

Achieving Full, Productive and Freely Chosen Employment for Young People¹

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I. Introduction

This paper begins by presenting recent global and regional trends on youth employment together with their policy implications. These policy implications depend in large part on two overall facts which may appear contradictory but in fact reflect the reality of youth employment:

1. This is the most highly educated youth generation ever, and
2. The majority of the world's young people globally work in the informal economy.

Consequently the challenge facing youth employment policy makers is to provide a valid response to the high expectations of young people (rather than attempting, as is often the case, to lower these expectations to conform with the “realities” of the labour market) while at the same time developing policies which are realistic and operational in face of high levels of youth unemployment, and especially, underemployment and precarious employment in the informal economy.

Globally, youth form a major segment of the total population whereas in industrialized countries the youth cohort is small and shrinking. From a policy perspective, a large youth cohort is often framed as a “problem,” namely how will jobs be found for these young people; and, if they are not found, then what are the dangers which unemployed youth pose for the security of society? However, a large youth population should not be viewed systematically as a problem: a productively employed generation of young people can, under the right conditions, provide a demographic bonus and be an enormous and positive driver for development and innovation. Likewise, industrialized countries cannot be seen as having an advantage if they have a small youth cohort. A productively employed generation of young people will help ensure a healthy pension and social security system for older generations.

Since youth are seen to be a “target group,” it is often assumed that policies which promote youth employment are necessarily targeted policies. However, this paper will explore how to promote youth employment through both targeted and non-targeted strategies. The paper will explore and at times challenge the conventional wisdom on youth employment, with its quasi-exclusive focus on preparing young people for the labour market through training programmes. While the importance of youth entrepreneurship and training are not being called into question, the missing dimension proposed in this paper is that of job creation.

II. Nature and Dimensions of Youth Employment

Youth unemployment

Before the global economic crisis which began in 2007, youth unemployment had shown a decreasing trend over the past decade, from 12.4% in 1998 to 11.9 % in 2008. For the world at large and for most regions, the global economic crisis jolted this global trend in the opposite direction. According to the ILO's most recent Global Employment Trends (2011) report, global youth unemployment rose to 12.6 % in 2009, falling slightly to 12.8 % in 2010. Those regions where unemployment rates showed the highest sensitivity to the financial crisis were the Developed Economies and the European Union, which saw an increase of 4.6 percentage points between 2008 and 2009, Central and South-Eastern Europe (non-EU) & CIS with an increase of 4.5 percentage points and Latin America and the Caribbean where unemployment increased by 2.2 percentage points. Overall, the number of unemployed youth (aged 15–24) is estimated to have declined from a high of 79.6 million in 2009 to 77.7 million in 2010, which remains well above the 2007 level of 73.5 million.

In contrast to the trend in youth unemployment, the number of unemployed adults (aged 25 and above) continued to rise in 2010 by an estimated 1.7 million, giving a total increase of 23.5 million since 2007. This corresponds to a global unemployment rate of 4.8 per cent among adults in 2010, unchanged since 2009 and up 0.7 percentage points since 2007.² Preceding the economic crisis in 2007, youth were nearly 3 times (2.9 %) more likely to be unemployed than adults at the global level. However, this ratio declined slightly to 2.6 % in 2010 as a response to the global economic crisis. While these figures show that young people continue to be at a major disadvantage in getting a job, they also hint at a slight realignment of labour markets in favour of youth as a result of the global economic crisis. However, this realignment is most probably one where the entire labour market is moving towards the greater precarity and informality which has characterized youth employment in the past. Furthermore, as will be shown below, when trends on youth participation are factored in, there is little cause for optimism.

Preliminary estimates taken from the ILO's 2011 Global Employment Trends provide the following regional figures on youth unemployment. East Asian and South Asia were well below the 2010 world average youth unemployment rate of 12.6% with rates of 8.3% and 9.5% respectively. It is striking to note that Sub-Saharan Africa also falls slightly below the world average with an estimated unemployment rate of 12.3%. However, this relatively low and stable rate of youth unemployment during the crisis is unlikely to be good news. Rather, it is a manifestation of the lack of formal social protection systems in most of the region, which would oblige most young people to stay employed in the informal economy, even though the income and working conditions which informal employment provided probably fell even further during the crisis. The highest levels of unemployment were seen in the Middle East and North Africa at 25.1 % and 23.6 % respectively. All other developed, transitional and developing economies remained significantly above the world average.

Youth participation in the labour market

Globally, youth labour force participation rate decreased by 3.3 percentage points between 1999 and 2009; and most regions, with the exception of Central and South-Eastern Europe (non EU) and CIS, and Sub-Saharan Africa saw decreasing youth participation rates. The change at the global level is driven to an important extent by the large decreases in East Asia during the past ten years (- 9.1 %) and in South-East Asia and the Pacific (- 4.6 %). Other regions also saw decreased participation, but less severe: North Africa (- 3 %), the Middle East (- 2.4 %), Sub-Saharan Africa (- 2.2 %) and Latin America and the Caribbean (- 2 %). Only in Central and South-East Europe (non-EU) and the CIS countries and in South Asia did youth participation remained stable during this period suggesting that the need for youth to participate in labour markets and support family income is important in a number of transition and developing countries.

The above trends, which do not capture year-to-year changes as a result of specific economic and labour market changes in the different regions, can be explained, in some cases, by youth prolonging their education and hence delaying their entrance into the labour market (as described above), and on the other hand, by the “discouraged worker effect” whereby the hopelessness of finding job opportunities commensurate with their expectations has discouraged young people from actively seeking work. However, particularly in the least developed areas of the world, there may be a countervailing trend whereby young people are forced back into the labour market (the “added worker” effect) in order to support households facing economic hardship.

² Source: Global Employment Trends 2011 and Global Employment Trends for Youth (2010), ILO. Geneva: 2010 and 2011.

