

YOUTH EMPLOYMENT

IOE SECRETARIAT NOTE



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THE OBJECTIVES OF A YOUTH EMPLOYMENT POLICY¹

1. An essential requirement for the success of a youth employment policy is identifying, within each national context, the different components that are relevant to youth employment growth and including them in an integrated and interdependent policy framework. The core objectives of an integrated youth employment policy should be to:
 - generate productive, sustainable employment;
 - match the skills of young people to current and emerging job requirements; and
 - move unemployed young people into employment.
2. Youth unemployment is a reflection of aggregate unemployment levels and of the macroeconomic situation as a whole. However, the problem of youth employment is specific, often persistent and therefore needs specific policy responses. Policy responses should attempt to see this issue in terms of the overall employment situation, but should also respond to it specifically with targeted measures and in a manner that does not impact on other demographic groups.

DEVELOPING NATIONAL RESPONSES

3. Youth employment policies have to undergo continuous change as solutions have to be found within the context of what are often rapidly changing realities. In the first instance there must be an analysis of the underlying factors for youth unemployment and under-employment. There are factors on the part of both the supply side (young people) and the demand side (enterprises). Therefore, any countermeasures have to be devised with both these factors in mind - job creation of course being the most important policy. It is also important in devising policy responses that not only national and regional specificities be taken into account, but that 'youth' by itself not be taken to be a homogenous group.

Role of Governments

4. A prerequisite in devising youth employment policies is to have a transparent and efficient system of governance that leads to the creation of an environment that is conducive to development and growth.
5. Governments need to approach youth employment policies in a holistic manner – taking into account cyclical changes in the economy and the consequent effects on youth. Youth employment needs to be placed in a 'social context' and social perspectives need to be addressed.
6. Measures that affect youth employment are wide-ranging - from education, HRD policies, job creation (creating and maintaining competitiveness in the economy), to appropriate matching in the labour market. Therefore, coordination among various ministries is essential in order to devise effective policies that address the issue in both rural and urban areas.

¹ The paper is part of a series of employment _related papers. It should be seen in the context of the IOE's broader policy paper on employment policy.

7. Employment growth per se needs to be a central aspect of national growth and development policies. To achieve this, governments should, in terms of a general approach:
 - ensure that national budgets have adequate labour market programmes and education and training programmes;
 - provide the legal and political framework in order to promote competitive domestic industries, promote competition and eradicate anti-competitive behaviour.

In terms of specific youth employment responses:

- create incentives for employers to hire young people by removing barriers that hinder youth employment generation;
 - develop efficient labour placement services for young people.
8. There are many technical difficulties in developing such an approach, which is hard enough in industrialized countries with masses of economic data, sophisticated modelling and qualified analysts, and far more so for poorer countries without such resources. Therefore governments, many of which simply lack the administrative, legal, judicial and enforcement capacity to implement these policies, need ongoing assistance in not only implementing the appropriate policy choices conducive to growth, but also in developing those policies and adapting them, if required.
 9. Increasingly, there is a regional response to many broad policy issues. This has seen cooperation develop on a regional basis from informal relations to formal structures, such as the development of regional organizations. Increasingly, policy responses to certain issues at a national level could be coordinated at regional level, where this is relevant (for example, in terms of youth employment measures, ensuring the regional portability of education qualifications).

Education

10. Education is perhaps the most effective mechanism to improve employment prospects. The greatest contribution to improving the future employment prospects of children is to keep them in school until they are at least functionally literate and numerate.
11. The approach to education between developing and developed countries is markedly different. In some countries that have seen many of their educated young people migrate upon leaving school, governments can look at this investment as ‘wasted resources’. The question is ‘why is this case?’. Interventions and awareness-raising of the labour market among young schoolchildren need to start early (i.e. skills and jobs fairs).
12. Additionally, because investment in education often does not deliver immediate results – it can often take years before investment in education can start to pay dividends – many governments look to other immediate priorities. However, the fact is that eventually these policies do start to deliver and developing countries need assistance in this crucial policy area. Getting the appropriate skills into the marketplace and importantly at the right time, if done correctly and in a farsighted way, can yield tremendous aggregate results to the economy as a whole.

