to the slow-down in growth (World Bank, 2014).

The unemployment rate in the first quarter of 2014 stood at 9.4 per cent, a level similar to the same period in 2013, and indicative of the fact that slower growth has not yet resulted in an increase in unemployment. However, unemployment in Mongolia tends to follow a seasonal pattern due to the difficult working conditions in construction, agriculture and mining during the harsh winters (World Bank, 2013b). This is likely to lower unemployment in quarters two and three

**Figure 1.1: Sectoral share of employment by total employment (%)**



Source: World Bank Mongolia 2013 quarterly update

Gender equality in the labour market paints a mixed picture. When compared to females, prior to entering the labour market, males are at a disadvantage in terms of educational participation and attainment (see discussion in Chapter 2). It is in the labour market, however, that inequality for women becomes apparent. At a rate of 70 per cent, women have a relatively high labour market participation rate (compared to neighbouring countries), and there is little difference in official unemployment rates between men and women; however, gender inequalities are apparent in the types of work women do.

A third of women are employed as unpaid family workers (World Bank 2013a), and women are much less likely than men to be in entrepreneurial activities. Occupational segregation is widespread, with women concentrated in a narrow range of occupations such as teaching, catering and retail support services. Until recently, this segregation was reinforced by discriminatory legislation that prevented women from entering certain occupations (such as machinists, drivers of passenger vehicles). It was only in 2008 that those regulations were repealed, but change will undoubtedly take longer since cultural norms are pervasive. A further positive step forward was the 2011 Gender Equality Law, which spelled out the specific responsibilities of various public agencies to ensure gender equality in areas such as employment and the public service, among others.

Another area of concern is the retirement age of 55 for women, which is five years earlier than for men. That, coupled with the fact that women may have only had periodic episodes of labour market participation due to child-rearing responsibilities, puts today's young women at risk of poverty in old age.

Labour market participation rates of child-bearing-age women are also likely to have been affected by the relatively generous cash transfers to women for child support, which may have acted as a disincentive for some younger women to participate in the labour market (World Bank 2013a).

The gender wage gap is also significant particularly since women often bring higher levels of education into the labour force than men in Mongolia. The overall gender wage gap is 0.18, which implies that wages for men are 1.2 times higher than those for women. Among younger workers the gap is even larger; it appears that young men are paid 1.39 times more than young women (World Bank 2013a).

### 1.3 Poverty

Poverty has been on a downward trend over the past decade; however, what is striking is that despite one of the highest rates of growth in the world in 2011, in 2012 more than a quarter of the population still lived below the poverty line, and in 2014 about 11 per cent of the population were within 10 per cent of the poverty line.<sup>5</sup>

<sup>5</sup> World Bank, Mongolia Economic Update, November 2015. Available at: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/11/19/090224b0831ed441\\_0/Rendered/PDF/Mongolia000Economic0update.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2015/11/19/090224b0831ed441_0/Rendered/PDF/Mongolia000Economic0update.pdf) [Accessed on 27 November 2015].

A poverty analysis by the National Statistical Office of Mongolia (NSO), conducted with World Bank technical support (Figure 1.2 below), finds that the national poverty headcount rate declined from 38.7 per cent in 2010 to 33.7 per cent in 2011, and further declined to 27.4 per cent in 2012, an annual reduction of five to six percentage points. Poverty reduction occurred in both urban and rural areas.<sup>6</sup> In urban areas the poverty rate dropped 9.9 percentage points over the two years. Rural areas displayed a faster decline in the poverty rate with 13.5 percentage points. Data from the Household Socio-Economic Survey indicates that per-capita household consumption of food and almost all non-food categories increased.

**Figure 1.2: Poverty indicators for the years of 2010, 2011, 2012**

	2010	2011	2012
<b>2010 as a base year Poverty line, in tugrug</b>	92 220	99 891	118 668
<b>Poverty coverage, %</b>			
National average	38.7	33.7	27.4
Urban	33.1	28.6	23.2
Rural	49.0	43.4	35.5
<b>Region</b>			
Western	52.6	40.3	32.5
Highlands	52.0	49.1	38.6
Central	29.8	28.2	28.1
Eastern	42.4	40.1	33.3
<b>By location</b>			
Ulaanbaatar	31.0	25.7	19.8
Aimag centers	37.4	34.4	30.4
Soum centers	39.5	35.9	27.5
Countryside	56.1	47.4	39.8

Source: National Statistical Office (NSO), with World Bank technical support

While poverty has been on a downward trend, inequality has not. The Gini coefficient for income distribution increased from 33.2 in the 1990s to 36.5 in 2008 (the last year available), and signals a growing income disparity. Furthermore, a persistent, (though slightly narrowing) gap between rural and urban livelihoods is evident: the poverty rate in rural areas is 36 per cent compared to 23 per cent in urban areas (EPCRC, 2014). An estimated 30.5 per cent of rural resident are herders. Households with 500 or more heads of livestock are considered affluent, while households with less than 100 heads of livestock are considered poor (World Bank 2008). As of 2013, about 28.2 per cent of the total number of herder households had less than 100 heads of livestock, which accounted for just 5.8 per cent of total livestock in Mongolia. At the other end of the spectrum, about 14.6 per cent of

<sup>6</sup> World Bank World Development Indicators show that the rural percentage of the population in Mongolia stood at 32 per cent in 2010 and 31 per cent in both 2011 and 2012.

the total number of herder households have more than 500 heads of livestock, which accounted for 43.4 per cent of total livestock (NSO 2013, p. 324). All these macro economic trends pose a serious challenge to supporting youth employment outcomes, particularly in the current context of diminishing fiscal space and revenues as a result of the slow-down in growth.

# 2 THE YOUTH LABOUR MARKET

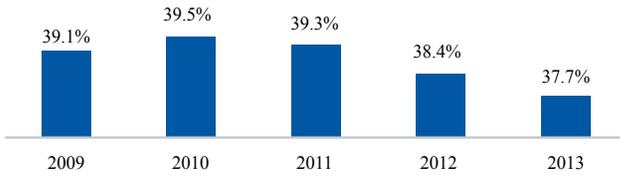
## 2.1 Demographic outlook

Mongolia has a highly uneven age structure as a result of rapid rises and drops in fertility since the 1960s. The very rapid decline in the total fertility rate during the 1990s resulted in the number of births dropping from 75,000 per year in the late 1980s to 47,000 per year by the 2000–2005 period. The decline in births has had a dramatic impact on the age structure, with the age cohorts born between 1990 and 2005 becoming successively smaller. As fertility again increased after 2005, the younger age groups are once again on the increase. However, the changed age structure will result in future population growth following a “wave-like” pattern of rises and falls. This will also occur in the annual births, which can be expected to rise and fall over the next several decades. The changing age structure is likely to present a major challenge in the future. The proportion of children (0–14) has already declined from 46 per cent in 1969 to 27 per cent in 2010, and can be expected to decline further (UNFPA, 2011). The present age structure also contains the potential for rapid ageing. In the short run the population will become more “middle aged”; in the longer run the older population (60 and over) will increase rapidly.

Annual births in Mongolia peaked at about 75,000 per year in the 1985–90 period. Persons born in those years are now reaching 25–30 years of age. Generating sufficient jobs to absorb this group into the labour force is one of the major economic challenges faced by Mongolia at the present time. New entrants to the labour force will increase in number in the short- run before falling again. This pattern of rise and fall has implications for education, training and employment creation. There may be cycles of labour shortage and surplus, which will pose challenges to policy makers (UNFPA, 2011). In this context, creating an environment for increased labour productivity becomes even more important and should be a policy priority.

Currently, the youth share of Mongolia’s total population has dropped by 1.4 percentage points from 39.1 per cent in 2009 to 37.7 per cent in 2013. See Figure 2.1 below. Mongolia defines youth as persons between the ages of 15 and 34.

**Figure 4.5 Employees paid minimum wage by educational background**



Source: NSO, Statistical Yearbook 2013

Urbanization has occurred at a rapid rate since 2000, with Ulaanbaatar’s population growing at 4.2 per cent a year; conversely, the rural population has declined by 1.9 per cent on average. As a result, the urban population has increased to over 68 per cent of the total population, and the rural population to around 32 per cent in 2010 (UNFPA, 2011). The population share among all *aimags* (*provinces*) is declining and, in many, the absolute population size is also falling. Only those *aimags* that are benefiting from mining are experiencing an increase in their population share.

### 2.1.1 Demographic bonus

A small proportion of dependents and, conversely, a large proportion of working age people in a population should provide a favourable environment for economic development and employment growth. In Mongolia, the working age population was 58 per cent of the total population in 1989. By 2010 it had increased to 72 per cent, resulting in the lowest dependency ratio in six decades. The dependency ratio has dropped by 50 per cent since 1975 (UNFPA, 2011). Other things being equal, this demographic bonus should have facilitated job creation by reducing the dependency burden on the economy and families, thus providing more resources to improve the quality of the labour force and invest in productive enterprises. Although it is clear that investment in human resources has been made (including high rates of educational participation), it has not yet translated into high rates of employment growth.

In the current period it appears that young people may be delaying marriage and the starting of a family, which will further support the low dependency ratio.<sup>7</sup> In 2009 there were 32,395 registered marriages for young people aged 18–34. By 2012 that number had fallen to 11,177 – a reduction of 65.4 per cent. That development was likely further reinforced by the halting of the Government subsidy to newly married couples, which began in 2008 (EPCRC 2014).

<sup>7</sup>In the medium term however, there is a risk that aging will increase the dependency ratio.

## 2.1.2 Trends in education

Mongolia has made great strides in improving access to education despite the dislocations caused by transition in the last two decades. In particular, school attendance among 15–19 year olds during the period 2000–2010 has greatly improved: it increased from 47 per cent to 79 per cent during that timeframe. The overall demand for higher education increased from 7.6 per cent in 2000 to 18.3 per cent in 2010 (UNDP, 2016).

Nonetheless, young Mongolians continue to face serious issues, such as poor quality education, a mismatch between supply and demand, and continuing gaps in participation by certain groups. The two former issues will be discussed in greater detail in Chapter 4.

In terms of educational participation, despite an overall improvement (over 92 per cent of the population over age 10 received some form of education in 2010), access for rural youth, boys/young men and those in lower income brackets remains problematic. For example, even though only 1.3 per cent of Mongolians aged 15–19 were illiterate in 2010, the percentage of illiterate people was twice as much in rural areas as urban areas. Young men make up 63 per cent of those who are illiterate. Those trends continue across the entire educational spectrum: in 2010 only 6 per cent of youth in rural areas had higher education, compared to 22 per cent of urban youth (UNDP, forthcoming).

Gender disparities in education are also apparent, but strangely, from a global perspective, it takes the form of a disadvantage for males (also sometimes referred to as the “reverse gender gap”). A large number of young women participate in education while young rural men aged 15–19 have the lowest enrolment rates. Females outnumber males at all levels of higher education, with around 60 per cent of all degrees awarded to women. The gender differences are decreasing however. Gender parity has been achieved up to lower secondary school, and the gender gap of disadvantaged males is decreasing in secondary school. The proportion of boys attending secondary school almost doubled from 40 per cent in 2000 to 74 per cent in 2010.

There are also strong links between income level and access to higher education. The non-poor are seven times more likely to hold a Bachelor’s degree than the poor and 33 times more likely to hold a Master’s degree (UNDP, forthcoming). Table 2.1 below shows that only 13 per cent of those from the poorest quintile had higher or vocational education compared to 48 per cent from the richest quintile in 2011. There is also a strong urban bias, but this may be due to the location of higher education institutions and vocational training centres in urban areas, and the migration of rural youth to participate in those institutions.

**Table 2.1 Population with vocational and higher education attainment by quintile (2011)**

Quintile	%
Poorest	13
Q2	19.6
Q3	27.2
Q4	34.4
Richest	48.3

Source: Nationwide Monitoring Survey Report on Migrant Workers (2013).

## 2.2 The youth labour market

### 2.2.1 Youth activity status

Calculations by Understanding Children's Work (UCW), based on the 2011 Labour Force Survey, reveal that one-third of young persons aged 15–24 are in the labour force in Mongolia, and that 59 per cent are in education (UCW, 2013). Both education and labour force participation differ significantly across locations. Rural youth are much more likely to be in the labour market and much less likely to be studying compared to their urban peers. That means that they enter the labour force at a younger age and with far less human capital than their urban peers. See Table 2.2 below.

**Table 2.2 Education and labour force participation, persons aged 15–24 years by residence, sex and location (2011)**

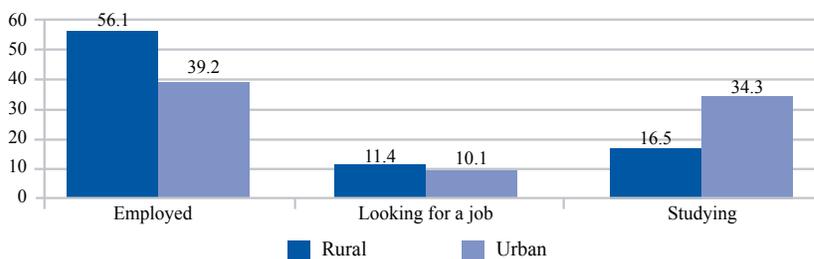
Population category		Labour force participation rate % pop	Educational participation % pop	Inactive and out of school
Residence	Urban	25.1	63.7	13.7
	Rural	45.8	49.8	12.7
Sex	Male	38.0	55.6	11.2
	Female	27.3	61.7	15.4
Region	West	39.8	59.9	8.7
	Khangai	36.4	51.1	17.8
	Central	42.7	52.7	11.9
	East	19.5	61.6	21.0
	Capital	24.8	64.5	12.6
Location	Aimag centre	25.6	62.3	15.7
	Soum centre	29.7	57.7	17.4
	Rural	58.4	43.7	9.0
<b>Total</b>		<b>32.7</b>	<b>58.6</b>	<b>13.3</b>

Source: UCW 2013, Calculations based on the Mongolian Labour Force Survey 2011

This is borne out by more recent NSO data (2013) using the broader age group of 15–34, which shows that less than 40 per cent of urban youth are employed as opposed

to 56 per cent in rural areas. It is also reflected in the fact that 34.3 per cent of youth in urban areas are studying, while only 16.5 per cent are in education in rural areas.

**Figure 2.2: Economic activity of youth aged 15–34 (%)**



Source: NSO 2013

## 2.2.2 Youth employment

Overall, close to 50 per cent of young men and 38 per cent of young women aged 15–34 are employed. The employment rate for those aged 15–19 has declined over time, reflecting greater educational participation (UNDP, 2016). With the increase in education participation rates, fewer 15–19 year olds were employed in 2010 than 2000. As shown in Table 2.2 above, more than a third of urban youth are studying compared to around 16 per cent of rural youth.

### Status and sector of employment

In 2013, some 30 per cent of young people were employed in agriculture, though this has been on a downward trend since 2009 when 39.9 per cent of young people were employed in agriculture. The construction sector has been expanding rapidly and has seen an increase in the number of young people employed from close to 6 per cent in 2009 to close to 8 per cent in 2013. Similarly, employment in industry has increased from 10.9 per cent in 2009 to 14.3 per cent in 2013. See Table 2.3 below.

**Table 2.3 Youth employment (aged 15–34) by sector**

Sector	2009 (%)	2013 (%)
Agriculture	39.9	30.2
Industry	10.9	14.3
Construction	5.9	7.9
Wholesale/retail trade	12.4	12.4
Government service	5.7	7.4
Other services	25.2	27.8

Source: NSO Labour Force Surveys (UNDP, 2016)

### 2.2.3 Young workers in the informal economy

A problem that confronts all labour markets to some degree is informality, broadly understood as work arrangements with poorly enforced legal and social protections, generally low productivity, poor working conditions, usually low income, and where workers and entrepreneurs generally have little voice and representation. Young people are particularly at risk of being in informal work arrangements because of their lack of experience, limited access to labour market information systems and productive resources, and low likelihood of trade union or other association membership.