Previous to the global economic crisis, the decline in youth labour market participation was largely positive, a result of young people prolonging their education and delaying entry to the labour market. The crisis, however, impacted youth participation in a different way, discouraging many from entering the labour market due to their lack of hope in finding a job. “Across 56 countries with available data, there are 1.7 million fewer youth in the labour market than expected based on longer term trends, indicating that discouragement among youth has risen sharply. These discouraged youth are not counted among the unemployed because they are not actively seeking work. However, the crisis has reinforced the long-term downward trend in youth participation rates in many countries.”³

Youth population in countries at different levels of development

Although the youth share of the working age population is on the decline in all regions of the world except for sub-Saharan Africa, Central and South-Eastern Europe (non-EU) and CIS and East Asia where the share has declined only by 1.3% or less, the absolute numbers of young people within the working age population remains much higher in the least developed regions of the world.

Table 1: Youth Share of Working Age Population⁴

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

Source: Global Employment Trends for Youth, ILO. Geneva: October 2008 and August 2010.

Those regions with an above-average youth “bulge” within the overall demographics of the working age population are (in this order): Sub-Saharan Africa (35.4%), the Middle East (30.8%), North Africa (29.9%), South Asia (28.9%), South-East Asia and the Pacific (25.6%) and Latin America and the Caribbean (25.1%). Whether this youth bulge is a problem, as convention wisdom would have it, or a demographic bonus, is a matter of debate.

While it appears clear that a large youth cohort combined with high rates of unemployment is an explosive mix, a whole set of different problems arise in those countries where a relatively small youth

³ Global Employment Trends 2011, ILO. Geneva: 2011.

⁴ Sources: Global Employment Trends, 2008; and Global Employment Trends for Youth, August 2010: ILO, Geneva.

cohort coincide with growing dependency ratios, meaning that young people are faced not only with the burden of finding and keeping a job, but also with that of taking care of an ageing generation. The strong mobilization of young people around the issue of pension reform in France in 2010 demonstrates that the issue of youth employment also has urgency in countries with low youth demographics, and furthermore that young people are concerned and identify with broader systemic issues facing the labour market in general. The ILO writes that a “decreasing labour force can also be a challenge when labour shortages start to hinder economic growth prospects as has been witnessed in recent years in many developed economies, (former) transition economies and, to a certain extent, also in East Asia.”⁵ The ILO furthermore argues, “A growing labour force can be an asset for labour markets and societies if the economy needs labour and has enough jobs to offer. However, if economic growth is not matched by growth of decent employment opportunities, labour force growth can be a threat. . .”⁶

Youth in informal employment

The globally high level of youth unemployment is further compounded by a high degree of employment in the informal economy. Fewer young people show up in the unemployment statistics of developing countries than in those of industrialized countries due to high degrees of employment in the informal economy. Although these young people are strictly speaking employed, the quality of this employment is low as measured in terms of remuneration, working hours and productivity. Since most developing countries lack state sponsored social safety nets, many young people have no choice but to earn a survival income in the informal economy. Therefore unemployment rates in developing countries would be even higher if the low quality and underemployment of the informal economy were included. Although throughout the world, young people are better educated than ever before, this situation is juxtaposed with the fact that most young people are working in the informal economy. This explosive combination helps to describe the growing frustration of young people in many regions of the world, particularly recently in North Africa and the Middle East.

III. The Convention Wisdom on Youth Employment and Youth Development

Job creation is habitually perceived to be a result of sound macro-economic policies, of efforts to promote private sector development, including through a competitive business environment and reducing the cost of doing business, and finally of correcting mismatches between job seekers and employers in the labour market. Traditionally this has meant fiscal and monetary policies which focus on reducing public debts, targeting inflation, encouraging FDI and promoting exports as means to stimulate economic growth which in turn – it was argued - would create jobs. Beyond this overall framework for job creation, youth employment policies have been largely based on labour market programmes in the fields of training and self-employment.

Training and employability

Lack of appropriate skills and work experience are seen to be key entrance barriers to the labour market. In a Youth Employment Inventory carried out by the World Bank in the framework of its partnership with the Youth Employment Network, “thirty eight per cent (111 out of 289) of youth employment interventions recorded in 2007 addressed skills barriers through training.”⁷ Nevertheless, training has become the standard, conventional wisdom with respect to barriers youth face in making the school to work transition. All too often vocational training programs have been evaluated in terms of number of

⁵ Global Employment Trends for Youth, ILO, Geneva: August 2010, p. 11.

⁶ Global Employment Trends for Youth, ILO, Geneva: August 2010, p. 12.

⁷ G. Betcherman, M. Godfrey, S. Puerto, F. Rother and A. Stavreska: “Global inventory of interventions to support young workers: Synthesis report”, Social Protection Discussion Paper Series 0715, World Bank, 2007.

youth trained and successfully placed in employment. However, longer term retention and issues of job displacement have not been dealt with systematically.

One avenue to improve youth employability includes making general and technical secondary education more skills and career oriented. Often the knowledge and skills acquired in the formal education are poorly adapted to the needs of employers, and to the self-employed; and therefore supplementary training is required to make young people “employable” by industry standards. This can be done by bringing the workplace into schools and also by bringing schools into the workplace. The German Dual System is one well-know initiative which moves in this direction by dividing the technical secondary school week between time spent in the classroom and time spent under the direct supervision of employers in places of work. This system has been promoted in various forms by German technical cooperation projects around the world, such as the Mubarak-Kohn Dual System (MK-DS) which ran for 14 years in Egypt. While this programme appeared to be successful in helping those young people who were enrolled in special Dual System schools to find and retain a formal sector job, it covered only a small percentage of the workforce enrolled in secondary technical education; and it did not seem to help youth working in the informal economy to break into formal sector employment.⁸

To better understand what works, what doesn’t work and why, it can be helpful to put training and work experience programmes in the broader historical and macro-economic setting in which they are implemented. President Hosni Mubarak and German Chancellor Helmut Kohl agreed in 1991 on a program of German technical cooperation that would help Egypt address weaknesses in its secondary technical education system and support economic reforms.⁹ The economic reforms revolved around providing a skilled and disciplined workforce for new export-oriented enterprises. Despite the fact that many of the opportunities were in relatively labour-intensive sectors such as the ready-made garment industry, the period from the early 1970s through the 1990s was marked by unemployment rates rising five-fold, capital output ratios doubling and a marked growth of informal forms of employment. Overall, while the Egyptian Dual System may have served the labour requirements of investors seeking to reach new export markets and to be successful in highly competitive sectors, as the January 2011 revolution has shown, the DS training program did not respond to the aspirations for the majority of Egypt’s young people.