13. In many developing countries public expenditure on education can be quite restricted. Many countries, because of limited resources and competing social demands, simply do not have the resources to put into establishing or maintaining adequate education systems. Innovative ways need to be found to use often scant resources to good effect (for example, encouraging families to send their children to school by providing meals for the children there).
14. Perversely, in many developing countries youth unemployment can be higher for the more educated youth. This mismatch appears to be the result of education systems not meeting the needs of the labour market and, partly, to the attitude of those at the highest end (i.e. highly educated youth) in not being prepared to take less prestigious jobs than they aspired to. In this connection the social attitudes of parents is also an important factor.
15. Child labour tends to exacerbate the problem of youth unemployment in that it often prevents children from attaining the basic education and skills needed to compete in the labour market as they grow older. The rate of unemployment tends to be lower for young people with little or no education *or* with higher education (as we see in the studies referred to in the previous paragraph) than for those who have just reached intermediate levels. This may explain why some children leave after a few years as the benefits of staying in school are perceived to decline. However, it is not sufficient to eliminate child labour without ensuring that the alternatives provide opportunities for education. The absence of the avenues to attain those opportunities is often the main driver for child labour in the first place. Better labour markets that reorient the demand for labour away from children and towards young job seekers are consequently needed.
16. Business has a crucial role in helping to shape educational policies and providing an insight into what the probable skills requirements are of the economy in the short, medium and long term and then positioning itself to utilize those skills. In devising national employment policy, policy-makers need to accurately identify the growth sectors of the economy, taking on board the different specifics from each sector. Vocational training and school-to-work programmes should be tailored in accordance with these findings, to ensure that the young are being trained for the right occupations.
17. Education systems are often only loosely related to the economy, resulting in (partially) obsolete curricula that do not fully correspond to those required for a productive working life. Education and training systems should be accessible, relevant and flexible to the needs of a changing labour market. School curricula need to incorporate new types of skills to enable young people to succeed in working life. Basic computer (ITC) skills are becoming requisite skills for many jobs – the probability is that demands for such skills will continue to increase.
18. Education policies should not just be looked at through the simplistic lens of providing a basic education for all. There needs to be an accurate identification of what are and will be the essential employable *life* skills. Young people should be able to acquire the appropriate competencies while avoiding the general emphasis on *just* literacy and numeracy.

19. There are also a great many skills that can be accumulated from non-work sources, which could be useful in a work setting. Mechanisms should be explored that could capture and recognize the value of such non-formal education skills.

School to Work Transition

20. The lack of working experience is perhaps the most common universal obstacle for first-time job seekers. These young job seekers, without any actual experience, are 'unproven' and therefore cannot compete with skilled and more experienced workers. For this (and other reasons) there can be a lengthier job search by young people than by older workers with experience.
21. Young people should be taught, within the education system, the value of entrepreneurship and entrepreneurial skills. Links should be developed with business between education, training and work experience.

Changing Attitudes

22. Perhaps one of the fundamental issues that needs to be tackled is that of attitudes to the role of business and entrepreneurship in society. Wealth creation in society is the absolute prerequisite to national development. Business and entrepreneurs create employment, pay taxes which contribute to other social policies, and increasingly are playing a wider societal role. In many countries there is not enough appreciation of this central role of business in the development of society as a whole. There is a need, in particular within the educational system, to develop a greater awareness of how societies operate and function and to try and develop a greater sense of this amongst young people.
23. Amongst the highly educated young job seekers there are many who are in a 'holding position' – waiting for a good job and not interested in 'menial jobs'. So there can be a 'voluntary aspect' to certain types of youth unemployment at the more qualified end. In some countries this situation was exacerbated by employment guarantees in the public sector for graduates. Evidently, in some countries there is a need for increased awareness of the benefits of working in the private sector.
24. Cultural considerations need to be taken into account. In some countries there are 'family responsibilities' to look after young adults until they have completed university studies (in even secondary university courses).