UCW data using international statistical methodology<sup>8</sup> to calculate informality shows that only 6 per cent of working youths (aged 15–24) in rural areas held formal jobs in 2011. Most of the remainder work in animal husbandry (68 per cent), or in non-wage family work (20 per cent). In contrast, in Ulaanbaatar three quarters of youth work in wage employment and almost two-thirds hold formal sector jobs (UCW 2013). See Figure 2.3 below.

The 2013 NSO data for the 15–34 age group estimates that youth make up around one-third of the people in the informal economy. Out of 199,000 engaged in the informal sector, 31.1 per cent were aged 15–34 (EPCRC analysis of NSO data).<sup>9</sup>

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<sup>8</sup> Informal employment is measured according to guidelines recommended by the 17th International Conference of Labour Statisticians (ICLS). It includes the following sub-categories of workers: (a) paid employees in “informal jobs”, that is, jobs without social security entitlement, paid annual leave or paid sick leave; (b) paid employees in an unregistered enterprise with less than five employees; (c) own-account workers in an unregistered enterprise with less than five employees; (d) employers in an unregistered enterprise with less than five employees; and (e) contributing family workers.

<sup>9</sup> The following is the NSO methodology for calculating this data.

According to the methodology to calculate employment and workforce statistic indicators, characteristics of “informal employment” include the absence of official registration, social benefits and organizational structure in a legally permitted, non-agricultural sector.

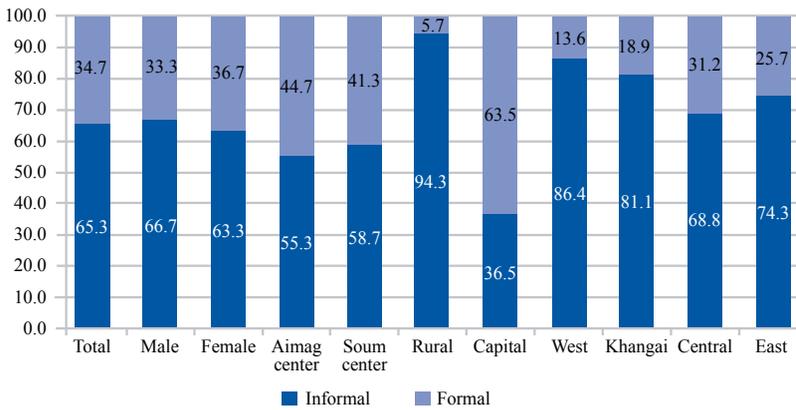
**Individual with no or partial social protection coverage** refers to persons with no pension protection, benefits, or insurance for health, unemployment, industrial accident, or work-related disease under the “Law of Mongolia on Social Insurance”.

**Unregistered individual** refers to individuals who are not included in employment statistics, administrative registration, and information regarding income taxes from informal employment.

**Business activity with no operational and organizational structure** refers to household industrial or service units that are not categorized as cooperatives, partnerships, or companies in accordance with related laws; that are owned by one or more household members; that are owned by one or more households; and that sell or barter some portion of their output on the market.

**Non-agricultural work and service** refers to works and services other than crop farming, forestry, animal husbandry, apiculture, primary processing of agricultural products, storage, production, and maintenance.

**Figure 2.3 Employed youth in the formal and informal economies**



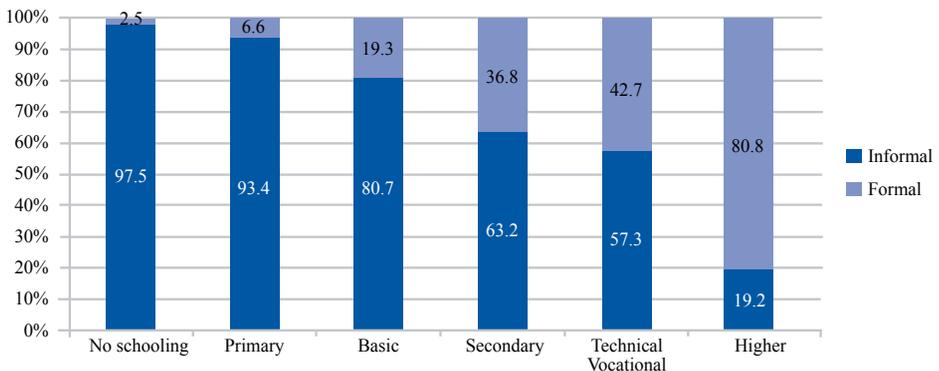
Source: China Statistics Yearbook

### 2.2.4 Wages and conditions of work of young people

Closely related to informality (discussed above) is the issue of job quality. Formality is indeed an important indication of job quality as it is associated with job security and stability, legal protections, higher earnings, occupational health and safety measures, and benefits such as healthcare and pensions.

Job quality is clearly related to educational attainment. Figure 2.4 below, which shows the share of youth in formal and informal jobs by educational attainment, illustrates this point. The likelihood of formal employment increases with each level of educational attainment, culminating in high education where four of every five employed youths enjoys a formal sector job. It is important to note, however, that technical and vocational education is by no means a guarantee of a formal sector job. Some 43 per cent of employed youth with vocational or technical training settle for insecure jobs in the informal economy (UCW 2013).

**Figure 2.4 Educational status and employment formality, non-student population, aged 15-24**



Source: UCW 2013

There are also clear indications that education can lead to higher income. Using data from the 2008 SWTS in Mongolia conducted by the NSO with ILO technical assistance, Pastore (2010) found strong evidence of returns on education in terms of higher wages. His findings show that tertiary education appears to be an important determinant of earnings. The annual rate of return to education is estimated to be between 4.2 and 10 per cent of the salary per year of education nationwide, and at least 7.6 per cent in Ulaanbaatar. Having a university degree, for instance, means 85 per cent higher wages, while a Master's degree may mean wages about 100 per cent higher than the median wage of those with only compulsory education. This means an annual rate of return to education of 9.5 per cent for the specific group of young people with a university degree. Holding a specialized secondary school diploma increased wages by 64 per cent compared to the median wage of those with only compulsory education or below (Pastore, 2010).

Given the links between education and higher earnings, it is not surprising therefore that rural youth, with their more limited access to education and greater likelihood of entering the labour market early, do not fare well in terms of wages. Young people in rural areas earn 40 per cent less in wages than in urban areas in Mongolia (UCW, 2013).

Gender-related differences in wages appear even among young people. According to a 2011 study on the employment of university graduates (see Chapter 3), male graduates received a salary of MNT 585,000, while the wage for female graduates was MNT 509,000. Male graduates from vocational training institutions (VTIs) received a salary of MNT 538,000, while female graduates were paid MNT 341,000 on average. This gender pay gap is all the more striking given that women tend to enter the labour market with higher educational attainment than men in Mongolia.

## 2.2.5 Youth unemployment

Statistics for 2014 for the 15–24 age group show a rate of 17.4 per cent unemployment for youth.<sup>10</sup>

The youth unemployment rate is more than double the adult unemployment rate of 7.9 per cent,<sup>11</sup> suggesting the existence of special barriers to youth employment above and beyond general labour market conditions. UCW analysis also suggests that urban youth are more susceptible to unemployment. Their calculations show that the urban youth rate is more than double the rural youth unemployment rate, underscoring the different natures of urban and rural labour markets, and in particular the role that the livestock and agricultural sectors play in absorbing young rural workers. Youth unemployment is particularly high in aimag and soum centres: around 19 per cent and 17 per cent respectively.

<sup>10</sup> ILO STAT Database, Country Profiles. Available at: [https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?\\_adf.ctrl-state=15vqifcmum\\_9&\\_afirLoop=33959952286677](https://www.ilo.org/ilostat/faces/home/statisticaldata/ContryProfileId?_adf.ctrl-state=15vqifcmum_9&_afirLoop=33959952286677) [Accessed on 27 November 2015].

<sup>11</sup> Ibid

Despite the higher employment rate of rural youth, job quality is a greater problem for them given their predominance in the informal economy (UCW, 2013).

Data for the 15–34 age group from the Economic Policy and Competitiveness Research Centre (EPCRC) based on the 2013 Labour Force Survey shows the contrast between adult and youth unemployment by education. The youth unemployment rate is higher than the rate for adults. In Table 2.5 below, when comparing youth aged 15–34 with adults aged 35 and over, in terms of unemployment, youth fare much worse than adults at all levels of education, except amongst postgraduates.

**Table 2.4 Number of total unemployed by education and age group**

	Age group	Non education	Elementary	Primary	Secondary	Technical and vocational	Vocational	Undergraduate	Postgraduate
2013	15-34	1 988	2 861	6 979	12 511	9 023	1 609	19 304	38
	Over 35	586	1 716	10 580	8 988	9 797	3 541	5 059	154
	Total	2 574	4 577	17 559	21 498	18 820	5 150	24 362	192

Source: NSO, Labour Force Survey 2013b (EPCRC analysis)

## Graduate unemployment

UCW analysis shows that better educated youth in Mongolia face a higher risk of unemployment, which is a perverse outcome when considering the other evidence of high returns on education. This is a fairly widespread phenomenon in both developing and middle-income countries that is often attributed to poor quality education and skill mismatch. (These and other reasons behind graduate unemployment are discussed in section 4.2). These problems are clearly evident in the case of Mongolia. Studies suggest that Mongolian young people do not score well in various tests. Furthermore, as the results of the 2008 SWT show (see chapter 3), Mongolian employers are also dissatisfied with the level and type of skills being attained by youth (Pastore, 2008). The same survey also revealed that the majority of youth do not rely on public and private job search mechanisms; instead, they use informal methods to find a job, such as through family or friends (Pastore, 2008). There is a clear need, therefore, to improve the quality of education and to ensure it is more closely linked to labour market demand. Improved mechanisms for bringing skilled job seekers and employers together are also needed.

## Long-term unemployed

UCW calculations suggest that, in 2011, more than half (56 per cent) of unemployed young people had been searching for a job for more than one year, and one-third had been unemployed for three years or more. These trends are of particular concern since prolonged spells of unemployment can permanently impair a person’s productive potential and influence lifetime patterns of pay and employment (UCW, 2013).

EPCRC analysis based on NSO data for 2012 (see Table 2.5) compares the difference in unemployment spells for youth (aged 15–34) and adults.

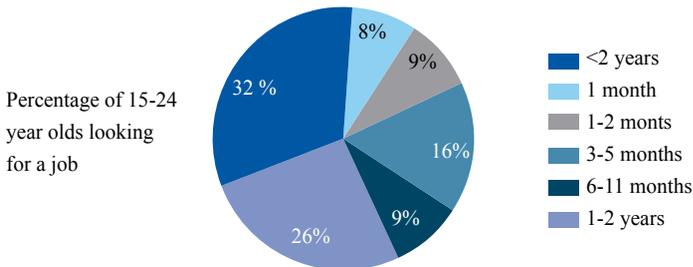
**Table 2.5 Total unemployed by duration of unemployment time and age**

		Less than 1 month	1–2 month(s)	3–5 months	6–11 months	1–2 year(s)	3 or more years
2012	15–34	3 065	3 834	7 187	5 215	12 252	21 410
	Over 35	1 719	1 956	4 605	3 412	8 005	22 045
	Total	4 784	5 790	11 792	8 627	20 257	43 455

Source: NSO, Workforce Survey 2009–2013 (EPCRC analysis)

Long-term unemployment is not limited to young people; 72 per cent of unemployed people over 35 years of age are in long-term unemployment. But the problem is particularly serious for first-time job seekers. Of the young people in the 15–24 age group, 58 per cent have waited more than one year for their first job. When disaggregated by gender, nearly 62 per cent of men and 55 per cent of women aged 15–24 have to wait more than a year for their first job (EPCRC).

**Figure 2.5 Time spent waiting for first job (aged 15–24)**



Source: UNDP Mongolia (2016)

## 2.2.6 Underemployment

Currently there is very little data on the extent of underemployment among youth in Mongolia. In broad terms, underemployment has been interpreted to imply unsatisfactory employment (as perceived by the workers). It is estimated in various ways: insufficient hours (time-related underemployment), insufficient compensation (income-related underemployment) or insufficient use of skills (skills-related underemployment) (ILO KILM, 2014). Countries have been better able to capture time-related underemployment, the threshold of which has been determined at the national level.<sup>12</sup>

<sup>12</sup> Time-related underemployment – underemployment measured as a deficiency of working hours – remains the only formulation of underemployment that has been agreed on and properly defined within the international community of labour statisticians. See the Resolution concerning the measurement of underemployment and inadequate employment situations, adopted by the 16th International Conference of Labour Statisticians, Geneva, 1998; website: [www.ilo.org/public/english/bureau/stat/download/res/underemp.pdf](http://www.ilo.org/public/english/bureau/stat/download/res/underemp.pdf).

Underemployment is a particularly useful indicator in developing and middle-income countries where many young people cannot afford to be unemployed and are thus vulnerable to taking sub-standard work. The costs of underemployment are high not just in terms of individual frustrations, disenchantment and skill erosion, but also economically as it reflects an under-utilisation of the labour force.

It is likely, given the evidence of serious skills mismatches and the levels of informality, that underemployment is a key issue among young people in Mongolia, and particularly rural youth. Data collection on this key issue would help inform policy development, which could address many of the decent work deficits confronting many working young people in Mongolia.

## **2.2.7 Youth inactivity and discouragement**

High rates of unemployment and long periods of job search often result in discouragement, where young people give up actively searching for work. When unemployment rates take these into account, they increase considerably. What is referred to as the relaxed unemployment rate takes into account those who are not technically unemployed (because they do not meet the active job search criteria) but who would, nonetheless, like to work. Among the advantages of using the relaxed definition is that it makes it possible to capture the full extent of youth unemployment issues, including youth in rural areas who work only seasonally and do not actively seek work outside of harvest months, or those who simply don't know where to seek work but would be happy to work. Using the relaxed definition also makes it possible to give information on discouraged workers, that is, those who are not “productively” or “usefully” occupied and who, despite not actively seeking work, would do so if labour market conditions improved. Discouraged workers may range include those not seeking work after a long and unsuccessful search, to those convinced there are no jobs available in their area, or those who think they are “too young” to find a job. Relaxed unemployment also gives a sense of the breadth of the youth labour market problem in relation to the youth population as a whole.

In Mongolia, according to UCW calculations for the 15–24 age group for the year 2011, the unemployment rate was almost 11 per cent, but rose to 16 per cent when discouraged workers were taken into account (UCW, 2013). More recent data from the 2014 Labour Force Survey on discouraged workers is not yet available.



# 3

## TRANSITION FROM SCHOOL TO WORK

The previous chapter provided evidence that young Mongolians continue to experience difficulties in the transition to the labour market. The levels of unemployment, duration of job search, and levels of informality among young people all point to a journey towards the labour market that is strewn with obstacles. If data were available, the levels of underemployment, which are likely to be high, would further illustrate the challenges young people face in the search for decent work. Additionally, high levels of migration (there are approximately 110,000 Mongolians outside their country) for study and work also suggest that many young people perceive that their chances of better educational outcomes and better jobs are greater outside their own country.