Similarly in Tunisia, where youth unemployment likewise spurred a popular revolution, high levels of education and labour market preparedness did not address the need for job creation. Fadel Kaboub¹⁰ wrote prophetically in 2007:

High unemployment is not only an economic problem, but it is also increasingly becoming a social and political issue that has the potential to destabilize Tunisia if not dealt with promptly and strategically. The fight against unemployment in Tunisia has become the number one priority for the government in the last five years. Given the massive investment in human capital that Tunisia has committed itself to since independence, unemployment is considered such a waste of national resources. Tunisia has spent 25% of its annual government budget on public education. Today’s unemployment situation reveals that the composition of the unemployment pool has become qualitatively different from what has been the custom in the past. . In 2006, for the first time in Tunisia’s history, two thirds of the first-time job seekers have a university degree. This trend is likely to continue well into the foreseeable future as the number of college students continues to grow exponentially. A closer look at the Tunisian labor market reveals that more

⁸ See Arvil V. Adams, “The Mubarak-Kohl Initiative – Dual System in Egypt: An Assessment of its Impact on the School to Work Transition,” GTZ, September 2010, p. 13.

⁹ Ibid., p. 4.

¹⁰ Fadhel Kaboub, “ELR-led Economic Development: A Plan for Tunisia,” Levy Economics Institute Working Paper 499, Annandale-on-Hudson, May 2007.

than 50% of the unemployed have been actively seeking work for more than 12 months. Unfortunately, despite the urgency of the unemployment situation, the active labor market policy (ALMP) budget has been around 1.5% of GDP with a meager 0.15% of GDP devoted to direct job creation in public works.

As a result of the limitations of training programs focused on employers' and labour market needs without integrating a clear understanding of youth motivations in the labour market, there has been a movement towards "Training 'plus' comprehensive programmes" which combine vocational, in-classroom training with workplace-based training plus a variety of intermediation services, which have been positively evaluated in a number of Latin American countries.¹¹ A similar comprehensive training approach has been championed by the International Youth Foundation since 2001. Entra 21 has been active in 13 Latin American countries to "provide disadvantaged youth, ages 16-29, with employment training and job placement services so they can find decent jobs and increase their employability."¹² At the end of the seven-year phase I, more than 19,600 youth benefited from comprehensive training and job placement services. Job placement rates averaged 54% across 35 projects, with the number of youth who re-enrolled in formal education nearly doubling. A majority of employers surveyed rated the graduates they hired as having better than average competencies in a variety of areas. The overall programme was evaluated as follows:

- The program benefited on the average 215 youth per country per year, recognizing that the actual figures varied enormously;
- Of these, job placement rates averaged 54%;
- Many young people used the program as a stepping stone to re-integrate formal education;
- The hired graduates were rated by employers as having "better than average" competencies.

These achievements nevertheless lead one to wonder if this result, i.e., on average 108 graduates placed per country per year with better than average competencies, is the most cost-effective means available to helping young people find and retain jobs.

The World Bank has carried out a global evaluation of skills training, work experience and apprenticeship and the school to work transition programmes.¹³ This review clearly lays out the potential benefits for such programmes, but also shows their clear limitations unless the demand side of the equation is not addressed: "Attention to apprenticeship and structured work experience as means to promote the school to work transition has grown over the past several decades to join the continued emphasis on school-based vocational programs for entry-level skills. Evidence favors these programs, but with qualifications. Employment growth is a key ingredient to demand for apprentices and interns. Employers are unlikely to take on board large numbers of youths for training when conditions for sustained employment are not present."

¹¹ See J. Fares and S. Puerto Gonzalez, "Towards comprehensive training," Social Protection Discussion Paper 0924, World Bank, 2009.

¹² See International Youth Foundation, <http://www.iyfn.org/entra21> .

¹³ Arvil V. Adams, "The Role of Youth Skills Development in the Transition to Work: A Global Review," HDNCY No. 5, World Bank, Washington, 2007.

Hyman Minsky's¹⁴ approach towards job creation and training is particularly relevant to young people who, despite having invested enormous time and resources into their own education and training, find themselves over twice as likely to be unemployed as other groups in the labour market:

“Hyman Minsky always argued that public policy that favours education and training over job creation puts “the cart before the horse” and is unlikely to succeed. First, it lays the blame on the unemployed, which can be demoralizing and can validate public perceptions regarding undesirable characteristics supposedly endemic within the disadvantaged population. It tells the poor that they must change their characteristics—including their behaviour—before they deserve to work. However, those without jobs might not view such changes as desirable or even possible. Second, it can require a long time to see results; the “gestational” period to produce a worker is at least 16 years for developing nations ... Further, a dynamic economy is always leaving old skills behind and demanding new ones. At any point, there will be a permanent, sizeable, pool of those with inappropriate skills and education, even if many individuals are able to transition out of the pool in a timely fashion. Third, as mentioned, there is the danger that the retrained will face a job shortage so that at best they simply displace previously employed workers who will join the ranks of the unemployed. .. jobs must be made available that can “take workers as they are,” regardless of their skills, education, or personal characteristics.

In many cases it may be anomalous to propose that youth employment initiatives continue to embrace a nearly exclusive focus on training and skills development while the levels and investments of education and training have never been higher and training will not resolve the fundamental problem of structural unemployment, underemployment and informality. The wave of popular uprisings in North Africa in 2011 has brought home this message forcefully.