Training

25. Policy makers need to look at the sustainability of training schemes, taking into account cyclical downturns which could have implications for a company's ability to continue paying for training. Measures to assist companies during such periods need to be considered. Companies need also to be given incentives to take on new employees/trainees (utilizing tax credits for example).
26. In some developed countries, dual systems of apprenticeships have been very successful. However, the model is changing with, in many, a shift in the focus from being simply a course for a specific period of time, to one that requires a certificate of

competency. In this way employment outcomes can be improved because, upon completion, the apprentices have proven their capability and can function immediately, thereby enhancing their capacity to contribute to a business and therefore their employability.

27. In devising training schemes, there has to be close collaboration with business in defining what types of training schemes can lead to sustainable work upon completion. In this respect, they must be targeted in order to be effective. Training programmes should be devised so that they can help young people develop the skills needed to make themselves more attractive to potential employers.
28. Simplistic approaches that view the placement of a young person in a training course or in a job as settling the issue need to be avoided. Transitions into and out of the labour market can occur several times.
29. There is also a tendency, particularly in some developing countries, to assume that a lack of vocational-type skills is the root cause of youth employment and this can result in a market saturation of those skills. Training programmes need to be based on a careful analysis of the likely opportunities in the short, medium and long term. Bringing training resources to young people also needs to be considered and mobile education and training services could be utilized in particular in rural areas.
30. One vehicle that could be used to counteract market failure and to reposition training systems towards disadvantaged young job seekers is the idea of a 'training voucher'. Anyone who is judged to be eligible for training can be given a 'voucher' which can be 'cashed in' by his or her chosen training provider. The principal drive behind this approach is that it encourages competition between public and private providers - overall raising the level of training.
31. Developing a level playing field is important and ways should be explored to see how divisions between university qualifications and those secured through vocational and school education can be tackled, where this is problematic. Systems that provide a recognized *reference point*, so that there can be confidence in a young person's skills and competencies based on his / her qualifications, can be part of this process.
32. Increasingly, as migration is seen as an attractive option by young people, mechanisms need to be explored to examine how skills and training qualifications can be recognized outside the home country.

Labour market information

33. Perhaps the key thing that business can do is provide information. **Information and data is not a residual issue it is, in fact, central.** How can there be an accurate response to problems if the extent or nature of the problem is not known in the first place?
34. Rectifying mismatches between output from education and training systems and labour market demands can only be assisted with accurate reliable disaggregated statistics. Within a developing country context, the lack of accurate and consistent data can be acute. This gap presents a considerable obstacle to policy makers, in particular in developing countries, where data is often outdated and not reliable. So there needs to be

a focus on policy responses on data collection capabilities and also on raising awareness of the importance of this exercise in a regular and consistent manner.

35. Business has a clear interest in ensuring that education and training create the skilled, competent and flexible labour force they will need for the future and, as key customers of the education and training system, business can help inform policy and practice across a variety of issues.
36. Labour market information is something that many young people in particular have less access to than those who are (or were) more established in the labour market. For example, in the sphere of training, young job seekers do not know: *What are the most profitable skills to acquire? What are the sectors that are likely to grow in the coming decade? What are the sectors that could come under pressure in the coming years?* The answers to these questions are essential in helping young people make choices for their future. Employers can help by providing information to employment services on required skills and desired employee profiles to create a picture of the likely skills required.
37. A central approach to rectifying labour market failure is through the more effective provision of information and counselling, which is often done through Public Employment Services (PES). There have been some encouraging developments of PES in recent years, with these services in some countries becoming more of a 'one stop shop' for job seekers - with increased access to training, as a collection point for benefits, access to advice, placement and training scheme opportunities, etc.