As Chapter 2 revealed, rural youth in particular are at high risk for poor transitions to decent work. Some 15 per cent of non-student rural youth have no education at all, and 36 per cent have only primary education. These young people will likely spend their entire working life in poor-quality and poorly paid work in the informal economy unless measures are in place to support their integration into further education or formal work. Young men in rural areas are particularly affected as they are more likely to leave school early to join the labour force, although there is a positive trend for their increased educational participation. More surprisingly, given their greater participation in education, young women also tend not to fare well in the labour market. Evidence suggests they may be in poorer quality jobs, often constrained by occupational segregation. They are paid less than young men, and have a lower rate of labour force participation. Clearly the gains from better access to education have not yet translated into better labour market outcomes for young women.

The long waiting period to find a job is one of the more obvious indications of difficult transitions for young people. Some 63 per cent have been looking for a year with little variation among men and women. Among first-time job seekers (15–24 years) 58 per cent must wait more than a year to get their first job (UNDP 2016).

The broad data presented in Chapter 2 provides an overview of these trends. However, qualitative information on the aspirations of young people and their perceptions of the challenges they face as they embark on the journey to working life, are as important as the statistics presented.

The following case studies provide insight into the realities behind the data. Though in need of an update, the 2008 Mongolian SWTS provides a comprehensive understanding of the situations of young people in the labour market in Mongolia. Although the survey was undertaken before the sharp downturn and subsequent recovery in the 2008-2009 period, as well as before the sizeable growth rate of 2011 and the subsequent slowdown, the difficulties facing young people in the labour market remain as pertinent today as they did eight years ago. It is therefore worth revisiting some of the key findings, which are presented in the first case study. Furthermore much of that extensive survey is backed up by more recent analysis provided by UNDP in their 2016 Human Development Report.

Another study, which was undertaken by the EPCRC in July 2014 (which cannot be compared to the SWTS since it uses a different methodology), also provides a snapshot of youth transitions among a smaller and more homogenous sample of young people: highly educated youth. Some 110 students, graduates and young faculty members from the Mongolian State University of Agriculture were asked about their perceptions of youth transitions.

Analysis by the Labour Research Institute of the 2013 Nationwide Survey on Employment of Graduates, is presented in case study three, providing further evidence of the serious mismatch in the supply and demand of skills and the weaknesses of existing labour market information systems.

The fourth case study presented below was conducted in July 2015 on the livelihood aspirations of 204 young people aged 15–17. It shows that young people often only have limited knowledge of possible job options and rarely seek guidance from public employment service (PES) agencies. In turn, the PES tends to have little capacity to reach young people.<sup>13</sup>

Finally, the fifth case study conducted by the Institute of Labour Studies with the Rand Corporation in 2014 reveals the extent of the problem of those not in education, employment or training (NEET). A number of policy recommendations are made to address the issue.

Together, these studies create a picture of transitions to the labour market in Mongolia that are lengthy, fractured and fraught with difficulties.

### **3.1 Case study: SWTS in Mongolia, 2008**

To assist Member States in building a youth employment knowledge base that helps to provide in-depth understanding of the youth labour market and to inform policy making, the ILO has designed a methodology referred to as a “School-to-Work Transition Survey” or SWTS. The SWTS has been developed to quantify

<sup>13</sup> The problem of limited outreach of services to young people by the PES has been recognized and is being addressed. In 2015, the ILO supported capacity- building training for a number of PES agencies, with a focus on youth.

the relative ease or difficulty experienced by young people in transitioning to a job that meets the basic criteria of “decency”, that is, a job that provides a worker or entrepreneur with a sense of permanency, security and personal satisfaction. It is aimed at identifying the opportunities and constraints faced by youth in specific country contexts and linking the results with practical measures to overcome these obstacles.

Prior to the survey (conducted by the NSO with ILO technical support), relatively little was known about the youth labour market in Mongolia. By interviewing a sample of youth (from 4,584 households) and some 760 managers from enterprises, the SWTS was able to provide rich information on the challenges faced by young people, which in turn could be fed into policy development.

Evidence from the survey revealed that young Mongolians faced significant challenges in finding decent employment after school. Barely 1 per cent (0.9 per cent) of the sample had completed the transition to decent work. About 56.5 per cent were still in transition, meaning they were still looking for a decent job, whether they were employed, unemployed or inactive. Within the “in transition” group, about one third were employed, more than twice the unemployment ratio of that period (14 per cent). Of the employed, 47.8 per cent felt they would like to change their job, and 49.6 per cent experienced a decent work deficit. Four types of decent work deficits were identified: (i) about 60 per cent of young employed workers worked informally; (ii) 74 per cent did not have a fixed-term contract; (iii) 12 per cent did not pay income tax; and (iv) about 40 per cent worked more than 50 hours a week. This suggested strong competition for jobs, potentially exerting downward pressure on already low wages and establishing a vicious circle where few young people could complete their transition, while the majority were more likely to be involved in precarious employment relationships (Pastore, 2008).

The survey also revealed a number of findings that are still apparent today, though perhaps less marked than they were in 2008. These include disparities between young men and young women, and striking rural-urban inequalities. More boys and young men than girls and young women were in the labour force, according to the survey, as they were more likely to drop out of school to help with family herding or to seek other employment. In rural areas, school attendance for boys dropped sharply after 10 years and remained lower than for girls at all levels. Among herding households, there were indications that wealthier herders with more animals relied on additional labour from poorer families. Some hire adolescent boys who work for food or lodging. This informal labour market for boys and young men may have placed additional burdens for unpaid work on girls and young women (Pastore, 2008).

The survey also revealed the shortcomings in both the capacity of the education and training system to provide skills that meet the requirements of employers, as well as the capacity of the Mongolian economy to create sufficient demand for youth labour. In addition, existing labour market intermediate institutions were found to play only a minimal role in matching supply and demand. This translated into a high level of youth unemployment among highly educated youth in urban areas, and low

productivity in jobs in rural areas, especially in the livestock sector (Pastore, 2008).

The survey also provided insight into the demand side of youth employment through interviews with a number of employers. The evidence confirmed that businesses need young applicants with more advanced skills and better work experience. There also seemed to be a mismatch between the job search methods preferred by employers and by young people.

The report concluded with a number of suggestions for policymakers at all levels, including: (i) the need to increase the quantity and quality of the supply of skills, especially in rural areas; (ii) the need for a more active role for the PES in providing labour market information, counselling and training not only to the unemployed, but also to discouraged workers and job-seekers who are still in school; (iii) closer integration between the educational system, governmental institutions at all levels and social partners to reduce imperfect and asymmetric information on job vacancies, as well to increase and diversify the supply of on-the-job training for young people. As will be seen by the discussion in Chapter 4, while many of these recommendations have been acted upon, they have as yet only made a small dent in the problems that are still highly relevant today. There is ample scope for more extensive and in-depth policy formulation that take these recommendations into account.<sup>14</sup>

UNDP has provided much more recent data from its 2016 Human Development Report indicating that many of the same issues with regard to difficult transitions for youth are still prevalent. More than half of youths aged 25 – 34 years are still looking for work, and some 40 per cent have not undertaken a school- to-work transition. Some 63 per cent of young people have been looking for suitable work for more than a year, and 40 per cent have been looking for more than three years (UNDP 2016).

### 3.2 Case Study: Highly educated youth (EPCRC study)

In July 2014, the research institute EPCRC surveyed 110 students, graduates and young faculty members of Mongolian State University of Agriculture.

**Table 3.1 EPCRC Survey sample of graduates**

Age		Gender		Employment	
16-25	74	Male	44	Student	66
25-30	15			Public sector	28
30-35	15	Female	66	Private sector	12
Over 35	6			Foreign investment company	4
<b>Total</b>	<b>110</b>		<b>110</b>		<b>110</b>

Source: EPCRC 2014

<sup>14</sup>For more details on the findings of the Mongolian SWTS see <http://www.ilo.org/public/english/employment/download/wpaper/wp14.pdf>

Survey respondents in the survey were questioned about their perceptions of the problem of youth unemployment and its underlying reasons. The primary reason given was lack of demand – insufficient number of job opportunities (34.3 per cent). Other reasons included: low wages (19.8 per cent), insufficient training and capability (18.3 per cent), youth apathy (11.4 per cent), insufficient work experience (5.4 per cent), interest in “easy money” rather than in hard work (4.6 per cent), being underqualified for their desired jobs (3.0 per cent), low quality of education system (2.3 per cent); and wrong career decisions (0.8 per cent).

When asked about the most desired professions the respondents clearly favoured public sector employment (42.5 per cent), while private sector employment rated a lowly 5 per cent. See Table 3.2 below. Such findings may be of concern to policymakers who have recognized the importance of private sector growth as the main engine of employment growth, and have been developing supportive policy measures. The lack of importance given to entrepreneurship as a viable employment option among young people is further illustrated by responses to the questions on the major challenges in starting a business. Around 52.9 per cent answered “difficulties accessing loans”; 41.2 per cent said “insufficient information”; and 5.9 per cent said “complicated registering procedures”.

**Table 3.2 EPCRC survey: Desired fields for youth**

Nº	Fields	Employment
1	State institutes	42.5
2	Mining	12.5
3	Private sector	5.0
4	Wherever possible	5.0
5	Banking and finance	25.0
6	Education	8.75
7	International organizations	1.25

Source: EPCRC Survey July 2014

When asked if they were able to work in their chosen fields after graduation, 39.5 per cent of respondents said Yes, while 60.5 per cent said No or Do not know. When asked about their thoughts on the current level of quality of higher education, 54.3 per cent said it was satisfactory and 45.7 per cent said it was unsatisfactory. According to respondents, in order to train qualified professionals, the following measures should be taken: i) improve quality of teachers; ii) revise the curriculum/ reduce the amount of theoretical content; iii) expand internships and field practice; iv) more innovative training equipment; and v) implement incentives for NGOs and community organizations to provide job opportunities for youth.

### 3.3 Case Study: Survey of Employment of Graduates 2013 (Labour Research Institute)

In 2013 a nationwide Survey on Employment of Graduates was conducted by the Labour Research Institute. The sample consisted of 1,495 employed graduates who had completed their Bachelor's studies at universities, as well as those engaged in primary and technical secondary training at VTIs in the 2010–2011 academic year (in which 45,000 young people graduated from universities with a Bachelor's degree and from VTIs with primary and technical training).

According to the survey, about 25 per cent of graduates felt that they did not have the opportunity to garner sufficient practical experience within the first year following graduation. Upon graduation, 94.4 per cent of graduates with training in one or more occupations entered into waged employment; however only 80.1 per cent of graduates signed a labour contract with employers.

The survey also showed that there is still a relatively long job search period. About 45 per cent of graduates found a job within six months, while the majority took longer than six months to find a job. Around 34 per cent took longer than 13 months to find a job.

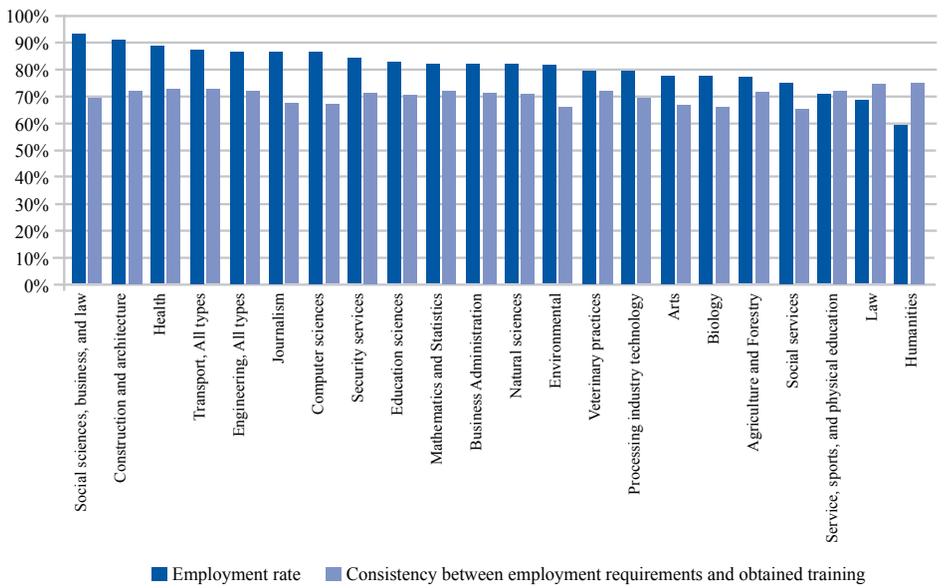
The survey also provided insight into the cost of living for employed graduates. About 35.3 per cent of respondents said that despite their employment, their costs for food are usually covered by their parents. Even though more than 50 per cent of respondents receive no support for rent, the majority of them receive financial support when purchasing items such as appliances. These numbers show that for most young graduates, their wages are not sufficient to maintain a decent life.

Differences were also shown between employment rates for graduates from higher education institutions and vocational training, with indications that vocational training is still not highly regarded by employers. Many graduates felt that employers were more likely to hire someone with a higher education diploma even if one was not needed for the work. As a consequence, some VTI graduates use vocational training as a stepping stone to further education in universities. Some 24 per cent of VTI graduates indicated that they were pursuing higher education or training for another occupation.

The issue of “relevance” of education and labour market demand were also alluded to in the study. A quarter of all employed graduates were employed in fields other than their major. Among the reasons cited for this was lack of interest in pursuing a career in their major, lack of demand for their profession, and poor working conditions.

Figure 3.1 below illustrates the “consistency” between the job and the education of the employed university graduate. Consistency is measured by the percentage of graduates that answered “yes”, to the question of whether the grade of education met the employment requirements.

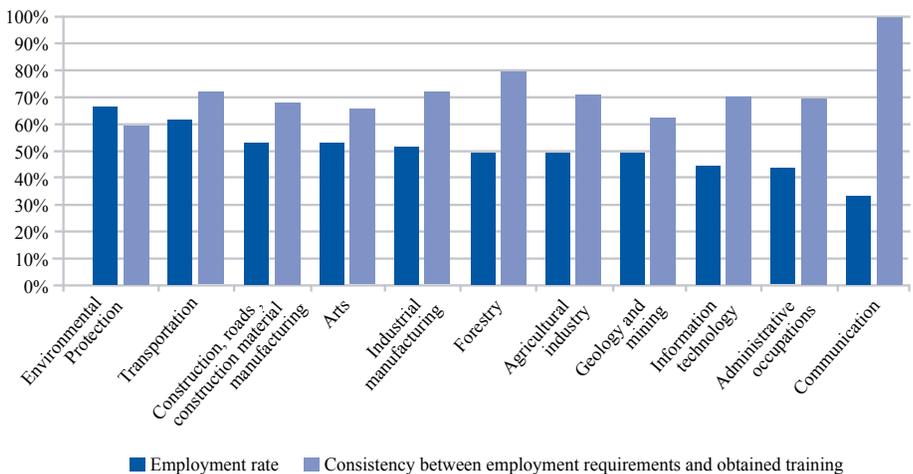
**Figure 3.1 Consistency between employment rate, employment requirements, and training obtained by university graduates**



Source: Labour Research Institute, Employment Survey of Graduates, 2013

Figure 3.2 below measures consistency in the same way for VTI graduates. The graph also shows that VTI graduates in environmental protection training had the highest employment rate, while information and communication graduates had the lowest employment rate

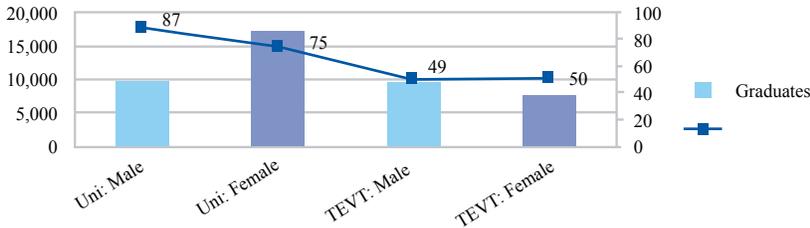
**Figure 3.2 Employment rates for VTI graduates**



Source: Labour Research Institute, Employment Survey of Graduates, 2013

When comparing university graduates with VTI graduates, differences become apparent, as seen in Figure 3.3 below. The clearest difference is in the employment rate: both female and male higher education graduates have a higher employment rate than men and women VTI graduates. There are also differences between the genders in university graduates. Although there were more female graduates overall, they had a 12 per cent lower employment rate than male university graduates. For VTI graduates, the employment rate is lower: around 50 per cent for both genders. There are also more male graduates in VTIs than female graduates. According to their perceptions of the alignment between their skills and the job requirements, gender differences persist regardless of whether the graduates came from university or VTIs. In both cases young women had a more positive perception with regard to whether their skills were a match for the job.

