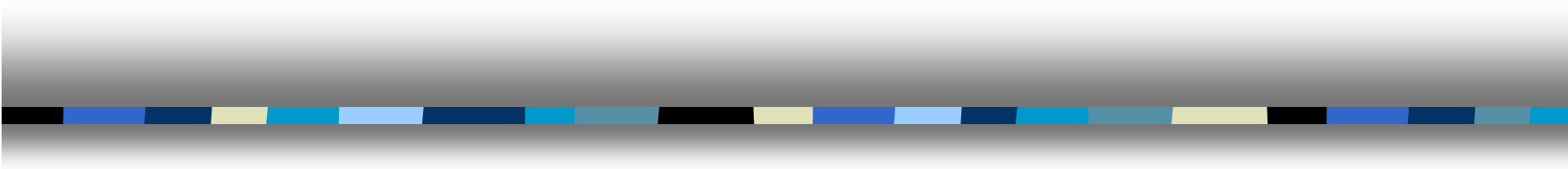


The Challenge of Youth Labor Market Inclusion

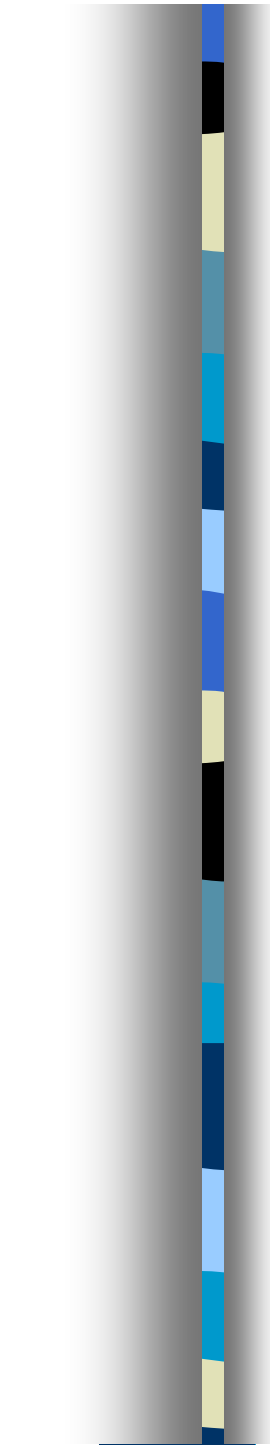


Some issues for
Development Partners



Issues for discussion

1. What is meant by youth labor market exclusion?
2. Why should development partners care about the many dimensions of youth LM exclusion?
3. What are the operational/policy implications?
4. What is known about the cost-effectiveness of youth labor market inclusion policies and programs?



Youth LM exclusion: lack of jobs/low quality jobs

- Youth unemployment is **only one aspect** of youth LM exclusion
- Statistics on youth unemployment provide an **imperfect picture** of the overall problem of youth LM exclusion – as shown for example in the Balkans
 - The number of idle and discouraged youth is often very high
 - In the Balkans, the average youth unemployment rate rises from 31% (strict ILO) to 41% (relaxed ILO)
 - The share of youth not employed nor in education/training is 3 times bigger than the share of the youth unemployed
 - The prevalence of youth in precarious jobs is also a concern
 - From 10 to 60% of wage employed youth has no contract or no social contributions which make them particularly vulnerable
 - Labor regulations do not apply to employed youth in the informal sector
 - Even in the formal sector, the labor code is often not enforced

Youth LM exclusion: absolute/relative

- Youth LM exclusion has an absolute and a relative dimension
 - The absolute dimension refers to the magnitude of the problem:
 - Unemployment rate among youth
 - Idle/discouraged youth as a percentage of the youth population
 - the percentage of low-quality job holders among youth...
 - The relative dimension refers to the “distance” between youth and adults and measures the extent of inequality by age in the labor market
 - Ratio of youth to adult unemployment/idleness/low-quality job holding; etc...

Why should development partners care about the many dimensions of exclusion?