Self-Employment

Programmes to promote self-employment and entrepreneurship amongst young people provide the second main thrust for youth employment policy. However, only a minority of young people have the desire, motivation and capabilities to succeed in business and the majority of young entrepreneurs are driven by necessity, that is, entrepreneurship or self-employment is taken up due to the lack of wage employment opportunities. A 2006 survey of young entrepreneurs in 14 Latin American countries¹⁵ found that:

Young entrepreneurs can be divided into two broad groups: those who become entrepreneurs by necessity because they are unable to find other forms of formal employment or continue their education, and what can be called “vocational entrepreneurs” who seize a business opportunity.

Most young entrepreneurs are self-employed. Household data for a sample of 14 Latin American countries covering 89 percent of the total population show that 12.8 percent of workers between the ages of 16 and 24 are entrepreneurs. Most of them (11.9 percent) can be classified as self-employed by necessity, while the rest (0.9 percent) are employers (see table 1). . . . Young entrepreneurs are a small segment of the total universe of entrepreneurs.

¹⁴ Quoted in Wray, L. Randall, (2007) “The Employer of Last Resort Programme: Could it work for developing countries?” International Labour Office, Economic and Labour Market Papers, <http://www.ilo.org/public/english/employment/download/elm/elm07-5.pdf>.

¹⁵ See Juan José Llisterri, Hugo Kantis, Pablo Angelelli and Luis Tejerina, “Youth Entrepreneurship a Necessity or an Opportunity? A First Exploration of Household and New Enterprise Surveys in Latin America,” Sustainable Development Department, Technical Papers Series, Inter-American Development Bank, Washington, D. C. May 2006.

[With respect to self-employed young entrepreneurs,] only a few employ other people in their endeavors. Entrepreneurial activity is risky for them, whether or not they also employ others. Evidence shows that in a three-year period only a few are able to improve their situation. This poor overall performance means that they are highly vulnerable to business failure, most likely as a result of their lack of education, entrepreneurial skills, social capital and other resources. While the income that this group generates does not have a large impact on overall economic activity, it is basic to the survival of large number of young people.

Youths who are entrepreneurs out of vocation or because they have taken advantage of a business opportunity are a relatively small group. They tend to have the ability to identify good business opportunities, and have better skills to start up a new firm and make it grow over time. Young people are overrepresented in the total number of dynamic entrepreneurs, a group that is responsible for a large share of new and sustainable jobs.

Businesses created by youths tend to have a weak impact and uncertain evolution. Most of the businesses created by young people have a relatively small impact on job creation (95 per-cent of young employers have less than 10 employees compared to 90 percent of all employers), but provide jobs and a source of income for their owners. The creation of a new business in itself could help young people transition into paid employment or, in some circumstances, their first attempt at being an entrepreneur could eventually turn into a growing company.

The IADB study recommends:

. . . adequate evaluation methodologies should be developed. . . The actual creation of new firms, their survival rate after a period of time, their rate of job creation, the growth of the firms, and the consolidation of support institutions could be useful indicators for specific programs. Special attention should be paid to the “selection bias” that is introduced in most of the entrepreneurship programs where eligibility is commonly related to the actual skill and ability of candidates. More complicated measurements and causality reasoning should be made for holistic policy objectives that include cultural changes.

Despite the sparse and ambiguous results of studies of youth entrepreneurship, these programs remain extremely popular with funding organizations from the private and public sector. This appears in part because of the lack of other viable employment creation alternatives, and in part because of an almost ideological position in favour of private sector options for job creation, to the quasi exclusion of other, including public sector, alternatives.

IV. Complementary Policies Integrating Youth into Job Creation Initiatives

Integrating youth into policies for job creation

Given the high levels of structural unemployment and growth of informal forms of employment throughout the world discussed above in Chapter II, better preparing young people for an insufficient number of decent jobs will not solve the problem of youth unemployment and underemployment. Likewise improving matching between job seekers and potential employers may ease structural unemployment, but this too will not address the fundamental problem of lack of decent work. Whereas training and intermediation services will continue to play a role in any comprehensive youth employment strategy, durable progress cannot be made without policies and programmes which create additional and good quality employment opportunities for new labour market entrants, i.e., young people.

L.R. Wray¹⁶ elaborates on this point of view as follows:

There are a variety of approaches to the problem of joblessness, of which the most important are behaviouralist (problems with the individuals who are unemployed), structuralist (for example, skills mismatch), and job shortage. In the US, with the notable exception of the New Deal experience, public attitudes and policy have generally emphasized behavioural and structural problems. This generates policies that try to motivate and train the unemployed, together with promotion of greater “flexibility” that would reduce labour market “frictions”. However, if the problem is a job shortage, all that such policies can do is to redistribute unemployment among the unfortunate, who are blamed for their joblessness. Especially in an expansion, those left behind generally do have characteristics identified with the behaviouralist and structuralist arguments (since employers hire those with the most desirable characteristics first), hence concealing the true problem—a chronic job shortage.

With respect to addressing job shortages, the focus is typically on supporting the private sector to create new and additional employment. There are a number of strategies to encourage private sector job creation. Wray (2007) discusses one commonly used channel, namely incentives which government can provide to employers for hiring of workers, as follows:

For example, wage subsidies can be given to private employers for job creation. These can take the form of tax incentives, or sharing of wage costs by government. There are several drawbacks to subsidized employment in the private sector. First, government needs to ensure that firms use the subsidies to create jobs, rather than to reduce private costs of existing employment. Second, as unemployment is concentrated among disadvantaged workers, the policy should encourage firms to employ individuals they would not otherwise have hired. Third, if workers are permitted to stay in the program for only a specified period, there is a strong incentive for employers to replace workers at the end of their eligibility with newly eligible and subsidized workers. Fourth, the setting of the wage subsidy is not necessarily simple. Finally, the payment of wage subsidies necessarily leads to some distortion of the market. Of course, private sector subsidies will not work without a private sector sufficiently developed that it is capable of offering employment to a significant portion of the population. In some developing nations, especially in rural regions, such a policy will have limited application.¹⁷

Another means which is commonly advocated to encourage the private sector to hire workers is to increase greater flexibility into the ability of employers to hire and fire workers and into their conditions of employment. The World Bank-International Finance Corporation Doing Business Initiative rates countries on a number of initiatives based on the ease of setting up and operating a business, with the implicit assumption that the easier it is to create and maintain a business, the better it will be for job creation. With respect to the “Employing Workers Indicator” which until 2010 was one of the ten indicators which were used to rank countries internationally on the ease of doing business, countries which have more flexibility in the type of contract which employers can offer workers and in the hours which workers can be required to work and which make it easier to fire redundant workers come out with a better ranking. A dialogue between the World Bank and the ILO on the Employing Workers Indicator, has led to a modification of this indicator to give greater emphasis to the importance of social protection for a competitive business environment and to stop using it as a criteria for ranking countries on the ease of doing business.¹⁸ Additionally, there seems to be little concrete evidence which ties the ease of doing business to decreased levels of youth unemployment or underemployment.