**Figure 3.3 Employment rate for university and VTI graduates, by gender**



Source: Labour Research Institute, Employment Survey of Graduates, 2013

Graduates with a relatively higher employment rate and greater consistency between employment requirements and training obtained, tend to be from majors in road construction and construction material manufacturing – sectors that have been rapidly expanding in recent years.

Many graduates in the survey felt that a lack of work experience and on-the-job training held them back. Some 36.7 per cent of all respondents said they had secured some form of employment during their studies, with 55 per cent working for pocket money, 15 per cent working for their tuition, and only 15 per cent working to accumulate necessary practice and experience.

### 3.4 Case study: Livelihood aspirations of young people aged 15–17 years old

A study on the aspirations of young people aged 15–17 years old with particular focus on disadvantaged young people was carried out in July 2015 by the National Association for Career Counselling with the purpose of understanding career counselling and guidance needs of young people in this age group, as well as their priorities, preferences, and career aspirations. The study surveyed 204

children (out of which 52 per cent boys, 48 per cent girls) who are in school and out-of-school in Ulaanbaatar (6 districts) and two provinces, Hovsgol and Selenge aimags. The age structure was as follows: 78 children were aged 15, 65 children were aged 16, and 61 children were aged 17 years old.

When asked about the plans in the near future, 46.1 per cent of the respondents said they would enrol in universities and institutes, and 20.6 per cent said they planned to study and work abroad. When asked if they had chosen their future profession, 83.3 per cent answered positively with high rates in favour of public sector employment.

The respondents were asked about the sources of career counselling and guidance advice and services. The findings, as indicated in Table 3.3, show that the primary source of acquiring career related information is through the Internet and education and cultural institutions, followed by teachers. The study also indicated that out-of-school children and young job seekers rarely refer to public employment agencies for career guidance.

**Table 3.3. Participant responses on sources of career counselling and guidance**

No	From where do you get career counselling, guidance and services?	Urban	Rural
1	Education and cultural institutions	24	14
2	Introduction materials (leaflet, etc.) circulated by universities and institutes	5	4
3	Media	11	6
4	Internet	24	15
5	Book, newspaper, magazines	3	10
6	Education expo campaigns	1	1
7	Public employment agencies/services	3	2
8	Teachers	17	8
9	Others	34	22

Source: National Association for Career Counselling

In addition to this, the research provided insight into the approach and process undertaken by young people in selecting their professions and the major factors that influence their decision. The findings lead to the conclusion that young people of this age group have limited knowledge and understanding about various types of jobs and professions. As a result young people in select the most common jobs, primarily in the public sector, such as lawyer, teacher etc. The research also showed that in some cases, children base their choices on gender-biased perceptions about certain types of jobs (*I choose to become a hairdresser because it is a girl's job*). Almost none of the surveyed respondents referred to entrepreneurship as a viable employment option.

The research as a whole indicates the need and importance of determining individual characteristics, talent and ability of children at early stages, e.g. in junior

secondary level, and providing sufficient and proper information on career options so that they can make well-informed choices for their future career. The research led to the formulation of policy recommendations on further developing career guidance services for young people.

### **3.5 The Institute for Labour Studies (ILS) of the Ministry of Labour and the Rand Corporation Mongolian Youth Survey 2014**

In 2014, the Rand Corporation with the ILS undertook a survey of Mongolian youth, using the Mongolian definition of youth as persons aged 15 to 34 years. Among the findings of the report were that the NEET rate is relatively high in Mongolia. According to their analysis, up to one fifth of youth aged between 15 and 29 years were in this category in 2013. Significant gender differences were also found. The NEET rate for females was 25.9 per cent versus 16.0 per cent for males in 2013. Youth in the NEET category represent a particular challenge for policy makers since they are not building their own human capital and are often also experiencing the erosion of existing skills, which can only harm their future employment prospects further.

The survey found that NEET youth are particularly prevalent in urban areas and *aimag* centres. Among the reasons cited for their detachment from the labour market in the survey are, insufficient education, lack of information about the availability of work and problems at home.

The ILS-RAND Mongolian Youth Survey also undertook a demand-side survey of employers. While there were many positive developments such as improvement in the education and jobs mismatch at the same time many employers suggested that a lack of soft skills such as teamwork and communication, problem solving and critical thinking, which are necessary for workplace success, are still lacking amongst young people. They also noted a wide gap between educational context and practical skills (ILS-RAND 2015).

The five case studies detailed above, surveying the perceptions and experiences of young people transiting to the labour market, confirm much of the data provided in Chapter 2. Despite increased access to education, youth transitions are still far from smooth. The issues of relevance and quality of education, inequalities in access to education among certain groups, and poorly functioning labour market information systems continue to hamper young Mongolians in their search for decent and productive work.

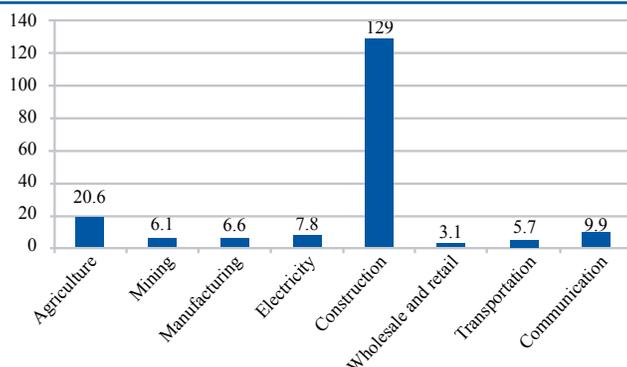
# 4 POLICIES AND INSTITUTIONS FOR YOUTH EMPLOYMENT

## 4.1 Macroeconomic and sectoral policies

In the current period, the poor performance of the mining sector, which accounts for a large part of the slowdown in growth, is compensated by stronger performance in other sectors. With active support from fiscal and monetary policy, the construction sector has boomed, as Figure 4.1 below shows. Despite the low share of gross domestic product (2 per cent), construction growth accounted for over 10 per cent of GDP growth (11.3 per cent) (World Bank, 2013b). Given its multiplier effect, the impact of construction growth is likely to be larger, in particular as increased construction activity tends to spread to related sectors, including transportation and manufacturing. Agriculture, too, has performed well as a result of policy support, in addition to favourable weather conditions. It has grown over 20 per cent for six consecutive quarters after contracting in 2010–2011, and accounts for almost 16 per cent of GDP, contributing a quarter of total growth.

Manufacturing and the wholesale/retail sector grew 6.6 per cent and 3.1 per cent respectively in the first half of 2013. Manufacturing accounted for 5 per cent, and the wholesale/retail sector for 11 per cent of gross domestic production in the same period.

**Figure 4.1 Growth rates of key sectors (2<sup>nd</sup> half in 2013, YOY percentage)**



Source: World Bank Quarterly Update 2013

Despite that healthy performance, the sectoral composition of Mongolia's growth has inherent weaknesses. Manufacturing is characterized by the limited and undiversified capacity of domestic industry, with food and beverage production accounting for half of all manufacturing. There is little in the way of high-end value-added manufacturing which, without concerted investment and policy attention from industrial policies, is unlikely to be generated. Agriculture is also vulnerable, particularly to *dzuds*, which have resulted in severe contractions in the recent past. The Government was quick to offer policy support to affected farmers and herders, which accounts for a large part of its current healthy performance.

Mongolia's greatest vulnerability lies in its dependence on the mining sector. Mining has contributed to a rapid increase in public revenues, and has provided much needed fiscal space. For example, in 2006 and 2007 public revenue increased by 64 per cent and 36 per cent respectively, resulting in an increase of more than 60 per cent in real terms in only two years (ILO, 2011). That allowed the Government to invest in physical infrastructure and human resources. Social welfare transfers were raised through the re-introduction of a universal child allowance, an increase in minimum pensions, and the introduction of lump sum payments for newlyweds and newborns. The Mongolian Development Fund was established to ensure that revenues from a windfall tax on mining could be used according to the following formula: one third for capital (infrastructure) expenditures, one third for child and family allowances, and one-third saved. Monetary policy was expansionary.

The global financial crisis hit Mongolia hard but, fortunately, only briefly. It also illustrated the risk of relying on mining. As global demand contracted, the prices of copper and gold plummeted, and accordingly so did public revenues. By 2009 the collapse in global mineral prices had reduced fiscal revenues by 10 per cent of the GDP since 2007. The Mongolian Development Fund did not provide enough of a buffer to offset the crisis since it had been used largely for social welfare funding. Remaining fiscal resources were needed to prop the hard-hit financial sector and to bail out a major bank. As cuts in fiscal expenditures failed to keep pace with the abrupt fall in revenues, the fiscal surplus rapidly turned into a deficit. The Government requested a stand-by agreement with the International Monetary Fund (IMF) in 2009 as a result of the rapid deterioration of the fiscal situation. The impact of the crisis, however, did not last long as global copper prices again increased. By 2010, copper prices were back to almost pre-crisis levels, and foreign direct investment (FDI) rapidly increased with investments in the Oyu Tolgoi mine, the largest copper mine in the world (ILO, 2011).

A very rapid expansion of fiscal expenditures during the good years made fiscal policy highly pro-cyclical. This did not generate many productive job opportunities or investment in productive activities (or thickening of domestic value chains) during the good years. The pro-cyclical policies could not be reversed when the global crisis hit. It became clear that fiscal policies and the fiscal system needed to be redesigned to create buffers against price fluctuations and sudden drops in revenues. The crisis also highlighted the dangers of

excessive dependence on the export of only one or two commodities (ILO, 2011).

In the current period, global demand is again down, particularly demand from China, the chief trading partner of Mongolia, which has seen a continued slump in growth prospects in 2016.

The economy also faces significant challenges from the pressure of a growing balance of payments as FDI flow declines and mineral exports remain weak. A substantial imbalance in balance of payments stems from the weak minerals market, but also reflects the consequences of pro-cyclical economic management from the last two years. Mongolia may also face the downside of an uncertain global economic environment and further dampening of the minerals market (World Bank, 2014). Macroeconomic and financial vulnerabilities are growing due to continuous expansionary fiscal and monetary policies reflected in significant off-budget spending and rapid credit growth. The Government took a series of positive measures in the recent period, including the adoption of the new Investment Law, announced a fiscal consolidation plan and amendments to budget to tighten spending. However, further macroeconomic policy buffers may be needed in the light of uncertain prospects in the external environment and the balance of payments situation (World Bank, 2014).

#### **4.1.1 Linking macroeconomic policies with employment outcomes**

Poor youth employment outcomes are often attributed to supply side problems, such as skills mismatch, lack of experience and the employability characteristics of young people. What is often neglected is an analysis of demand-side problems and the role that macroeconomic and sectoral policies can play in generating effective demand for the skills of young people. However, it is clear that meeting the employment aspirations of young people requires a high rate of job creation. Economic growth is an important prerequisite for this, but, on its own, it cannot generate jobs without an explicit policy orientation towards employment. Economic policies must therefore include quality employment creation as a major goal. Within this it is also necessary to have specific measures for young people, particularly since youth employment is highly sensitive to business cycles. Countercyclical policies to stimulate demand during slowdowns become particularly important to further stimulate demand and avoid large-scale job losses among young people.

Various ILO policy documents have emphasized the importance of demand- side policies for good youth employment outcomes. For example, in the 2012 ILO Resolution on the Youth Employment Crisis: A Call for Action, the need to align monetary, fiscal, trade and social security policies to the goal of creating decent work was affirmed. It was emphasized that, in the face of the ongoing challenges facing youth, “full employment should be a key objective of macro-economic policies” and that “pro-employment macroeconomic policies that

support stronger aggregate demand and improve access to finance are essential”.

In the case of Mongolia, high economic growth has been unable to deliver on job creation. For example, employment increased by no more than 100,000 jobs during the high growth period. The employment elasticity of growth had fallen to a mere 0.26, less than 11 per cent between 2003 and 2008 despite a 65 per cent growth in GDP (Ronnas, 2011).<sup>15</sup> That was far less than what was needed to meet the employment needs of the additional 200,000 persons of working age population during the same period, or to reduce the backlog of those already unemployed or discouraged.

What is clear from the Mongolian context is that the policy mix surrounding growth is critical to ensuring job creation. While growth is essential, on its own it is not enough to translate into employment creation, particularly if employment is considered only a residual element of growth. Capital intensive growth, and growth that is reliant on extractive industries does not have strong employment content. An explicit orientation towards employment creation within macroeconomic and related policies is essential to ensure inclusive and job-rich growth.

#### **4.1.2 Adjustments in the macroeconomic indicators of Mongolia in the current period**

There is a risk that Mongolia will remain on a path of job-less growth. As the reliance on mining continues, this places upward pressure on the exchange rate as well as on domestic wage rate and inflation – all of which will undermine the already poor competitiveness of the tradable sectors of the economy and work against economic diversification and more broad-based economic development. These dangers are clearly recognizable in the national development strategy, which addresses the challenge of increasing competitiveness without falling victim to a “resource curse”, and sets the gradual transformation of Mongolia from a natural-resource-based economy to a human-resource-based economy as a long-term objective. The development strategy implies a need for sharp focus on productive employment. To be successful the national development strategy needs to be accompanied by macroeconomic policies that pull in the same direction. Foreign exchange and trade policies, as well as fiscal and monetary policies will need to be revisited to ensure that they individually and collectively serve the objective of increasing competitiveness and achieving more broad-based and job-rich economic development (ILO, 2011).

A series of measures was taken to address weaknesses in the fiscal system. A The Fiscal Stability Law was adopted in 2010, and the Fiscal Stabilization Fund was created to reduce vulnerabilities to fluctuations in revenues as a result of reliance on mining. The law imposed a limit on the growth of spending in a single

<sup>15</sup> Employment elasticity measures the percentage increase in employment resulting from a one per cent increase in GDP.

year and required feasibility studies for any political promises affecting fiscal spending. The Fiscal Stability Fund set a reserve limit of not lower than 5 per cent of GDP. The Human Development Fund was set up in 2009, replacing the previous Mongolian Development Fund, for the disbursement of mining revenues. Transfers from the fund take four forms: contributions to health and pensions, contributions to the purchase of housing, health and education grants and cash handouts.

Currently the government is facing a very serious fiscal constraint, which could lead to cuts in social spending. While “sensible” adjustments in the fiscal balance may be necessary, it may be counterproductive to cut investments in people’s well-being, though this should of course be subject to policy debate and tripartite discussion.

### 4.1.3 National development frameworks of Mongolia

#### 2030 Sustainable Development Vision

Mongolia became one of the first countries to develop and adopt a plan for sustainable development in the light of the adoption by the Member States of the United Nations of the 2030 Agenda for Sustainable Development. The Agenda contains 17 Sustainable Development Goals 2030 that build on the previous Millennium Development Goals. In February 2016 the Parliament approved the plan, which has 10 goals based on the principles of inclusive growth. The objectives include the elimination of poverty through a phased strategy, reduction of inequality, increase of access to primary and vocational education and the improvement of the business environment. The plan makes specific mention of the need to support the employment outcomes of young people, including reducing their unemployment rate, improving their access to vocational education, and providing support for entrepreneurial activities. The plan is comprehensive, but implementing it and developing broad-based dialogue around the Sustainable Development Goals and targets remain a challenge. Currently fiscal resources are limited due to the slow down in economic growth, which may hinder the initial period of implementation.