- Absolute: lack of decent jobs is a major source of income and non-income poverty (health risks, isolation,...)
- Relative: large age inequality can be a threat for social cohesion
- The root causes of the various aspects of youth LM exclusion (absolute/relative; lack of jobs/low quality jobs) are unlikely to be the same and require specific approaches
 - In other words, the operational/policy implications are different!



Example:

- High absolute unemployment/non-employment rates among youth may reflect mostly an overall weak labor demand/jobless growth process
- While a high youth to adult unemployment ratio indicate youth specific barriers that may last even if the economy is picking up
- High incidence of low-quality jobs may indicate the difficulty of micro enterprises to grow (Africa?) or the poor enforcement of the labor legislation (Eastern Europe, China?)



The operational/policy implications

- **STEP 1**: for each dimension of youth LM exclusion, start to identify which kind of policy intervention is most likely to make a difference:
 - Absolute unemployment/non-employment rates: support growth strategies that are sustainable and labor intensive (favorable business environment and investment climate, competition policies, industrial policies...)
 - Relative unemployment/non-employment rates: address specific barriers to youth employment (poor quality of education, lack of work experience, imperfect information, discrimination...)
 - Precarious employment: enforcement of the labor code and the rule of law, empowerment, voice and representation in the workplace, CSR, extension of social protection in the informal sector