¹⁶ Wray, 2007, p. 4.

¹⁷ Wray, 2007, p. 7.

¹⁸ Doing Business measures the regulation of employment, specifically as it affects the hiring and redundancy of workers and the rigidity of working hours. In 2007 improvements were made to align the methodology for the

Whereas the private sector will continue to be the main engine for job creation, a closer examination of the role of public policies and programmes, both indirect and direct, is essential for successful job creation programmes. In a globalized world, the macro-economic policy levers which can be controlled at national and local levels to the benefit of local employment creation are becoming increasingly scarce. However, following the massive public sector interventions in both industry and the banking and financial sectors as a result of the global financial crisis of 2007-2009, there is a new openness to the role of the state. This window of opportunity appears to be rapidly closing and it is essential to quickly put in place the basic pillars of an employment-generating macro policy framework as well as job creation schemes which go beyond the usual recipes of skills training and enterprise creation.

Whereas the tendency over the past decades has been for the government to withdraw from key areas of intervention, wage policy, industrial policy and investment policy are all worth re-visiting with a view to leveraging their potential impacts on youth employment. Such macro-economic, sectoral and labour market policies are often neglected with respect to youth employment which is usually confined to the “second best” realm of active labour market programmes. Policies for the promotion of youth employment suffer from being considered “special” and “targeted” interventions which often end up becoming temporary measures to inadequately address what is a structural and long-term phenomenon. Youth employment programmes therefore have a tendency to become marginalized with respect to the mainstream economic and labour market policies which can have the strongest and most durable impacts on youth employment.

Youth in the informal economy

Since the majority of young people in the world are involved in informal employment relationships, a clear understanding of the heterogeneity and the dynamics of informal work are important to helping create new employment opportunities while at the same time addressing decent work deficits.

The ILO’s Global Employment Trends for Youth 2010 reports that the global financial crisis led to “an increase in vulnerable employment and casual labour in an ‘increasingly crowded’ informal economy.”¹⁹ The report also demonstrates the underlying high incidence of young people working in the informal economy and phenomenon that was disproportionately impacted by the crisis:

... Workers living day to day in self-employment do not halt their income-seeking activities during times of economic shocks. In fact, the tendency is for more people to join the ranks of own-account and contributing family workers during times of crises in poor countries. If a worker in a low-income country loses a job in the formal sector – such as the garment worker in Cambodia –

Employing Workers indicators with the relevant International Labour Organization (ILO) conventions. In *Doing Business 2010*, additional changes were made and the methodology review is ongoing. As a consequence, the Employing Workers indicators were removed as a guidepost to the World Bank Country Policy and Institutional Assessment questionnaire (CPIA) and are not to be used as a basis for policy advice. See Janine Berg and Sandrine Cazes, “The Doing Business Indicators: Measurement Issues and Political Implications,” ILO, Geneva, Economic and Labor Market Paper 2006/7. Also, the World Bank’s Doing Business website at: <http://www.doingbusiness.org/>; regarding the changes which have been made with respect to the Employing Workers index, see: <http://www.doingbusiness.org/data/exploretopics/employing-workers>.

¹⁹ ILO, “Global Employment Trends for Youth,” ILO: Geneva, August 2010, p. 37. With respect to vulnerable employment, the report states: “It is important to remember that the category of “wage and salaried employment” also includes casual day labourers, a category of workers that tend to be unprotected and vulnerable to poverty. This classification hazard weakens the argument that during times of economic shocks, vulnerable employment will grow at the expense of wage and salaried employment. What could be happening instead is a shift of persons within wage and salaried employment from steady contract jobs to occasional wage labour in the informal sector. This implies a negative shift in labour market developments that is not captured in the analysis of the employment by status indicator. The ‘increasingly crowded’ informal sector is taken from UN Global Pulse: *Voices of the vulnerable, Recovery from the ground up.*” 2010, <http://www.unglobalpulse.org/voices-report>.

there is little chance of finding new work in the same sector as it continues to shrink, and social protection from the State is not sufficient to cover the living costs of themselves and their families; what choice does the person have but to take up whatever work they can find, regardless of the wage, condition and stability? The ILO's Panorama Laboral 2009 confirms that this is exactly what happened in the Latin American countries studied. The report analysed the trends in six countries – Chile, Colombia, Ecuador, Mexico, Panama and Peru – between the second semester of 2008 and the same period in 2009 and found a 3.8 per cent increase in the number of own-account workers and 1.7 per cent increase in the number of contributing family workers (urban areas only). In terms of the overall informality of employment, the report also shows that in 2009 as much as 82.4 per cent of teenagers aged 15-19 years were engaged in informal sector employment, a slight increase from the 80.8 per cent share in 2007, compared to a share of 50.2 per cent for adults aged 30-64 years.²⁰

By putting a youth perspective on the debate - or dilemma²¹ - surrounding the informal economy, valuable insights can also be reaped regarding how to review regulatory frameworks to make them more youth-friendly. The World Bank provides one framework in which to view informality. Its regional flagship report on Latin America, *Informality: Exit and Exclusion*, “accepts and sheds more light on the exclusionary character of much informality, which leaves citizens outside formal institutions. However, it especially highlights that there is an important ‘exit’ dimension that has been understressed in the literature: workers, firms and families, dissatisfied with the performance of the state or simply not finding any benefit to interacting with it, opt into informality.”²²