#### Employment promotion policies

##### *State policy on employment 2016*

The Government has been giving increasing policy attention to employment within its national development frameworks. Most recently in June 2016, the country adopted the State policy on employment, which is an important part of the Sustainable Development Goals. The Policy makes explicit the framework for achieving decent and productive work. It includes a wide range of measures such as improving opportunities for in-demand skills training, on the job training opportunities, improving public employment services and the legal

environment surrounding labour relations. It also recognized the importance of targeting vulnerable groups and disadvantaged regions with better skill training and entrepreneurship opportunities, and the directing of investments, credit and financial resources to remote regions. The policy also recognizes the importance of SMEs as engines of employment growth and proposes targeting incentives towards their development, particularly “green” investments. The two-phased plan begins in 2016 and will continue until 2025 with a range of targets to be met. The Policy is comprehensive; however, there are concerns that due to the current slow down in growth and the tight budgetary constraints, implementation may be affected.

### *Year of Employment 2011*

Prior to the adoption of the State policy on employment, Mongolia had already making efforts to emphasize the importance of employment. The year 2011 was declared the Year of Employment Promotion. A tripartite committee developed an action plan, which focused on enhancing the legal environment for sustainable generation of productive employment and decent work, and improving sectoral coordination to promote productive employment. It also implemented specific programmes for target groups such as youth, herders, informal workers and men and women over age 40 years (ILO, 2011). Though these projects were small in scale, they have been a step in the right direction in terms of targeting particularly vulnerable groups.

According to the Employment Promotion Law, adopted in 2004 and revised in 2011, employment shall be encouraged through, inter alia, preparation for work, organization of employment trainings, encouragement of herders and the self-employed, encouragement of cooperatives, encouragement of employers, public works programmes and employment programmes for persons with disabilities. Table 4.1 below details a number of projects within the framework of employment promotion.

**Table 4.1 Employment promotion programmes**

№	Programmes	Number of participants	Youth coverage	
			Number	%
1	Employment training programme	14 224	7 653	53.8
2	Measures to organize employment training	5 886	3 031	51.5
3	Programme to support self-employed citizens and entrepreneurship	1 858	1 083	58.3
4	Mongolia by Us programme	4 615	2 058	44.6
5	Programme to promote employment for persons with disabilities	178	68	38
6	SME promotion fund, Soum Development Fund	2 259	897	39.7
7	Programme for strengthening national professional workforce	1 281	619	48.3
8	Microloan	1 185	634	53.5

Source: Data from Labour Units of Orkhon, Zavkhan, Dornod, and Uvs Aimag (EPCRC)

In 2012 The Government of Mongolia Action Plan for 2012–2016 was adopted. It sets out the programme of work for a four-year period. One of the six primary objectives of the Action Plan is “that every Mongolian should have a job and an income”. Among the measures proposed in the Plan are tax system reform, programmes for new job creation, the promotion of infrastructure development and the establishment of platforms for dialogue for cooperation with the private sector.

More recently the Government has responded to the slowdown by implementing short-term projects to support employment. In January 2014 the National Council for Employment approved employment promotion programmes and projects, which will be financed from the Employment Promotion Fund.<sup>16</sup>

Programmes for the following were amended: employment training; the promotion of employment of persons aged 40 and over; to the promotion of employment for herders; the promotion of entrepreneurship; and the promotion of employment for persons with disabilities. The “Mongolia by Us” Programme was also amended, while a programme to promote youth employment, a project for student employment and part-time jobs, and the Consulting Services of Senior Professionals were newly approved. The framework of programmes and the types of service are presented in the Annex.

#### *“100- day Action Plan”2014*

In April 2014, a 100-day action plan aimed at reviving the economy was adopted. The 50-point agenda, which was approved by Parliament in May, promises to boost infrastructure, mining, manufacturing, and the development of small- and medium-sized businesses. Proposed actions include the establishment of free economic zones, improved debt management, and flexible provision of services such as credit and leasing. An economic council has been tasked to monitor the implementation of the agenda and provide recommendations to the Prime Minister on key reforms.

### **4.1.4 Youth employment projects**

While there is no explicit youth employment policy, there are a number of projects under taken that support young people in the labour market within other frameworks. Most recently in 2015 efforts to implement an updated employment promotion programme for youth and graduates from vocational education and training (VET) schools began. Unfortunately, it is still too early to assess progress on this.

<sup>16</sup> Government funds for employment promotion were integrated into a single Employment Promotion Fund.

The Programme on the Promotion of Youth Development 2007–2015 is a broad-based plan focusing on a range of areas. These include: (i) enhancing the participation of young people; (ii) adolescent and youth substance abuse and disease prevention; (iii) creating a safe and secure environment; and (iv) globalization and youth participation. It also includes a number of measures related to labour market policy, education and training, and enterprise development. It recognizes the importance of SMEs as an employment option for youth, and one of its aims is “[t]o encourage youth to run small and medium businesses and to consider collateral substitution”. This youth development policy is also in the planning stages for future action. A consultation meeting was held with a wide range of youth stakeholders in 2013 to identify priority areas for a youth policy in the post-2015 period.

A programme with a more explicit focus on employment is being undertaken by the Youth Labour Exchange with the assistance of the Ministry of Labour. Within the framework of the Government’s objective to ensure that every Mongolian has a job and an income, a series of small-scale projects are being set up “to ensure that every young Mongolian has a job and an income”. The aim of this programme is to facilitate the involvement of students and young people in *soums* and local construction and development, providing them with temporary jobs, and instilling in them a work ethic. The programme consists of three projects: “Part-time job”, “First job”, and “Youth of our *Soum*”.

These are short-term projects, however, and there are concerns about efficiency, sustainability and whether there is any relation to real demand. Long-term jobs are unlikely to be created as a result, but the projects are likely to be effective in providing quick impact gains in linking young people to the labour market.

A promising initiative is the development of youth development centres (YDCs) by the Government of Mongolia with the United Nations Population Fund (UNFPA), funded by the Swiss Agency for Development and Cooperation and the Government of Luxembourg. The project will cover 11 provinces, one *soum* and three districts of Ulaanbaatar. Some 13 YDCs have been created so far, giving young people in the area access to life skills training, job search support and career guidance.

### *Policies to support industrialization and infrastructural development*

The Government has also recognized the exposure of the country to external shocks through a series of laws to support strengthened industrialization in terms of infrastructural development, manufacturing, and research and development. These include: the State Policy on Public-Private Partnerships, the revised Law on Vocational Education and Training, the Law on Legal Status of Industrial and Technology Parks, the Mongolian Industrialization Programme 2009–2016, the State Policy on High-Tech Industry, Directions for Developing

Industry in Regions and a list of 26 priority projects during 2010-2016. The New Construction: Medium-Term Target Programme and the South Gobi Infrastructural Development Programme 2010–2015 were also adopted. A number of projects to invest in green production and research and development were also established. While many of these projects make reference to youth employment, they do not explicitly target youth; instead, there is the implicit understanding that youth will benefit in general along with the rest of the labour force.

After declines in FDI, the new Investment Law (mentioned above) came into effect at the end of 2013. It replaces the Law of Mongolia on Foreign Investment (1993) and the Law of Mongolia on the Regulation of Foreign Investment in Business Entities Operating in Sectors of Strategic Importance (2012). The Investment Law eases the regulatory approval requirements for foreign private investment and streamlines the registration process for foreign direct investment. Further, it sets out certain legal guarantees and tax and non-tax incentives so as to promote investment activities in Mongolia.

Under the Investment Law, “investment” is defined as “tangible or intangible assets invested in share capital of a legal entity carrying out profit-making activities in Mongolia as reflected in the financial statements”. A foreign-invested entity is defined as a business entity (i) which is incorporated in accordance with the laws of Mongolia; (ii) in which (a) foreign investor(s) hold(s) 25 per cent or more interest; and (iii) the capital contributions made by each foreign investor (shareholder) exceeds US \$ 100,000 or the MNT equivalent of the same (World Bank, 2014).

These policy measures are an indication that the Government is actively seeking to shift the focus towards employment generation rather than capital intensive growth. Many of the projects detailed in the latter part of the section are short-term ones intended to salvage the economy during the current slowdown. Long-term economic planning will, however, be needed to diversify the economy and ensure the sustainability of growth. The industrialization policies are an important step forward in facilitating this shift, and their implementation will require adequate resource allocation and would also benefit from linking with a human resource development policy

#### **4.1.5 Entrepreneurship and private sector development**

SMEs and other private sector entities play a major role in economies as key generators of jobs and income, and they are often drivers of innovation and growth. SME development offers the most viable option for private-sector-led growth that reduces poverty and creates a large number of jobs across Mongolia, including in rural areas. SMEs are therefore a crucial and growing segment of the Mongolian economy. According to data provided by the Ministry of Labour in 2013, of the just over 90,000 businesses registered in Mongolia, more than two

thirds are classified as SMEs. Small companies generate around 20 per cent of the national GDP and provide employment to almost 750,000 people, representing 70 per cent of the national workforce. They are also vital to ensure diversification of the Mongolian economy, as well as a means to enhance its competitiveness.

Entrepreneurial culture is relatively new to Mongolia, given that it was a centrally planned economy only two decades ago. Not surprisingly, therefore, many young people are wary of starting a business, though there has been a proliferation of NGOs mentoring young entrepreneurs in recent years. Promoting an entrepreneurial culture is primarily about making people aware of the potential of business as an alternative to traditional employment in Government and the private sector. There is much potential to stimulate innovative and entrepreneurial mindsets among young people through the introduction of entrepreneurial competence as a key subject in school curricula, particularly in general secondary education. Entrepreneurship courses could also be more deeply incorporated into higher education, vocational and technical institutes, while technology and business incubators and science parks could be established in universities.

Entrepreneurs face many challenges in Mongolia, though the Government is increasingly recognizing the importance of enterprise development and is creating an enabling environment for businesses to thrive. The ranking of Mongolia in the “Starting a Business” indicator in the World Bank’s Doing Business report has shown some improvement over the last few years. In 2014 the country was ranked at 42 (out of 189 countries), an improvement on its 2009 ranking of 78 where it took an average of 13 days to complete the paperwork to start a business. Its overall “Doing Business” ranking, has shown improvement – moving from fifty-ninth place to fifty-sixth place in 2016.<sup>17</sup>

The Government continues to show commitment to encouraging enterprise growth. For example, in 2014 it announced new measures aimed at lowering the tax burden for SMEs. And, in mid-January, the Government announced it would submit a plan to Parliament to amend tax regulations regarding the payment of value-added tax (VAT) by SMEs. Under the proposal, companies with revenues of less than \$29,000 would be exempt from VAT. At present, the exemption ceiling for VAT payments is set at \$5,800, a level put in place when the existing tax law was enacted 15 years ago. According to estimates, around half of Mongolia’s SMEs will be excused from submitting VAT returns once the amendment takes effect.

The draft legislation also contains an amendment that would establish a 90 per cent rebate on income taxes for businesses with revenues of less than \$875,000, another measure that would help SMEs. This amendment, unlike that on VAT, excludes companies operating in certain sectors, including minerals, petroleum product imports, oil exports and communications, as well as the production and distribution of alcoholic beverages and cigarettes (Ulaan Baatar Post, 2014).

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<sup>17</sup> World Bank Group, Doing Business database. Available at: <http://www.doingbusiness.org/rankings>.

As is the case in many emerging markets, one of the barriers to growth in Mongolia for smaller businesses, including micro-enterprises, is access to credit. International agencies and the Government have already taken some steps to address this issue, and SME funding to Mongolia has increased in the past several years. The World Bank, the German Development Bank and the Japan International Cooperation Agency have established a series of pass-through loan programmes that have provided long-term, low-interest funds to banks, which in turn can make loans to SMEs. The European Union has supported the Government in its aim to diversify its economy and to foster employment. The support includes a European Union funded bilateral project on Support to Small and Medium-sized Enterprises Development 2011-2016); and a project on Economic Governance for Equitable Growth 2014-2018). The Government has also set up an SME fund that provides loans to banks at below-market rates, which can then be used to extend credit to local businesses.

An ILO study of the environment for sustainable enterprises in Mongolia (Buckley et. al, 2011) suggested that a strong coordinated national approach will be required to expand the SME segment of the economy in areas such as business regulation, fiscal, trade rules, labour, incentives and skills development. The report recognized the important role that the State can play as a facilitator of SME growth through constant dialogue with the private sector and its representative organizations. It also recognized that different incentives and supports are needed for different sized enterprises to grow.

Many micro-enterprises in Mongolia end up in the informal economy, where low productivity, low incomes and poor working conditions are prevalent, and where legal and social protections are not enforced. During economic downturns, such as the sharp contraction in 2008–2009, many people were pushed into informality as a temporary solution, which also put pressure on those already in the informal economy (ILO, 2011).

Mongolia however, stands as a country firmly committed to addressing informality. It was the first country to develop a National Plan on the Informal Economy through tripartite negotiation, which has subsequently been hailed as international good practice. The resulting 2006 State policy on the informal economy was very comprehensive. The policy supports transitions to the formal economy through a combination of incentives and regulatory measures in areas such as the macroeconomic environment, sectoral policies, financial services, and business support. The policy was to be implemented in three phases; however, implementation has been delayed and stalled for various periods. The first phase saw a number of activities implemented in the areas of upgrading informal enterprises and exercising decent work concepts, but the situation could have been further improved if the Government had put in all the effort necessary to implement its strategy and supervise the regulatory system (ILO, 2011).

While the Policy does target vulnerable groups, including herding communities and female-headed households, it does not explicitly target youth, informal enterprises and young people in informal employment.

Mongolia continues to move forward on addressing informality. In 2015 the Mongolian Employers' Federation, along with the EPCRC and the ILO, conducted a survey on formalizing enterprises in Mongolia. The results showed that informality is on the increase, which is a problem for SMEs. Some recommendations from the research that should feed into policy development are include: simplifying the tax system and improving access to finance for SMEs; opening opportunities for training for SMEs and improving access to markets; improving the regulatory environment; and ensuring as coordination and policy coherence between State agencies related to informality.<sup>18</sup>

## 4.2 Education and training policy

Despite the constraints of a geographically dispersed population, a harsh climate, a mobile population and the economic and social dislocations resulting from the transition from a centrally planned economy, Mongolia has been remarkably successful in achieving almost universal literacy and access to basic education.

Recognizing the key role that education plays in development, and the need to align it with international standards, successive Mongolian Governments have introduced numerous changes in the structure in the last decade. Mongolian children start at age 6 six and now receive at least 12 years of schooling.

Over the last two decades since the transition, Mongolia has built up a substantial body of laws and regulations to support education. It has also increased resource allocation to overcome shortcomings in the system. Spending on education accounted for around 4.3 per cent of the GDP in 2015 (UNDP 2016).

While expenditures towards education have increased, a large proportion is absorbed through teachers' salaries and running costs. Teachers' salaries account for 60–70 per cent of school budgets, and heating accounts for 15–18 per cent. These two items consume the most in terms of school expenditures, leaving very little left over for teaching materials, equipment and infrastructure (ADB, 2008).

In spite of expanded access to schooling, there has been less focus on quality. The World Economic Forum has captured the poor quality of Mongolian education, ranking it at 76 out of 122 countries on the education pillar of its Global Human Capital Index in 2013.