Active labour market policies targeting young people

38. Active labour market policies (ALMPs) can contribute directly to:
 - matching young workers to jobs and jobs to young workers (public and private employment services, job search assistance, prospecting and registering vacancies, profiling, providing labour market information);
 - enhancing skills and capacities (e.g. training and retraining);
 - reducing labour supply (e.g. early retirement, supporting education);
 - making work pay (e.g. tax credits where social security costs are lowered for low wage jobs and providing financial incentives directly to companies);
 - creating jobs (public works, enterprise creation and self-employment);
 - changing the structure of employment in favour of disadvantaged groups (e.g. employment subsidies for target groups).

Creating the right regulatory environment

39. Research on the impact of employment security regulations in industrialized economies has found that certain regulations can have adverse effects on youth employment. Strict employment regulation often favours those in employment over those seeking employment. In line with the overall review of national approaches to youth employment, it is therefore vital to review the impact of labour market regulations on

young job seekers in both formal and informal economies. Is current legislation hindering employment opportunities? Is it specifically presenting an obstacle to youth entry? These questions need to be effectively addressed.

40. A balanced approach is imperative and, in addressing youth employment, there is a need to avoid negatively impacting on other categories of workers – for example, older workers. Social protection legislation in particular (for example, age discrimination legislation) can unwittingly work against the interests of young people seeking to enter the labour market.
41. The informal economy is increasingly a large part of many economies, particularly in the developing countries, and represents an estimated \$10 trillion dollars of the global economy. Today, most people work in this economy. There is a significant youth aspect to the informal economy in most countries as it is often seen as the only or easier route to employment. Therefore, policy solutions need to be devised that accept the reality that a large constituency of young people work outside the law and will have received training or developed skills there.
42. There is a need to create policies, procedures and institutions that help young people working in the informal economy access the requirements to function in the formal economy (i.e. market information; credit and capital; insurance; technology; skills training) and legal mechanisms such as access to the judicial system and secure property rights. However, policy choices need to be realistic and incorporate aspects such as how skills developed by young people working in the informal economy can be recognized, for example ‘informal apprenticeships’.
43. In many countries, young people cannot afford to be simply unemployed and therefore try to find any type of activity - often in the informal economy - that raises income of any kind. Underemployment is, however, not confined to developing countries but is an issue in many developed labour markets where young people seek more work but cannot get it.

Entrepreneurship

44. Excessive red tape and bureaucracy, often coupled with corruption, hamper entrepreneurship not only during the establishment of the business (i.e. the start-up phase), but can also make it difficult to maintain an entity within the formal economy. Such bureaucracy can be even more daunting for a young person with an idea but no experience.
45. Also, there are many cultural considerations to be taken into account. In some countries, there is a fear of failure which can inhibit young people from starting in the first place. Those young people that start as entrepreneurs need to be given support all the way along the process from start-up until the business is fully sustainable. They need access to technical advice on issues such as marketing, business planning, taxation, finance, accountancy and employment law. “Incubator” business units can be a useful assistance in this start-up phase.

46. Young people need to see a ladder upon which they can progress and to see where others have succeeded (*and failed!*). A national system of awards to recognize new ideas and successful young entrepreneurs is one such way. Entrepreneurship could also be encouraged by linking young persons to successful entrepreneurs or businesses, in particular larger multinationals. Such a mentoring role could help young entrepreneurs avoid some of the many pitfalls of trying to get a business operational. Small networks of entrepreneurs can also help share information and guidance. As part of such a network, feelings of isolation or vulnerability can be lessened as all members of the network are in the same boat.
47. One of the biggest single impediments to potential entrepreneurs is finance. Many microfinance schemes are not applicable to young people without experience, collateral or other guarantees. Innovative schemes need to be explored (for example utilizing the power of migrant remittances to be used by national microfinance schemes aimed at young people). However, youth financing must be seen as a stand-alone concept. It is *different* and realistic initiatives need to be put in place to enable bright ideas become something more concrete.
48. Mechanisms also need to be considered that enable those who do not succeed in entrepreneurial activity to re-establish themselves.