The ILO provides a different perspective in its report to the 2002 International Labour Conference:

Contrary to earlier predictions, the informal economy has been growing rapidly in almost every corner of the globe, including industrialized countries – it can no longer be considered a temporary or residual phenomenon. The bulk of new employment in recent years, particularly in developing and transition countries, has been in the informal economy. Most people have been going into the informal economy because they cannot find jobs or are unable to start businesses in the formal economy. In Africa, for instance, informal work accounted for almost 80 per cent of non-agricultural employment, over 60 per cent of urban employment and over 90 per cent of new jobs over the past decade or so. But work in the informal economy cannot be termed “decent” compared to recognized, protected, secure, formal employment.²³

According to this ILO perspective, informality arises less as a result of individual choice and more the result of lack of alternative employment opportunities. What is referred to by the World Bank as the “poor

²⁰ ILO: *Panorma Laboral*, Lima, 2009, p. 52., quoted in “Global Employment Trends for Youth,” *op. cit.*, p. 37.

²¹ In 1991 that the 78th Session of the International Labour Conference discussed the “dilemma of the informal sector”. The dilemma was posed as whether the ILO and its constituents should promote the informal sector as a provider of employment and incomes or seek to extend regulation and social protection to it and thereby possibly reduce its capacity to provide jobs and incomes for an ever expanding labour force. The 1991 Report emphasized that “there can be no question of the ILO helping to ‘promote’ or ‘develop’ an informal sector as a convenient, low-cost way of creating employment unless there is at the same time an equal determination to eliminate progressively the worst aspects of exploitation and inhuman working conditions in the sector”. The Conference discussion stressed that the dilemma should be addressed by “attacking the underlying causes and not just the symptoms” through “a comprehensive and multifaceted strategy”. See ILO: *The dilemma of the informal sector*, Report of the Director-General, International Labour Conference, 78th Session, Geneva, 1991.

²² Perry, G.E., Maloney, W.F., Arias, O.S., Fajnzylber, P., Mason, A.D., Saavedra-Chanduvi, J. *Informality: Exit and Exclusion*, Latin American and Caribbean Studies, The World Bank, Washington, D.C. 2007.

²³ ILO, *Decent work and the informal economy*, Report to the 90th Session of the International Labour Conference, Geneva, 2002.

performance of the state” is seen to be less a question of excessive or inappropriate regulation and more the lack of government capacity or political will to create decent employment in the formal economy.

Chen²⁴ focuses rather on segmentation within the informal economy and the nature of the employment relationship, concluding that most informality is not voluntary. She represents the different categories of informal workers based not on the type of work, but rather describes different types of employment relationship (employer-worker, disguised employment relationship or self-employment) and segmentation in the informal labour markets (gender, earnings).

The ILO argues that not all informality can be ascribed to excessive regulations driving economic agents into the shadows of informality:

*At the risk of oversimplification, three broad relationships can be distinguished calling for different policy responses. ... The first situation is when law is silent, i.e. with respect to activities or groups falling outside the national regulatory framework, such as the self-employed, domestic workers or new forms of employment like subcontracting. . . . Where laws exist, lack of compliance and enforcement in the informal economy is the problem. . . . A third relationship between regulations and informality and one which has generated more controversy is where the regulatory framework is not seen as provider of basic protection and an instrument for creating a level playing field but as an impediment to employment creation and a factor contributing to the spread of informality.*²⁵

Translating the above characteristics of the informal economy into policy prescriptions for youth employment is a challenge. Since informality is often characterized by long hours, low productivity and revenues and poor working conditions, the challenge is not so much employment creation but rather to improve working conditions, productivity and earnings. As seen above in the discussion of skills development, work experience and self-employment programmes, policy interventions have tended to focus on training and capacity building efforts for workers and enterprises in the informal economy, a supply-side approach. However, a focus on the demand for the goods and services produced by the informal economy is also called for, one which not only takes into account the heterogeneity of informal work and production, but also addresses its varying degrees of integration within the formal economy. Rather than viewing the informal economy as a marginalized phenomenon, destined to disappear as development takes place, informality rather is an integral feature of modern capitalist development, one which is strategically captured not only by the survival strategies of informal workers, local micro- and small enterprises and their dependents, but also by industries and economic sectors seeking to take advantage of global supply chains.

In conclusion, the key policy avenue for addressing decent work deficits for young people in the informal economy would be to “think outside the box” and work to promote the creation of decent work in the formal economy. The following section will then explore the role which public job employment programmes can play in this regard.

Youth in public employment programmes

There is renewed interest in public employment programs as a vehicle for *directly* providing employment opportunities, coupled with training and work experience, to young people. The ILO’s Employment-Intensive Investment Programme (EIIP) has been evolving over the past decades to link job creation with

²⁴ Chen, M. 2006. “Rethinking the Informal Economy: Linkages with the Formal Economy and Informal Regulatory Environment.” United Nations Department of Economic and Social Affairs, DESA Working Paper no. 46, July 2007.

²⁵ ILO, The Informal Economy, The Governing Body, Committee on Employment and Social Policy, Geneva, March 2007.

delivery of basic infrastructure and services. The focus has been on increasing the employment content of infrastructure investments through labour-intensive approaches, without compromising technical standards and long-term sustainability. The programme has been largely supply-driven in that it seeks to increase the employment impact of already-allocated project funding and infrastructure investment budgets. However, there is new interest in moving from a supply-driven to a demand-driven approach in the form of employment guarantee programmes, to be discussed below.²⁶ Many of the World Bank's Youth Employment Loans and Grants to developing countries contain public works as a major if not the primary component. Such programmes provide many multipliers which can help young people contribute to demand-led economic growth and sustainable employment.²⁷ Although the World Bank puts public service programmes with a list of possible active labour market responses to constraints and labour market failures facing young people,²⁸ there is increasing attention being focused on providing universal employment guarantees, which could be designed to accommodate the specific needs and interests of young people.

An employment guarantee for young people?