While Mongolia has a number of positive indicators in the education arena, such as a high adult literacy rate of around 98 per cent, there are persistent problems

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<sup>17</sup> For more details of the research see: [http://www.ilo.org/public/english/dialogue/actemp/downloads/publications/formalizing\\_enterprises\\_mongolia.pdf](http://www.ilo.org/public/english/dialogue/actemp/downloads/publications/formalizing_enterprises_mongolia.pdf)

with the quality of education. Numerous regulations have been put in place to try to address these issues including in the areas of access and coverage in remote locations, quality and relevance and gender disparities, but with limited success.

The 2002 Law of Mongolia on Education provides the regulatory framework for the organization of the sector, including content, administration, rights and responsibilities covering pre-school, primary, secondary, vocational and higher education, as well as informal education. Supporting this law is the Mongolian Education Sector Master Plan (2006–2015), which focuses on the issues of access, coverage, quality and content. The Master Plan places high priority on the expansion of the school system from an 11-year to a 12-year system to conform to common standards of general secondary education throughout the world. While these have been positive changes at one level, the development and review of content, standards, curricula, and textbooks have not kept pace with these reforms. Additionally, the supply of instructional materials, equipment, technology and the retraining of teachers have also been weak.

The 2008 Law on Preschool Education provides free universal preschool and resulted in a completion rate of 98.4 per cent, exceeding the target of 87 per cent (Ronnas, 2011). It also provided for alternative preschool services and a National Framework on Education for Kazakh children was adopted, which recognized the need for bilingual education for ethnic minorities.

The National Priorities for Economic and Social Development 2012–2016, identified human development as one of its priorities. The country's goal is to encourage more investments in human resources so that they are able to move to a high- technology- based economy. This plan recognizes that Mongolia needs a well-educated and highly skilled workforce, and that the country has to link this to innovation and technological development. Under the objective, entitled “An Educated and Knowledgeable Mongolian”, there are plans to reform the structure and organization of universities, introduce new educational standards and improve the quality of education, as well as to establish links between VTIs and employers. Among the long-term goals are the reduction of the number of low-quality universities, and the provision of support to universities that nurture high-tech companies through research and technology incubators.

Other measures to improve the international competitiveness of Mongolian youth in terms of education include:

- Training 1,000 engineers in Japan with the support of the Government of Japan;
- Sending students abroad with scholarships via bilateral government agreements;
- Establishing a joint Mongolia-Germany engineering school in Mongolia;
- Under the auspices of the President of Mongolia, providing scholarships to students who were accepted to the world's top 100 universities; and
- A national scholarship programme.

The curricula and revision of textbooks has not kept pace with the changes in the educational structures undertaken in 2004 and 2008. Within the overall low achievements there are urban-rural disparities. Rural schools lack access to technology, learning resources for teachers, and well-qualified staff. As a result, the overall performance of rural secondary schools is significantly lower than their urban counterparts.

Donor attention has been directed to addressing some of the flaws in the education system. The World Bank, Asian Development Bank, donor governments and the European Union have all developed a range of projects to support educational reform. Among them are a large European Union project to improve the employability of rural youth through training on SMEs (Rolle, 2014); and an Asian Development Bank Skills for Employment project (2015). The aim of the latter is, among other things, to introduce a career guidance curricula in junior secondary schools and to develop a credit transfer system between senior secondary education, tertiary education, and technical and vocational education and training (TVET) institutions within a national qualifications framework. Major development partners and the private sector actors that have supported the TVET sector include the *Deutsche Gesellschaft für Internationale Zusammenarbeit*, the Korean International Cooperation Agency, the Millennium Challenge Account-Mongolia, Oyu Tolgoi LLC, Singapore Polytechnic, and the Swiss Agency for Development and Cooperation.

Nonetheless a range of issues remain unresolved. For example, gender inequalities exist in favour of females in higher education. There are almost two females for every male (ILO, 2011). Appropriate measures need to be put in place to prevent large numbers of young males from dropping out of education and entering the labour force early. Very large disparities also exist in between urban and rural areas, both in terms of quality and in terms of access.

Yet another issue is that of graduate unemployment. In one study, 5,000 students graduated from teacher training in 2010–2011, but only 1,171 (24.3 per cent) were able to find a teaching job (UNICEF, 2011). In 2012, only 55.6 per cent of TVET graduates found employment; 28.6 per cent of the TVET graduates remained unemployed; and 15.8 per cent of graduates went to study at higher education institutions (ADB 2014).

One newspaper reported that around 40 per cent of graduates become unemployed (Ulaan Baatar Post, 2013). Though it is difficult to verify the aforementioned figures with available data, it does suggest that that quality of the degrees may be low and that there may be over-supply in some sectors and under-supply in others. This is further supported by shortages in skilled workers and technicians, positions which are often filled by foreign workers from China and South Korea, suggesting that young Mongolians may be finding it hard to compete with workers with foreign qualifications (Rolle, 2014). However, this likely represents only one part of the picture regarding the problem of graduate

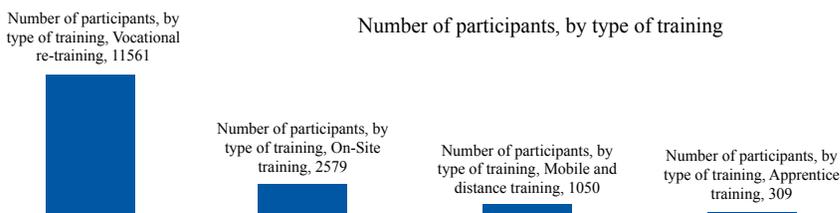
unemployment. Evidence from other countries shows that unemployment among the highly educated cannot only be attributed to such supply-side problems as low-quality education and mismatched skills; it can also be attributed to poorly functioning labour market information systems. Moreover, demand side problems are often overlooked. The lack of sufficient structural transformation in the economy, away from agriculture often means there is weak demand for the highly educated.

The main problem facing the education system is the disjuncture between the educational supply and market labour demand. Despite the many policy measures in development, implementation is unable to keep pace with the rapidly changing requirements of the economy. This is further exacerbated by the lack of public-private partnerships that would encourage demand-driven content and teaching.

### 4.2.1 Technical/ vocational education and training (TVET) and lifelong learning

TVET in Mongolia is governed by the 2001 Employment Promotion Law and the 2009 Technical Vocational Education and Training Law. Vocational training can be found under the auspices of both the Ministry of Labour and the Ministry of Education and Science, though the main responsibility lies with the Department of Vocational Education and Training Policy within the Ministry of Labour. Currently, various types of training are coordinated within this Department: on-site training in cooperation with employers, vocational training and re-training, distance learning to reach remote areas, and apprenticeships. Figure 4.2 below indicates the scale of training offered.

**Figure 4.2 Number of participants, by type of training**



Source: Centre for Employment Service, State of Labour Market, 2013

Like other forms of higher education discussed in section 4.2 above, vocational training is also struggling to overcome supply- side bias in order to be able to produce the skilled workers demanded by various sectors of the economy as well as support economic diversification. The problems are hampered in no small

measure by the limited labour market information systems that make it difficult to accurately forecast labour demand.

While there is a strong recognition that vocational training needs to be more demand driven, a number of problems persist. In one study of TVET in Mongolia, it was revealed that (i) the system does not provide an adequate supply of qualifications necessary to the labour market; (ii) TVET has low status; (iii) institutionalized guidance for school leavers is absent; (iv) the relevance of the formal education sector to the labour market is low; and (v) there is a prevailing shortage of advanced training institutions for post-TVET system occupations (ILO, 2016). A further issue is that vocational education needs to target vulnerable groups of the population, including rural young people, to provide them with economic alternatives and broader livelihood options.

The Government has been taking concrete steps to promote demand-driven TVET. Important legal and institutional changes have been implemented since 2007. The Law on Vocational Education and Training was revised in February 2009, setting out important policy and institutional changes to the sector. The revised law aimed at making vocational training more responsive to labour market demand, revitalizing vocational training standards, curriculum, teachers training and technology and improving the private sector's role in skills development. Accordingly, the National Vocational Education and Training Council (with a bipartite structure) was established in 2009 with representatives from the private sector, and industry and professional associations in TVET policy development. Four sector sub-councils have been established under the National Council to implement decisions of the Council in respective sectors. A competency-based curricula have been developed for certain occupations using standards set in collaboration with some employers. However, the National Council and the sector sub-councils have yet to become functional, and an introduction of community-based curricula is at an early stage of implementation.

The Vocational Education and Training Agency (VETA) that was established with the support of the Millennium Challenge Account has developed skills programmes for 50 occupations primarily required for the implementation of large mining and industrial projects of the government. VETA has now moved to a new department called the Vocational Education and Training Policy within the Ministry of Labour.

The Millennium Challenge Corporation's TVET project (2008–2013) has supported VET reform in Mongolia in such areas as the creation of skills standards, development of a competency-based training system, development of career guidance and labour market information systems, and improvement of the learning environment of 15 vocational training centres.

There have also been attempts to anticipate the skill needs for certain sectors, such as mining. With the opening of the Oyu Tolgoi mine project, focused

vocational training programmes started in 2010. The training of 3,300 mine workers for three years in 16 vocational training centres was implemented by the joint decree of the Ministry of Education, Culture and Science and the Ministry of Social Welfare and Labour. Similar training has been developed for the Tavan Tolgoi coking coal project and the Sainshand industrial project, though there has been criticism of the slow progress in planning these large scale projects (ILO, 2011).

The Ministry of Labour is starting to implement the Skills for Employment Project. The project aims to improve the employability of graduates from TVET programmes and courses in three priority sectors: agriculture, construction and road and transportation. The Project will introduce several innovations to the TVET system, including (i) support for sector sub-councils, industry and professional associations, and employers to set standards for TVET programs and courses; (ii) creation of an independent competence assessment and certification system; (iii) strengthening of workplace training for TVET students and teachers; (iv) introduction of career guidance in junior secondary schools prior to tracking; and (v) development of a credit transfer system between senior secondary education, tertiary education, and TVET within a national qualifications framework (ADB 2015).

The Government has also put in place measures to improve the status of TVET through increased budgetary allocations in addition to a monthly stipend for students in the sector. However, this has been unable to address the problem of employment after graduation. In spite of high enrolments, on average only about half of TVET graduates are able to find a job.

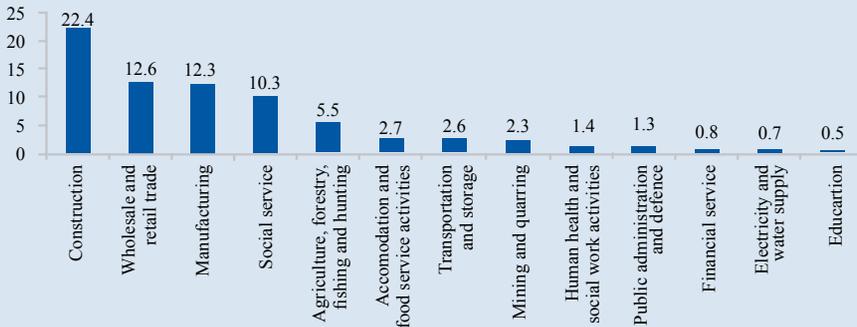
#### **Box 1: Labour market demand in Mongolia – a snapshot**

There are clear indications that skills development has been supply driven in Mongolia. What is crucial to assess, therefore, are the types of occupations and skills required by the labour market.

The Labour Research Institute conducted a Barometer Survey in 2013 with this objective. The results indicated that approximately 75,400 permanent and temporary jobs would be created between April 2013 and April 2014, of which 22,400 (29.7 per cent) would be in construction, and 12,600 (16.7 per cent) in wholesale and retail.

## Box 1: Labour market demand in Mongolia – a snapshot (continued)

**Figure 4.3 Workforce demand from April 2013 to April 2014 (in thousands) according to Barometer Survey**



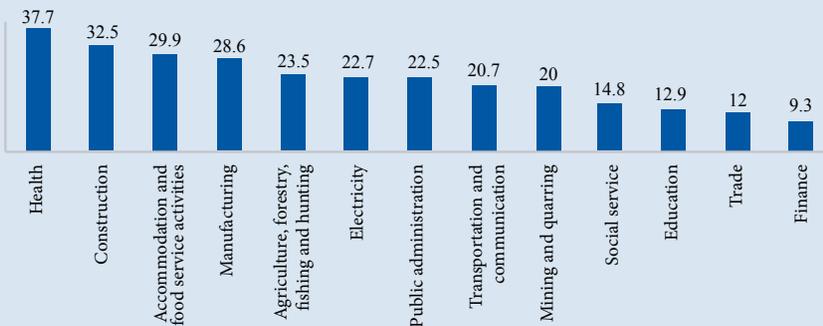
Source: Labour Research Institute, Barometer Survey, 2013

About 80 per cent of these jobs (60,400) were projected to be created in the first six months, while the remaining 20 per cent were projected to be created in the last six months. High demand in the first six months is directly related to the demand in seasonal businesses.

Compared with the results of the previous year's study, labour demand in construction increased by 55.1 per cent and in the agricultural sector by 40.7 per cent. Of total labour demand, 36.7 per cent or 27,600 were for newly created jobs, while the remaining 63.3 per cent or 47,700 jobs were for old or vacant positions. About 82.9 per cent of this demand or 62,500 jobs were located in Ulaanbaatar.

Due to the high demand for workers, many of the employers expressed that they were not able to recruit sufficient number of staff. See Figure 4.4 below.

**Figure 4.4 Labour deficiency in sectors (in %)**



Source: Labour Research Institute, Barometer Survey, 2013

The sector with the greatest labour deficiency was health (37.7 per cent). In order to address the deficiency of health-care professionals in rural areas, incentive mechanisms for medical schools graduates were implemented, such as the provision of accommodation and a certain number of heads of livestock to engage in regional work. As a result of such activities, about 50 per cent of the 1,200 doctors contracted in rural areas extended their practice in 2012. Other sectors with high labour deficiency included construction companies (32.5 per cent of total), hotels and restaurants (29.9 per cent) and processing factories (28.6 per cent), which were not able to recruit necessary candidates.

### Box 1: Labour market demand in Mongolia – a snapshot (continued)

The Ministry of Construction and Urban Development, along with the Association of Mongolian Construction Workers, identified occupations that were likely to be in high demand for the sector in 2013–2015. The list includes 130 positions requiring higher education such as architectural and construction graphics and drawing, as well as another 382 positions in construction assembly, repair, and construction material manufacturing, making a total of 512 positions requiring higher education.<sup>19</sup>

While it is not possible to assess how accurate these estimates were because of lack of data, what it does show is the importance of conducting labour market forecasting, which can then feed into training and education systems to anticipate future labour market demand.

<sup>19</sup> [www.medee.mn/main.php?eid=49460](http://www.medee.mn/main.php?eid=49460). 7 March 2014. O. Enkh.

## 4.3 Labour market policies and institutions

### 4.3.1 Wage policy

Wage policies are an important means of redistributing social wealth, remedying discriminatory or unfair practices against young people, and improving the purchasing power of young workers. The wages of different cohorts can send important signals, and play a role in the decisions young people make with regard to staying in education longer, fields of study, whether to continue the search for a job, or remain unemployed, and so forth.

Social dialogue needs to be at the heart of the process of wage policy formulation to ensure coherence, consistency and as a way to reduce and channel industrial tensions. Despite concerns about trade-offs, well-crafted wage policies can offer both adequate protection for young people while also improving their employment prospects.

In 2011 the ILO supported the Ministry of Social Welfare and Labour and the NSO to conduct a review of wages in Mongolia, in order to provide reliable and accurate information as the basis of dialogue on wage policies for the Tripartite Council on Labour and Social Consensus.