THE ROLE OF EMPLOYERS' ORGANIZATIONS

49. Broadly speaking, employers' actions at a national level will focus in the following three areas:
 - i. direct actions concerned with education and vocational training, such as: participation in national vocational training systems and programmes; promotional measures; special training schemes; education-industry partnerships;
 - ii. direct actions concerned with job creation and job facilitation, such as: enterprise-based training; setting up special training schemes; promotional campaigns aimed at creating awareness of training, in particular among enterprises; increasing apprenticeship places; enhancing the technical capacity of enterprises to provide skills training;
 - iii. policy advocacy and policy making.
50. Employers' organizations, particularly in developing countries, have limited resources that must be used strategically and efficiently. Organizations that leverage their expertise and resources, pursue policies systematically and have strategies to achieve initiatives that lie within their competencies and capacities are likely to have the most success in encouraging youth employment.

Some specific actions an employers' organization can undertake:

- Lead national opinion and identify key action areas on youth employment;
- Establish a committee or similar body that examines youth employment policies in terms of the needs of national business;
- Encourage enterprises, when recruiting, to consider their capacity to create new jobs using government programmes and incentives (e.g. subsidy programmes to get young people into work);
- Develop expertise to help their members with the administrative requirements of state programmes (this could even be done on a fee-for-service basis);
- Provide governments with feedback (ascertained through surveys, for example) on whether schemes are working or not. Are the incentives right? Do the programmes show a benefit in the long term? Are young people actually employable?
- Urge enterprises to examine their existing organizational structures, work practices and work organization for non-productive impediments to job creation for young people;
- Encourage enterprises to establish an age and experience profile of their existing workforce to identify where jobs may be found in the future (although legislation in certain countries may make such a process problematic);
- Develop simple workplace and jobs analysis tools that enterprises can use to identify employment opportunities for young people;
- Publicize those enterprises who use programmes to employ young people, for example through employer newsletters, websites, etc;
- Explore the establishment of structured links between business and education. These links take a variety of approaches, such as the partnering of a particular business with a school. The business then works with the school in providing site visits or training periods, helping the school's technology and communications capacity, providing advice on the job market (i.e. job interviews etc) and providing teachers with the opportunity to experience first hand the working environment;
- Develop linkages between universities/training institutions and industry - for example, Joint Councils (often on a sectoral basis) made up of representatives of academia and business with the aim of developing and promoting cooperation between enterprises and universities. These initiatives can facilitate the strategic development of the industry; on-the-ground cooperation in a range of fields, including curriculum development, work placements, technical exchange and the like; and maximize the potential for cooperation and partnership in research and development.

IMPLEMENTING RESPONSES

51. A process needs to be put in place that addresses the issue of youth employment in a holistic and comprehensive manner. Such a process should identify why there is a problem and seek to then identify possible policy solutions.
 - Why is there a problem and what is it due to (e.g. legislation/regulation, skills mismatch, discrimination, etc.)?
 - How widespread is the problem?
 - What are the growth/loss sectors by industry breakdown?
 - What is the general profile of young unemployed people (e.g. is there a significant gender/ethnic aspect)?
 - Are there regional-specific factors to be taken into account?
 - What is the percentage of young workers in the informal economy?
52. There should be an analysis of previous national initiatives and policies and where and why they have been successful or unsuccessful. In line with this process, there should be a collection of some best practice examples successfully used in other jurisdictions. An essential component in arriving at a sustainable process will be to devise tangible and un-bureaucratic structures to oversee the development of the process and review mechanisms to monitor progress, perhaps using indicators of achievement-setting goals. Finally, any existing national/regional initiatives need to be built into the process.
53. Ownership and accountability of any process has to be principally within the country, and perhaps principally with national government. There are, however, no magic answers to youth unemployment and all countries must come up with their own set of policy initiatives, appropriate and *implementable* within their own national context and realities.