The ongoing, structural nature of youth unemployment calls for a permanent mechanism for youth job creation, this complementing measures to boost training, entrepreneurship and self-employment. Given the high costs to society of unemployment and underemployment of young people, in terms of forgone production, increased welfare and transfer payments, decreased fiscal revenues, social unrest, deterioration of human capital, policies wherein governments, either at local or national level, agree to step in and become "employer of last resort" may prove to be a cost-effective strategy for youth employment.²⁹ Rather than making training a pre-requisite to young people finding employment, an employer of last resort, or employment guarantee programme, can make jobs available that 'take workers as they are,' regardless of their skills, education, or personal characteristics.³⁰ These jobs can be created in a number of fields, including community infrastructure and services, environmental restoration and in the care economy.

Whereas such programmes may be perceived to be unaffordable, political will and conducive fiscal and monetary policies, together with the necessary government capacity, are the key requirements. Studies have shown that a universal employment guarantee could be put in place in many countries for 1 to 2 per

²⁶ For more background see "Public Works and Employment Programmes: Towards a Long-Term Approach," Lal, R., Miller, S., Lieuw-Kie Song, M. and Kostzer, D., Working Paper no. 66, International Poverty Centre (Brasilia) and United Nations Development (New York), June 2010. <http://www.ipc-undp.org/pressroom/files/ipc139.pdf> and Job Creation Programmes in the ILO: a) Employment Generation for Poverty Reduction: The Role of Employment-Intensive Approaches in Infrastructure Investment Programmes, ILO Governing Body document GB.273/ESP/4/1, November 1998. <http://www.ilo.org/public/english/standards/relm/gb/docs/gb273/esp-4-1.htm>.

²⁷ See the Final Report on the South-South Learning Forum on "Making Public Works Work," Arusha, Tanzania, 2010. Also for an overview of different strategies and approaches for both supply- and demand-driven public employment programmes, see "Public Works and Employment Programmes: Towards a Long-Term Approach," Lal, R., Miller, S., Lieuw-Kie Song, M. and Kostzer, D., Working Paper no. 66, International Poverty Centre (Brasilia) and United Nations Development (New York), June 2010.

²⁸ Cunningham, Wendy. "Active Labor Market Programs for Youth in Africa: A Framework for Engagement," World Bank: Washington, D.C.: 2009.

²⁹ For further background on the concept and examples of Employer of Last Resort, or employment guarantee programmes, see Lal, R., Miller, S., Lieuw-Kie Song, M. and Kostzer, D. "Public Works and Employment Programmes: Towards a Long-Term Approach," Working Paper no. 66, International Poverty Centre (Brasilia) and United Nations Development (New York): June 2010; Wray, L. Randall, "The Employer of Last Resort Programme: Could it work for developing countries?" International Labour Office, Economic and Labour Market Papers: Geneva, 2007; or the website of the Economists for Full Employment network at: www.economistsforfullemployment.org.

³⁰ Quoted from Hyman Minsky by Wray (2007).

cent of GDP³¹ and that the costs of creating employment are not prohibitive, especially when compared with the costs of unemployment. Kaboub estimated that an employment guarantee programme in Tunisia could be implemented for between 3 to 5 percent of GDP: “One-point-five percent of GDP spending on ALMP is an extremely low level of spending for a country that has consistently wasted the human capital of at least 15% of its most vibrant working-age population—the same population that the government has spent so much to educate and keep healthy in the last five decades. Gradually increasing the budget line for ALMP (under an ELR program) to 3–5% of GDP is something that the Tunisian economy can easily handle.”³²

An employment guarantee would provide protection against economic risks and poverty traps as well as a means of de-fusing social tensions and buy time for employment-friendly economic reforms to take root. By drawing in young people who have often never been part of the workforce before, well designed employment guarantee programmes can potentially increase their ‘employability’ and/or facilitate re-entry into the private sector, suggesting that in many instances the private sector prefers to hire people who already have work experience or are working.³³ Employment Guarantee programmes can also complement some of the programmes aimed at *retraining* and *retaining* workers in other sectors by helping to stabilize local demand and income. Although limited to rural areas, India’s National Rural Employment Guarantee Act is a rights-based, demand-driven programme which by law provides 100 days of work per year to everyone who applies for a job card and for work.

V. Conclusions on Policy Coherence for Youth Employment

This paper has developed the following chain of reasoning for the development of new vision for youth employment policy development, a vision which combines private and public-sector driven - and supply and demand oriented approaches. To begin with there is an anomaly between the belief that youth require better vocational education and training, involving technical skills as well as soft skills, to have improved access to the labour market. This commonly held view – and frequent complaint by prospective employers – appears at odds with the fact that globally young people are the best educated generation ever. Here the intention is not to discount the importance of education. A recent study by the ILO³⁴ focusing on European countries, Canada and Korea provides data showing that less educated youth people have a much higher chance of being unemployed, hence showing the importance of education for gaining access to the labour market. However, this data is from highly developed economies and does not take into account the fact that highly educated young people suffer from high rates of unemployment in most of the developing world. This situation has fueled the frustration and popular uprisings which have been seen in North Africa and the Middle East during the early months of 2011. Furthermore, underemployment in the informal economy, rather than unemployment, is the primary indicator of labour market malaise for most of the world.

³¹ Wray (2007), p. 27, argues that the net increase of government spending would be less than 1% of GDP. According to Philip Harvey, based on a comparative study of US social and fiscal policy, the additional tax revenue requirements to fund a universal employment guarantee in the United States in 1999 would have required a 1.6 % increase in personal and corporate income taxes. See Harvey, P. *The Right to Work and Basic Income Guarantees: A Comparative Assessment*, 2003.

³² Fadhel Kaboub, “ELR-led Economic Development: A Plan for Tunisia,” Levy Economics Institute Working Paper 499, Annandale-on-Hudson, May 2007.

³³ Wray (2007): “Upgrading of these characteristics would be the second step—with much of the necessary training occurring on the job. The unemployed need jobs, not merely the promise of a job for those who successfully reform themselves.”