The report provided a number of insights into the structure of wages in Mongolia. Among the findings were that monthly wages paid to employees of private entities and public organizations are around MNT 263,700 in average. This is comprised of the basic monthly wage of MNT 230,500 (87.4 per cent), MNT 27,000 in additional pay (10.2 per cent) and MNT 6,200 in allowances (2.4 per cent). Among the surveyed employees, the largest share (24.2 per cent) receive the basic monthly wage of MNT 200,000–250,000, while the second largest share (10,184 employees or 22.1 per cent) are paid a regular monthly wage of MNT 150,100–200,000. Employees whose monthly salaries are over MNT 400,000 account for only 5.5 per cent of those surveyed.

Employees from sectors such as services, manufacturing, transportation and warehouse rentals, wholesale and retail, car and motorcycle maintenance, arts and entertainment receive relatively lower salaries, while financial sector employees receive higher salaries. Around 28–35 per cent of employees engaged in agriculture and all kinds of services tend to receive the minimum wage or less. In sectors such as manufacturing, agriculture, mining, construction, apartment utilities, catering, water and sanitation, a larger share of employees are paid lower salaries than the national average. Most of the employees working in the education, public administration, finance and insurance sectors, however, received higher salaries than the national average. Wage growth is variable in such sectors as manufacturing, construction and education, among others.

The study also revealed wage structures by age. Regular monthly salaries of those aged 60–64 were the highest at 1.8 times higher than new entrants into the labour market. This is relatively unusual since it is usually the age 35–50 cohort that has the highest wages. The lowest paid workers were those aged 16–20 years, which is relatively normal since this group is often only recently out of school.

### *Gender wage gaps*

The Wage survey discussed above also revealed gender wage gaps. Men's regular monthly salaries are MNT 280,200 on average, that is, MNT 31,500 higher than women's (11.2 per cent). Examining the structures of regular monthly salaries, men's basic monthly salary is MNT 242,600, that is, MNT 23,200 higher than women's (or 9.6 per cent); additional pay is MNT 31,300, that is MNT 8,100 higher than women's (or 25.9 per cent); and allowances MNT 6,300 higher, that is, MNT 200 higher than women's (3.2 per cent). The share held by men is larger among those paid a higher than average wage compared to women, and most of the highest paid employees appear to be men (NSO, 2011).

This gender wage gap is particularly striking given that women in Mongolia often enter the labour market with higher educational attainment than men. What is not clear is the extent to which this is the result of the sectoral composition of growth or only gender discrimination. There is also evidence that the gender wage gap has grown rather than decreased over time. Mongolia has a history of small gender-based wage differences, but these have been on the rise. In the year 2000 the average wage for female workers was 92 per cent of that for men. By 2007 it had fallen to 86 per cent, and by 2011 to 83 per cent (World Bank 2013a, ILO, 2011). According to UNDP, young women are also subject to pay disparities. Young men earn 1.4 times the wages of young women (UNDP 2016).

To a certain extent this may reflect an overrepresentation of women in low-wage sectors, such as trade; however, within individual sectors there has also been a distinct increase in the wage gap. The wage differential may also reflect breaks in women's employment history or reduced career aspirations due to the uneven distribution of family responsibilities, which are reinforced by current regulations.

Under Mongolian law, (Labour Code, 1999), for example, parental leave with benefits is available to mothers and to single fathers, but not to married fathers. The issue of equal pay for work of equal value clearly needs to be addressed as part of the overall agenda of achieving decent work for young people.

### *Minimum wages*

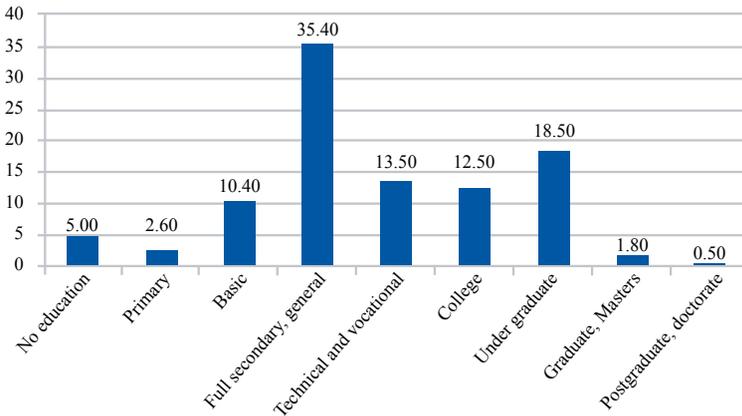
The Minimum Wage Law was revised in 2011 and includes, inter alia, the following changes: whereas the previous minimum wage levels were set by the Government based on proposals submitted to national bodies that represent and protect the rights of employers and employees, wage levels are now determined by the National Tripartite Council on Labour and Social Bargaining. The scope of minimum wages has been expanded to include employees working under labour and civil contracts.

Current regulations allow sector-based bodies that represent employers and employees to determine sector-specific minimum wages through negotiations and sector-based and/or inter-sectoral bargaining agreements. These can be higher than the minimum wages determined by the National Tripartite Agreement.

These amendments to the Minimum Wage Law redress many of the gaps in the previous law and bring the legislation into compliance with the relevant ILO standards on minimum wage. Mongolia's experience in setting minimum wages has been largely positive, with little of the industrial conflict seen in other countries, thanks to the effective function of the National Tripartite Council on Labour and Social Consensus. In April 2011, the tripartite partners reached consensus on raising the national minimum wage by 30 per cent to a rate of MNT 192,000. This was the first time that Mongolia adjusted the national minimum wage in a tripartite manner. The adjustment was based on solid evidence provided by a 2010 wage structure survey, designed and implemented with ILO technical assistance. In June 2011, the tripartite partners began negotiations on sectoral minimum wages in a number of sectors, including mining.

Around 8.4 per cent of the workforce (200,000 people) receive the minimum wage in Mongolia. In the Ministry of Social Welfare and Labour/ NSO Wage Structure survey discussed above, there was strong evidence of returns on education with regard to wage levels. Around 35 per cent of those receiving minimum wage had general education compared to around 2.3 per cent who had graduate degrees. See Figure 4.5 below. When considering the cumulative distribution by percentage, more than half (53 per cent) did not have vocational education or skills training.

**Figure 4.5 Employees paid minimum wage by educational background**



Source: draft Policy Review of Wage Structures, 2011, Ministry of Social Welfare and Labour

### 4.3.2 Employment protection legislation

Regulations concerning hiring and firing of workers play an important role in ensuring fair treatment of all workers. Young workers in particular can benefit from such protection since there is evidence from many countries that youth employment is highly sensitive to business cycles. In periods of economic slowdown and crisis, young people are often the first to lose their employment. It is important therefore that youth employment policies encourage the transition from temporary jobs to stable jobs for young people.

Designing and enforcing employment protection legislation involves trade-offs between the degree of protection of workers, and the incentives for firms to hire, particularly young inexperienced workers and other new labour market entrants. In particular, strict and uncertain procedures concerning the firing of permanent workers along with high severance payments tend to make employers reluctant to hire young workers on open-ended contracts (ILO, 2012).

Nonetheless, establishing special arrangements, such as temporary and casual contracts and lower rates of pay for young workers, may also have negative impacts. Country experience has shown that incentivizing the hiring of young workers at the expense of their rights and social benefits, including pensions, health and unemployment insurance, results in increased vulnerability and insecurity in the long term. An ILO review of these consequences has highlighted that low levels of protection and assistance by the State may impact the future development of young workers and their confidence in public institutions (ILO, 2011). Both the 2005 and 2012 ILO resolutions on youth employment stated that tackling youth unemployment should not disregard or weaken the protection to which young workers are entitled. Young workers have the same rights as adult workers.

Employment protection is enshrined in the 1992 Constitution of Mongolia, which gives citizens the rights to choose their profession and job, to be provided with decent working conditions, to be paid for their labour, and to have holidays. Citizens also have the right to receive benefits when retired, when they lose the ability to work, and in other circumstances stated in the law, and can take maternity leave. Such rights are further elaborated in the 1999 Labour Law (and its subsequent revisions), including the requirement that an employer pay an allowance to a worker dismissed at the employer's initiative.

There is still ample room for improvements in the existing law with regard to finding the balance between adequate protection and onerous requirements. In 2010, the Ministry of Social Welfare and Labour started a consultation process with the Mongolian Employers' Federation and the Confederation of Mongolian Trade Unions to revise the Labour Law and bring it further into line with ratified ILO conventions.

The Labour Law originally aimed to regulate labour relations in “permanent workplaces”, that is, workplaces in the public sector and formal manufacturing units. Modernizing the Labour Law will entail reconciling a very wide range of interests and perceptions, from big mining companies who feel the Labour Law is overly rigorous, to SMEs who employ more than 80 per cent of the working population and feel the Law is not tailored to their needs, and also to working women and men who feel the Law does not provide sufficient remedies for the violations to which they frequently fall victim. To fulfil its role as a minimum labour standards law in an ever diversifying economy, the Labour Law will need to resolve complex issues that can affect young workers in vulnerable situations by (ILO, 2011):

- Identifying clear criteria for the existence of an employment relationship, particularly where such relationships may be blurred;
- Removing various restrictions on the employment of vulnerable groups that sometimes provide protection beyond what is needed and, as a result, constitute barriers to employment (e.g., underground work for women);
- Providing an accessible, speedy and predictable mechanism for the settlement of individual labour disputes;
- Distinguishing minimum labour standards (to be laid down in law) from negotiable labour standards (to be laid down in collective or individual labour contracts) and providing a more solid legal framework for the latter; and
- Clarifying standards on employment injury compensation.

### 4.3.3 Passive labour market policies

Passive labour market policies (that is, income support) are most effective at assisting young people who are out of employment when they are combined with active market policies. Good practices from around the world suggest that

conditionality (establishing criteria for eligibility), activation (measures to move people back into the labour market) and mutual obligation (recipients must engage in active job search and improve employability in exchange for receiving efficient employment services and benefits) can ensure that young people maintain their links with the labour market. This is particularly important for those young people at risk of marginalization (ILO, 2012).

The Unemployment Insurance Law of 1999 (amended in 2002) provides that an insured employee dismissed from his/her job must have their address registered with the employment service offices after the resolution of any work-related issues with the employer. A person has the right to receive unemployment benefits if he or she paid into the insurance for at least 24 months, including nine consecutive months before dismissal. The amount of the unemployment benefit depends on the duration of payments and is calculated as an average of the last three months' wages or equal revenue.

Unemployment benefits are paid for insured employees for 76 working days from the day following registration. In certain circumstances, unemployment benefits are paid to an insured employee for only 36 working days.

During the economic crisis period of 2008–2009, the conditions of the unemployment benefit were temporarily altered to alleviate the immediate impacts of the crisis. The pre-requisite for eligibility was reduced from nine months to six months of continuous payment prior to becoming unemployed; the duration of the payment was extended from 76 working days to 126 working days; and the re-entitlement to unemployment insurance and skills training for unemployed persons who had previously received the unemployment benefit was improved by reducing the contribution payment period from six to three months (ILO, 2011).

Mongolia has also disbursed funds to its citizens through cash transfer schemes. The 2010 revision to the Social Welfare Law reformed many of these to make them targeted and to consolidate a number of different benefits. The universal child allowance programme (monthly cash benefit to each child payable under the Mongolian Development Fund), along with the one-time grant to newly married couples were discontinued. Many of these measures were taken in accordance with the conditions of the IMF stand-by agreement or advice from other international donors, such as the World Bank, Asian Development Bank, and the Government of Japan (ILO, 2011).

#### **4.3.4 Active labour market policies (ALMPs)**

ALMPs can benefit the most disadvantaged youth by mitigating education and labour market failures while promoting efficiency, growth and social justice. In many countries, young people are the primary beneficiaries of ALMPs. ALMPs include a range of measures. Some are aimed at easing the transition to the labour

market, while others target particularly disadvantaged groups or seek to prevent detachment from the labour market and de-skilling. Measures include employment subsidies for employers to hire young workers, direct public employment creation schemes and self-employment, and training programmes to increase skills and employability.

ALMPs are likely to be most effective when they are well targeted; meet the specific requirements of the intended beneficiaries; are based on careful analysis of the local employment situations; are linked to demand for real jobs; and include measures to improve the competencies, skills and sustainable employment opportunities of beneficiaries (ILO, 2005).

The success encountered in reducing youth employment through these policies can set off a virtuous circle of rising demand through income generated in the process. Such policies also yield large economic and social benefits, including greater equity. Recent ILO research has shown the cost-effectiveness of such policies. Simulations show that increasing spending on ALMPs by 0.5 per cent of the GDP increases employment by between 0.2 to 1.2 per cent over the medium term, depending on country context (IILS, 2011).

The key to reaching maximum benefits from ALMPs is intelligent design and cost-effective implementation. Programmes need to avoid deadweight loss (the same result would have been realized without the programme); substitution effects (subsidized participants may have replaced non-participants); displacements (output of subsidized activities may displace that of non-subsidized activities); and creaming off (helping those who are already better off) (ILO, 2012b).

In Mongolia the Employment Promotion Law provides for three main activities to encourage employment:

1. Common employment services: advises on job and profession selection; provides information about the labour market, labour exchanges and, payments of unemployment benefits; registers unemployed persons seeking work; provides information on vacancies, and assists in résumé writing and interviews.
2. Training: job preparation, labour regulations and labour discipline training; helps unemployed persons improve their vocational skills.
3. Direct job creation for the unemployed, organization of public work.

The Ministry of Social Welfare and Labour has also developed a pilot programme for the long-term unemployed, including skills training. Career counselling has also been used to support the reintegration of the long-term unemployed into the labour market. With support from the ILO, the Municipal Employment Department developed a career counselling programme that targets both the long-term unemployed and new entrants to the labour market, particularly vulnerable youth.

The 25 business development centres and 11 business incubators provided business education and information to start-ups. The Employment Promotion Fund has also disbursed micro-loans for the self-employed and micro-enterprises, and supported public works for environmental protection and restoration. In 2012, \$11.5 million were disbursed in small loans to: 4,701 self-employed people, 2,584 herders, 198 cooperatives, 124 unemployed persons and 23 small-scale companies.

A pilot programme (discussed in the section on youth policies) was also started in 2009 to support the employment of students. By a joint decree of the Ministry of Social Welfare and Labour and the Ministry of Education, Culture and Science (and resourced by the Employment Promotion Fund), the programme, which was set up to facilitate a successful transition to work through the establishment of student employment offices at selected universities, is aimed at providing information and career counselling services, supporting the part-time employment of students through employer support and job placement measures, and promoting and supporting the entrepreneurship initiatives of students.

#### 4.3.5 Social dialogue on youth employment

Social dialogue platforms that focus on youth are essential for bringing stakeholders together and ensuring that youth concerns are firmly placed on the national agenda. The Mongolian Youth Federation is the “successor of the official mass youth organization in the socialist period and maintains its leading role on the national policy development for youth.” Nationally it has 120,000 members in 600 offices. The official Facebook page of the Federation states that it focuses on youth challenges in “education, health, employment and other issues”.

Mongolia also elaborated a National Programme on Adolescents and Youth Development (2006–2015), which aims to create a favourable environment for youth to increase their responsibility for both themselves and society, develop and protect their rights, and improve their participation in the socioeconomic and political sectors (see section on youth policies above). Results from this initiative are not yet available.

While these platforms provide an excellent opportunity for dialogue on a range of concerns for youth, less apparent is a focus on the employment concerns of young people, including those in vulnerable and informal employment, and those with difficult transitions into the labour market, such as unemployed, underemployed and discouraged youth. The elaboration of youth policy could provide an ideal opportunity to take these employment-related issues forward.