The operational/policy implications

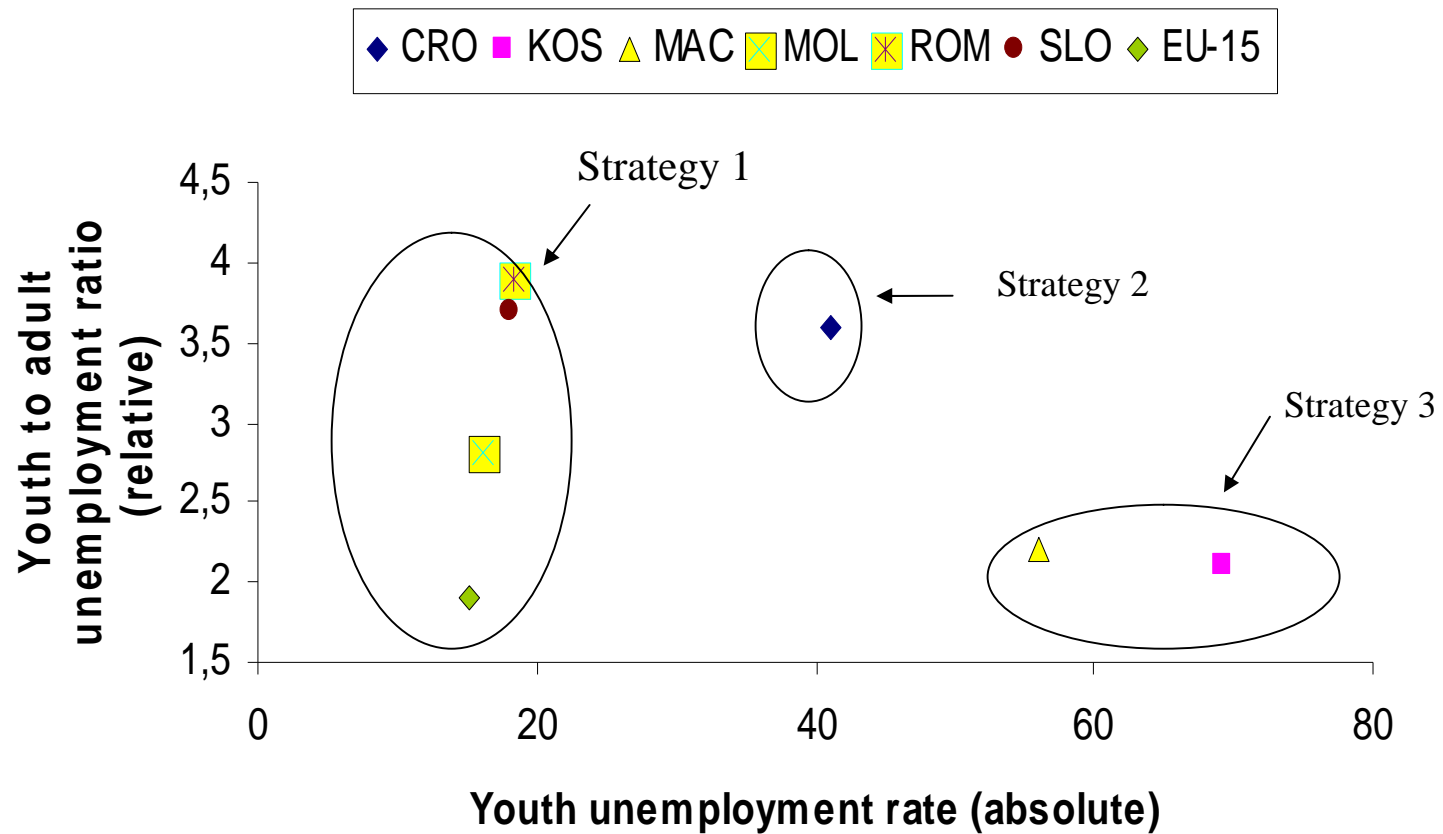
■ **STEP 2:**

- Establish what are the priorities, relying on country specificities
- Remember that there is no single strategy to address the problem!



Example: In the Balkans, countries have different experience in terms of youth unemployment.

Youth absolute and relative unemployment rates in the Balkans





The operational/policy implications

- **STEP 3**: Think about “cure” as well as “prevention” strategies when addressing the relative dimension of youth LM exclusion

The operational/policy implications

■ Examples of prevention or 1st chance programs

- **Education**: reforms aimed at improving the matching between demand and supply of skills
- **Labor market**: reduce labor market rigidities in the formal sector and improve working conditions in the informal sector
- **Initial vocational training**: improvement of current formal systems, development of apprenticeship and flexible training schemes for the informal sector and for potential self-employed
- **Social capital**: support contact between potential employers and employees behind existing formal or informal (nepotism, connections) mechanisms
- **Micro-credits**: improve access among youth through training and coaching
- **Information**: facilitate access to accurate information about careers and labor market needs; sensitize banks so that youth are no longer perceived as having a high risk of default
- **Incentives**: for SMEs, reduce costs of training first job seekers



The operational/policy implications

- **Examples of “cure” or 2nd chance programs**
 - Training/retraining for unemployed youth
 - Non-formal education for school drop-outs
 - Job/wage subsidies for long-term unemployed/discouraged youth
 - Public work for unemployed youth
 - Job search programs



The cost-effectiveness of youth LM inclusion programs and policies

■ What do we know?

– Cure vs. Prevention (OECD)

- Still few rigorous scientific impact evaluation studies
- Impact evaluation studies suggest that prevention programs/policies (1st chance) are more cost-effective than « cure » strategies (2nd chance)



The cost-effectiveness of youth LM inclusion programs and policies

■ What do we know?

– 2nd chance programs (Betcherman, Olivas et Dar; 2004

- Cost-effectiveness highest for job search programs;
- Stand-alone training programs (i.e without psychological support nor coaching/monitoring components) for disadvantaged youth do not seem cost-effective;
- Several job/wage subsidy programs have short-term positive impacts but little or no longer term effects;
- Public work in infrastructure are expensive and have little long term positive effects, but may be useful safety nets in the short term.



The cost-effectiveness of youth LM inclusion programs and policies

- Yes, but....traditional impact evaluation studies hardly take into account a number of positive externalities associated with youth LM inclusion programs
- These benefits are not directly measurable but should be valued and better included in cost-benefit analysis
 - Preservation of human capital (employability) and social capital (participation in society)
 - Reduced permanent emigration which contributes to higher returns of initial public investments in education and health
 - Lower incidence of risky behaviors (hiv/aid, delinquency, crimes, suicide,...)
- More careful and comprehensive impact evaluation studies likely to show lower cost-benefits ratios



Thank you!