³⁴ Ha, Byug-jin; McInerney, Caroline; Tobin, Steven; and Torres, Raymond. “Youth Employment in Crisis, “ International Labour Office (International Institute for Labour Studies), Geneva, 2010.

Furthermore, while the private sector is the main driver and source of job creation, it is increasingly recognized that the private sector industries and employers are not creating sufficient decent jobs to meet the requirements of young people entering the labour force. In other words the decent work deficit for young people cannot be solved by improved vocational education and training alone, nor by the private sector single-handedly. Likewise, these same structural constraints cannot be solved by “matching” or “signaling” a greater number of job seekers with a lesser number of “decent jobs.” In fact, the matching process will channel the most qualified job seekers to the limited number of decent jobs, thereby exacerbating marginalization and informality amongst the rest.

Although these constraints are generally acknowledged, the remaining solution traditionally proposed for the youth employment problem tends to be self-employment and entrepreneurship development. It is as if policy makers are telling youth that since there are not enough decent jobs available, you have two options: either accept employment which does not meet with your expectations, or create your own!

Another “solution” to the problem of youth unemployment tends to be the creation of special funds, which largely begs the question of how to use these resources most effectively to address youth unemployment and amounts to throwing money at the problem. All too often, the focus of such funds is on the distribution of micro-credit to young people, at times with political motivation, to start their self-employment income generating activities.³⁵ The high political priority and visibility of youth employment becomes its own worst enemy. Since policies and programmes for youth employment are often targeted and special measures, they are either marginalized or treated separately from the broader macro-economic (both fiscal and monetary) and labour-market policy debates on job creation. Whereas youth employment is often a top political priority, the solutions proposed end up being second-best.³⁶

More imagination and vision is required in developing strategies and approaches to stimulate demand for labour, which will lead to the creation of additional jobs. Since young people have a proportionately greater chance of being outside the labour market, these new and additional jobs, even if they are not explicitly reserved or targeted towards young people, will benefit them relatively more than they do older workers. These demand stimulation or job creation policies can be either private or public sector driven. There is a panoply of policy measures available to stimulate or subsidize private sector employment. These measures, however, provide only partial answers, are limited in scope and duration and imperfect in that they usually lead to displacing existing labour.

Despite the conventional wisdom which favours private sector job creation, the time is now ripe to re-visit direct job creation by public authorities. Such programmes should not be seen as competing with or replacing the private sector’s primary role in job creation. Rather such direct public sector driven job creation programmes provide a means of maintaining human capital during and following financial, civil or political crises or economic downturns while at the same time providing basic infrastructure and services which will help the private sector improve its productivity. Public job creation programmes can also provide “green jobs” through work which protects the natural resource base, restores the environment, addresses climate change and builds a foundation for sustainable job creation. Just as in the financial sector, where governments have recently stepped in and assumed the role of lender of last resort, likewise they should be willing to face up to the challenge of becoming an “employer of last resort.” Direct public job creation schemes should not, of course, be seen as *the* solution for addressing decent work deficits for young people. Rather it should be an integral part of a larger menu of options

³⁵ For example, the Government of South Africa has just launched a 9 billion Rand () jobs fund which will invite competitive bids from projects with innovative ideas on how jobs can be created. See <http://www.fm.co.za/Article.aspx?id=134662> . Senegal has put in place a Youth Development Fund, based largely on micro-finance grants and loans, which has had mixed results over the past decade: <http://www.fnpi.sn/> .

³⁶ See footnote 35 above, relative to discussions with Wendy Cunningham of the World Bank on 07 September 2010.

available to public policy makers. Better mapping, evaluation and costing of different interventions is called for within a coherent framework.

In order to ascertain the relative requirements for different types of interventions along the supply-demand continuum outlined above, a mapping of the resources and needs with respect to youth employment should be carried out. Such mapping can be done at the national, regional and local levels. The National Youth Employment Action plan process³⁷, put into place with both political commitments and with technical resources, provides a good place to begin. Despite this demand-driven national framework, backed up by General Assembly resolutions, national commitments at the highest level and the technical resources of the UN system, separate and ad hoc approaches continue to prevail.³⁸

In conclusion, this paper argues that youth employment should not be seen as a focus-group issue or as a sub-set of the employment and development agenda. Rather this issue in all its complexity should be harnessed as an entry point to more comprehensive policies. Particularly for developing countries, where resources are weak and where young people represent a - if not the - major segment of the labour market, youth employment can be harnessed as the starting point for developing policy coherence around the broader development agenda set out in the Millennium Development Goals.

³⁷ See relevant United Nations General Assembly Resolution A/RES/57/165 calling for the development of National Action Plans on Youth Employment at: <http://www.un.org/Docs/journal/asp/ws.asp?m=A/RES/57/165> . Furthermore background on the National Action Plan process supported by the ILO, UN and the Youth Employment Network can be found at: <http://social.un.org/index/Youth/YouthintheUN.aspx> .

³⁸ A case in point, which takes on new relevance in the face of recent calls for political change throughout Egypt and the rest of North Africa, can be seen in the National Youth Employment Action Plan process in Egypt. The national Ministry of Manpower and Migration, with ILO technical assistance, is leading this action plan process, while at the same time, the Government of Egypt, the World Bank and Japan have announced an **Egypt Job Readiness and Job Placement for Marginalized Youth Project** funded by a grant from the Japanese Social Development Fund (JSDF), administered by the World Bank and implemented by Egypt's Ministry of State for Family and Population. The World Bank project does not place itself in the framework of the National Action Plan, although it has the ambition for national replication. The German Government supported Mubarak-Kohl Initiative on Vocational Education, Training and Employment Promotion does integrate itself within the NAP process but is implemented with limited operational collaboration with the other initiatives. For further information see: http://www.ilo.org/public/english/region/afpro/cairo/downloads/nap_e.pdf ; http://www-wds.worldbank.org/external/default/main?pagePK=64193027&piPK=64187937&theSitePK=523679&menuPK=64187510&searchMenuPK=64187511&entityID=000334955_20100714035638&cid=3001_83 ; and <http://www.egypt-at-work.org/en/topic/93.building-egypt.html> .

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