A further mechanism that could support dialogue on youth employment issues is the National Tripartite Council on Labour and Social Consensus, which is supported by 18 tripartite subcommittees. A National Tripartite Agreement on Labour and Social Consensus is concluded every other year for a two-year period.

Such well-functioning platforms provide an ideal environment in which youth employment concerns could be incorporated.



# 5

## CONCLUSIONS AND RECOMMENDATIONS

### 5.1 Conclusions

The experience of Mongolia could not more clearly demonstrate that there is no automatic link between high economic growth and employment generation. The patterns of growth experienced by Mongolia, driven by extractive industries, have not been conducive to creating enough jobs to absorb young people in the labour market. Despite increasing policy recognition of the importance of generating employment over the past few years, there is still a severe imbalance between economic and employment growth. The continuing overreliance on mining as the backbone of economic growth has not only generated a pattern of growth that does not create sufficient jobs, but also exposes the economy to external shocks and fluctuating commodity prices. Diversification is essential to move away from an economy of excessive reliance on natural resources to one more firmly anchored in the development of human resources. In order to facilitate this shift there needs to be a greater focus on industrial policies, including support for manufacturing and related sectors. Hand in hand with this is the development of the skills and capabilities of Mongolian youth to meet the need for more sophisticated technologies and knowledge, thereby helping move the economy towards higher value production. A problem related to the paradox of high growth and low employment generation is the uneven distribution of the benefits of growth. Ensuring inclusive growth has been a long-standing challenge for Mongolia. While poverty has been on a downward trend, the decline has been relatively modest given the high growth rates. Although there is no recent Gini coefficient data, there are perceptions that inequality is rising not only in terms of income distribution but also in terms of access to quality education and good jobs.

There is evidence that rural areas are being left behind, while rapid urbanization is putting pressure on Ulaanbaatar. Economic activities continue to be concentrated in geographic areas – mainly the dynamic development of the capital city and a few mining centres. This contrasts sharply with economic stagnation in the countryside and the concomitant vulnerability of rural populations in terms of poverty and limited employment opportunities. Herding communities are among the most at risk from environmental and economic shocks, and young people in these communities are less likely to be able to access both quality education and higher education. Evidence from the report has shown that young men from

rural communities are likely to enter the labour market early, often into informal work with little likelihood of escaping poverty unless mechanisms are put in place to support their integration into further education or the formal economy.

With few economic opportunities in rural areas, many people leave the countryside to move to the capital, home to some 60 per cent of the population. Unplanned settlements have grown outside the city. They lack basic services such as water, sanitation, heating and schools. Because they lack qualifications, many of these rural migrants are unable to find formal sector jobs and are more likely to work in wage employment in the informal economy. As a result, poverty in Ulaanbaatar stood at 19.8 per cent in 2012. High inflation in the city, averaging 12.4 per cent in 2013, has increased living costs in the capital where prices of food, consumer goods, transport, housing and services such as electricity have risen significantly.

These developments provide the context for the poor labour market outcomes of young people in Mongolia. The overall unemployment rate is almost 10 per cent; however, the unemployment rate for young people aged 15–24 was around 17.4 per cent in 2014. The problems of young people in informal work situations persist despite official policy measures, including the State policy on the informal economy and an action plan on the informal economy. Neither of these policy documents, however, explicitly targeted young people, and while the documents were ambitious and comprehensive, there have been problems with implementation, long periods of inactivity, as well as inadequate resourcing for the outcomes. Tripartite review and revitalization of these measures with an explicit focus on youth may be appropriate.

Gender inequalities in education and in the labour market are an ongoing problem. While girls and young women have high participation rates in schooling and higher education, boys and young men have lagged behind. However, this gap is closing as a result of measures put in place to support boys' access. Nonetheless, there is much room, particularly in rural areas, to implement further measures to increase access to schooling for boys and improve the quality of education they receive. Doing so would greatly enhance the economic opportunities available to them.

For young women, greater educational participation has not paid off in terms of the jobs available to them. Young women have more difficulty gaining a foothold in the labour market and, when they do, they are not only more likely to receive lower wages than young men, but are also more likely to be in a narrow range of occupations. Discriminatory legislation prohibiting women's access to certain jobs has only recently been repealed, and it may take some years before the impact of that action translates into less occupational segregation and wider employment opportunities for women. There is also a need to put into effects the principle of equal pay for work of equal value in order to address the growing problem of the gender pay gap.

Improvements in access to education for the more vulnerable groups needs to be complemented by improvements in the quality of education. The education law and a number of regulations on educational standards for pre-school and basic

education have been passed or amended in the recent period, and a quality accreditation system has been introduced in higher education. These reforms, however, have not kept pace with the rapidly changing demands of the economy, making Mongolian students less competitive in the labour market. National tests reveal a consistently poor performance. Additionally, higher education and vocational training tends to be supply driven, with few linkages, despite recent policy measures, to the employers and labour market demand. Graduate unemployment is a persistent problem.

Vocational training in particular needs to have greater linkages with the private sector and employers to ensure the curriculum and content are demand driven. Financial incentives have been put in place to improve the status and increase the enrolment rates of students in vocational training, but this needs to be complemented by improvements in the infrastructure, equipment and technology used. Post-training support, which would facilitate graduates' job search, would greatly help to improve the employment rate of participants.

Labour market information systems, including both public and private employment services/agencies have untapped potential to be of greater support to young people entering the labour market. Evidence from the report suggests that young people receive information on job opportunities through informal networks, and make little use of public employment services. There is a lot of latitude, therefore, for these agencies to improve their outreach to young people, particularly to the geographically dispersed population in Mongolia, to provide counselling on occupations and skills in demand, and to disseminating information on job vacancies.

Greater coordination between active labour market policies (ALMPs) may also be required since this is one of the main mechanisms for keeping young people attached to the labour market. The Existing ALMPs that exist tend to be of a smaller scale with modest resource allocation.

Mongolia has passed many reforms and policies since the transition, which has resulted in some remarkable achievements (including in educational access). What is lacking in many of these policy documents is an explicit emphasis on youth employment outcomes. In many cases there is only an implicit understanding that the policy will in general benefit young people. Additionally there is no single policy document that addresses the issues of youth employment. Nor is there an overall coordinating body on youth employment that could bring together diverse stakeholders to identify entry points in policy formulation and to develop an overall strategy for supportive measures for young people in the labour market.

This review has shown that there are many lessons that can be learned from previous actions and analysis, and there is great scope for their continuation or further policy development.

## 5.2 Recommendations

### *Developing a policy mix to support economic diversification and productive employment*

The pro-cyclical economic direction and heavy reliance on natural resource extraction have not generated the necessary quantity or quality of jobs required to support youth employment. They have also heightened Mongolia's vulnerability to shocks. A change in economic direction towards counter-cyclical economic and labour market policies (including the establishment of such labour market institutions as social security and other forms of social protection) is warranted. Hand in hand with this is the need to diversify the economy away from natural resources and towards the enhancement of human resources. Finding entry points in existing value chains to develop value-added production, diversification of agriculture, greater investment in infrastructural development and strengthening manufacturing can be a vital part of this strategy.

Employment policies need to be more firmly anchored in the macroeconomic policy framework to ensure that economic growth has strong employment content. The policy mix to support employment growth, particularly for young people, includes a supportive environment for micro-enterprise and private-sector development, the opening up of credit opportunities, reform of skills development institutions so as to be responsive to labour market demand, and strengthened active labour market policies targeting young people.

The 2016 adoption of the State policy on employment signals an important shift towards an employment-centred development framework; however, there is currently little within the policy that explicitly focuses on youth employment. There is, therefore, an opportunity to mainstream youth employment into the targets, outcomes and implementation plans of the policy.

### *Continuing to improve access to education for the whole population*

Mongolia has made great strides in improving participation in education over the past two decades. However there are some groups that still enter the labour market early and with low levels of human capital. Rural communities, particularly young men, stand out in this regard. These gaps have been closing in secondary school but persist in higher education. Mongolia could explore measures and incentives to improve educational participation in rural communities. Expanding scholarships and developing progressive university fees for example would reduce the financial burdens on poor families. Such measures would need to take into account not only direct costs of higher education (fees, etc.) and indirect costs (transportation, books, etc.) as well as the opportunity cost of foregone income when attending school. In all likelihood, awareness raising in rural, herding and poor communities on the returns on investing in education may also be required.

### *Improving the quality and relevance of education*

Hand in hand with continued efforts to increase participation is the improvement of the quality of education. Educational reforms may be required to improve the content of courses. Continuing to review the curriculum to enable it to meet international standards will greatly increase the competitiveness of young Mongolians, who are currently performing poorly on national tests. Greater investments to improve quality may also be required. At present a great deal of the budget for schools is spent on teachers' salaries, as well as items such as heating, leaving little left over for equipment, technology and teaching aids. Additionally, improving infrastructure and building more schools in rural areas could help alleviate the high drop-out rates in these communities. Subsidies and incentives for teachers to live in rural areas should continue and perhaps be expanded, as should the distance learning opportunities that have been established.

The relevance of the education is closely linked to quality issues. The serious mismatch between the skills being developed and the skills required in the labour market has been recognized in the policy arena. However, the involvement of the private sector in higher education and vocational training is still at the incipient stage. Much more could be done, such as establishing tripartite boards to oversee curriculum and content. Enabling employers' associations to forge links with educational institutions and local authorities through established platforms would enable a deeper understanding of the skills they require.

### *Development of a human resource policy*

While human resource elements appear in many policy documents, there is as yet no explicit policy that sets out the framework for building the country's human capital in line with its rapidly changing economy. Such a framework could be anchored in sound analysis of skills in demand as well as intermediate- and long-term forecasts. It could also ensure policy coherence and develop explicit indicators for youth employment outcomes.

### *Developing policies to reduce graduate unemployment*

In a similar vein, tackling the problem of graduate unemployment will require a policy mix on both the supply and demand side. While there is ample evidence that some graduates do not have the relevant skills needed in the labour market, and that much could be done to improve poorly functioning labour market information systems, measures also need to be put in place to stimulate demand for the highly educated. Industrial policies, particularly supporting the manufacturing sector and the shift towards high-end production will need greater investment and resources. These policies can generate a virtual circle of knowledge development, technology and innovation, which will generate demand for the

highly educated. Experience from other countries has shown that as countries shift from mainly agriculture- and natural-resource-based economies, the demand for highly skilled workers and technicians increases. This does not mean, however, that fewer resources should be invested in agriculture, as discussed below.

### *Reducing rural disparities through local development strategies*

In parallel with greater investment in industrial policies is the importance of the intensifying agricultural and rural development. Evidence from the report shows that rural communities are stagnating, leaving few economic opportunities for young people. Investing in infrastructure development in rural areas can not only generate employment in disadvantaged regions, but also build community assets such as schools and roads. Using employment-intensive methodologies has been shown to have multiplier effects that can significantly revitalize local economies.

The newly developed Local Development Funds constitute an important step in improving assets and livelihoods in poor communities. The Government could also consider whether a full-fledged local development strategy framework based on participatory methodologies could be built and extended around the disbursement of these funds.

The Government has taken positive steps towards supporting agriculture, which has resulted in sector growth during the current period. The Government has also been quick to respond to economic shocks to communities affected by harsh winters. In addition, it could also consider strategies for intensifying agricultural production while also developing diversification strategies and alternative livelihood strategies for the poorest among rural communities. Fiscal incentives could also be provided to businesses to relocate to rural areas, though this would only be feasible with adequate infrastructure to support business growth in the regions.

Such measures would help ease the high rates of migration to urban areas and, in particular, to the capital.

### *Addressing migration issues*

Given that Mongolia has a small population, the numbers of those migrating out of the country are relatively high. Mongolia may wish to consider developing initiatives to support the regulation of the migration process that are similar to those practiced in other Asian sending countries. It could, for example, investigate the development of pre-departure training and information packages, reintegration packages and transparent and cost-effective mechanisms for remittance transfers.

## *Creating a sustainable environment for entrepreneurship for young people*

Mongolia has only recently shifted from a centrally planned economy where the private sector had little role or influence. It is not surprising therefore that many young people remain wary of starting a business. Yet, enterprise development is the most important source of employment growth in many economies around the world. Incorporating entrepreneurship into the curriculum and career counselling, as well as developing business incubators in universities and vocational training institutes can help demystify the process of starting a business. A plethora of NGOs have recently sprouted to support and mentor young entrepreneurs in Mongolia. These could be complemented by geographically dispersed business advisory services, both public and private, as well financial reforms to enable easier access to credit for young people from formal banks and microfinance organizations.

### *Transitioning young people out of the informal economy*

Mongolia was the first country in the world to develop a tripartite national policy on the informal economy, which has subsequently been hailed as international good practice. It also developed a two-year action plan on the informal economy. Since 2011, however, progress has stalled on the implementation of these far-reaching policy measures. A tripartite review of the progress to date and the challenges in operationalizing them could form the basis of renewed commitment by all partners. It could also take into account experiences garnered around the world and the impetus provided by the new international standard on transitioning out of informality which was adopted at the 2015 International Labour Conference.

ILO experience in addressing the informal economy has shown the importance of a multiple policy approach that is explicitly oriented to reducing informality. Developing incentives, capacity- building and social dialogue are the cornerstones of the approach. Incentives for young people include opportunities to access finance, further training, business advisory services, markets, technology, information, as well as access to social protection to manage risks. Streamlined regulatory frameworks and the removal of barriers to business entry are also essential. Building the capacity of young entrepreneurs can encourage compliance with regulations and improve occupational health and safety. Many of these elements are present in the Mongolian State policy, although young people are not explicitly targeted. Political will and adequate resource allocation will be needed to follow through on these policies.

### *Capacity- building of public employment services*

Evidence from the report suggests that labour market information systems are not functioning well in relation to young people in Mongolia. Many rely on informal networks and families to find out about job opportunities, resulting

in long job-search periods. But young people need more reliable information about the types of skills that are in demand and the types of jobs available in the local labour market. Public employment services can do more than disseminate information on job vacancies to young people. They can also support the reintegration of unemployed youth into the labour market, provide counselling, and monitor demand for labour and skills with local authorities and employers' organizations. With other actors they can also contribute to the identification of emerging and declining sectors, and forecast future labour market demand.

### *Addressing gender inequalities both prior to entering the labour market and in transitioning to the labour market*

Unusually, (from a global perspective), measures are required for both genders in different areas. Measures have been put in place to prevent young men from dropping out of education early, particularly in rural communities. This has led to a reduction in the reverse gender gap up to secondary school; however, further measures are required to support young men's access to higher education. Many of the measures discussed above, such as expanding scholarship and progressive university fees, are relevant here. To be effective, all measures will need to be carefully designed to take into account the opportunity costs of losing income while studying.

For young women whose transition to the labour market has been difficult despite high educational attainment, multifaceted measures will be required. Counselling in job search techniques and outreach by labour market information systems to young women will be needed. Employers' organizations also have an important role to play in encouraging their members to recruit young women.

Opening access to productive resources as well as business advisory services can encourage young women to pursue entrepreneurship. Occupational segregation, which concentrates women into a narrow range of jobs is an ongoing problem, though recent prohibitions have been overturned. Career counselling in schools can help change mind-sets at an early age and encourage young women to pursue non-traditional work. The gender wage gap is growing and will continue to do so unless measures based on the principles of equal pay for equal work are developed.

### *Setting up social dialogue platforms on youth employment*

While young people are relatively well organized in Mongolia, there is as yet no platform that focuses specifically on employment issues for young people. Rather, these issues are spread out among general youth forums. An employment-specific platform is warranted given the scale of youth transition issues and the fact that policy measures developed to support youth employment have had but a limited impact. A tripartite discussion and review of existing policies, gaps and progress to date would be a major step forward in identifying obstacles to improving youth employment outcomes.

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