

Youth employment, the investment climate and economic development



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Rabat

Outline

Two parts for this presentation:

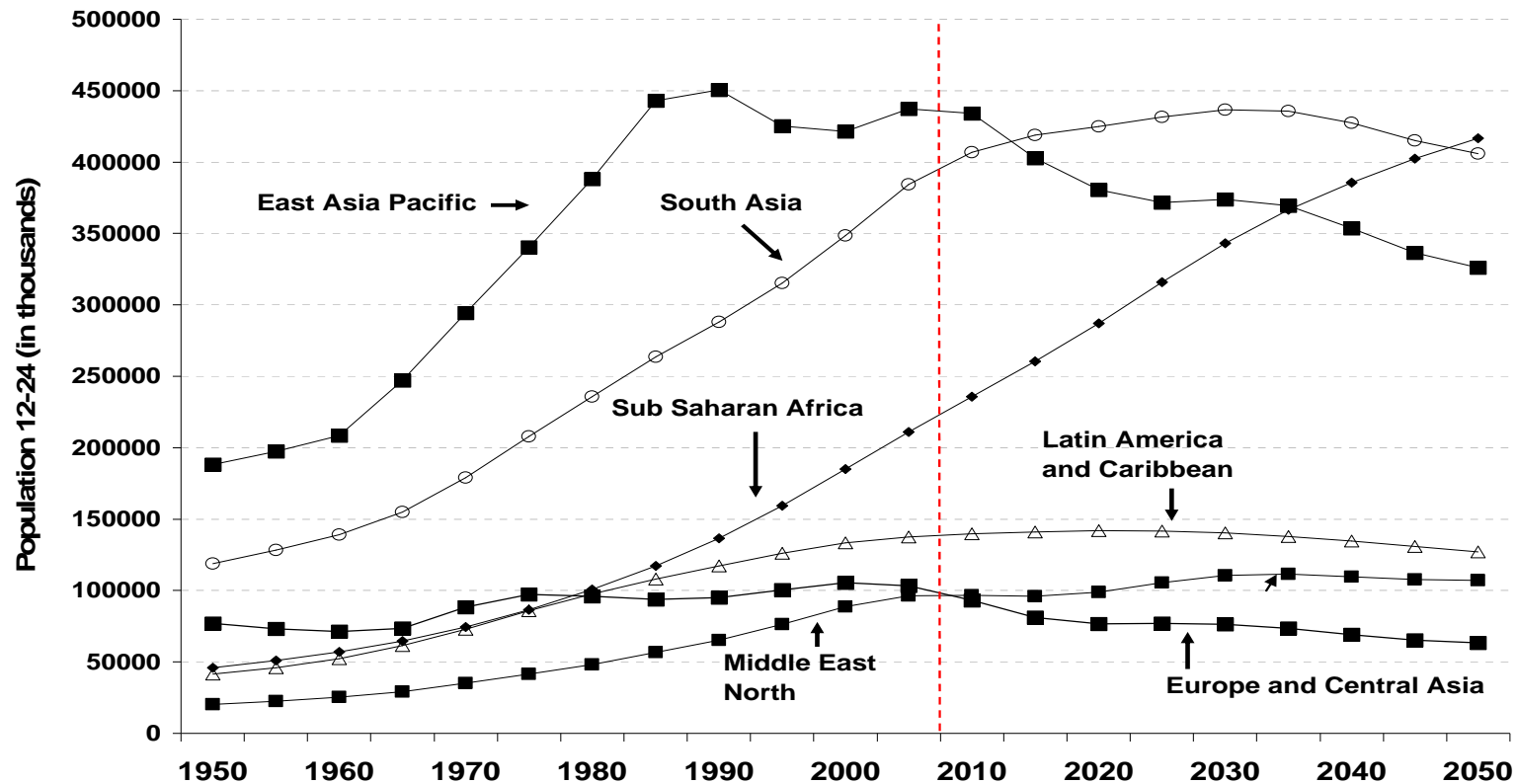
- Youth employment contributes to growth
 - But policies matter
-

How can youth contribute to growth?

- Recall the motivation for the WDR 2007
 - Demographic dividend
 - Increased human capital provides a solid foundation for growth and development
 - More mobile (Geographic, occupations and work status)
 - Social stability improve the investment climate
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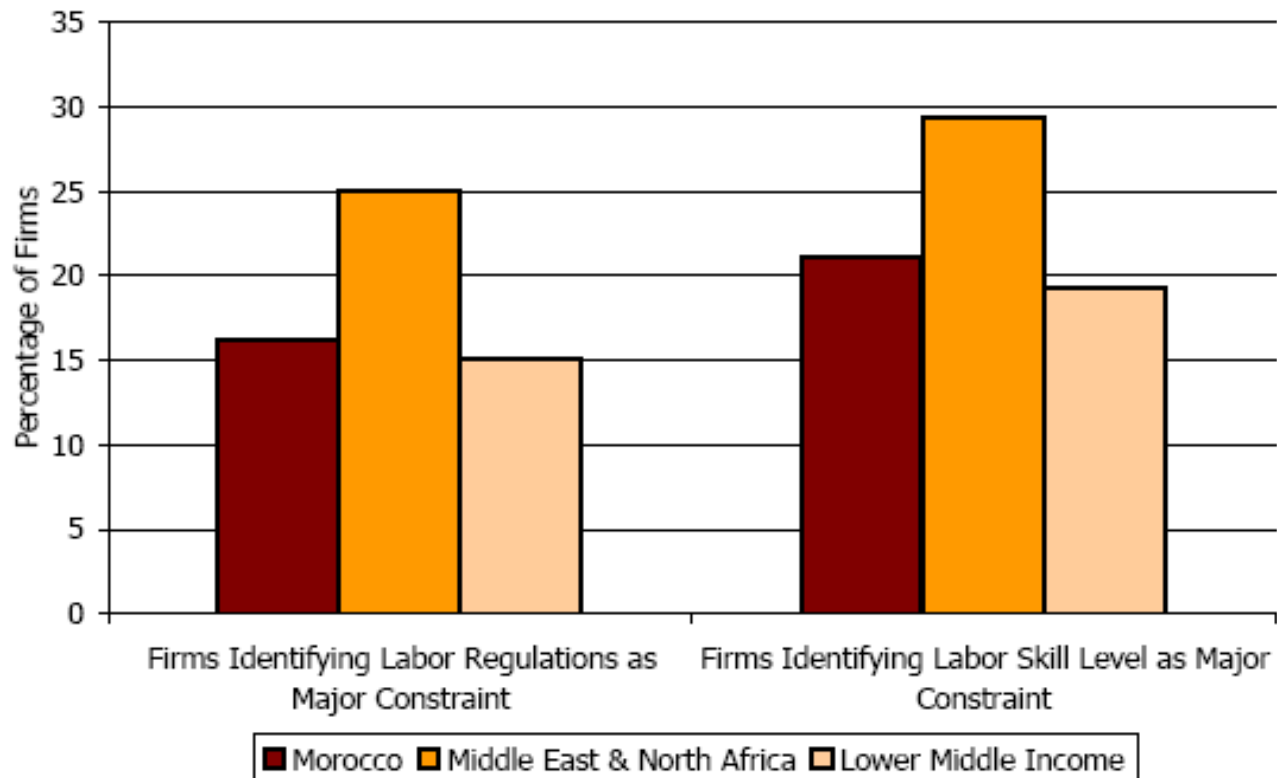
How can youth contribute to growth?

Demographic dividend -- EAP



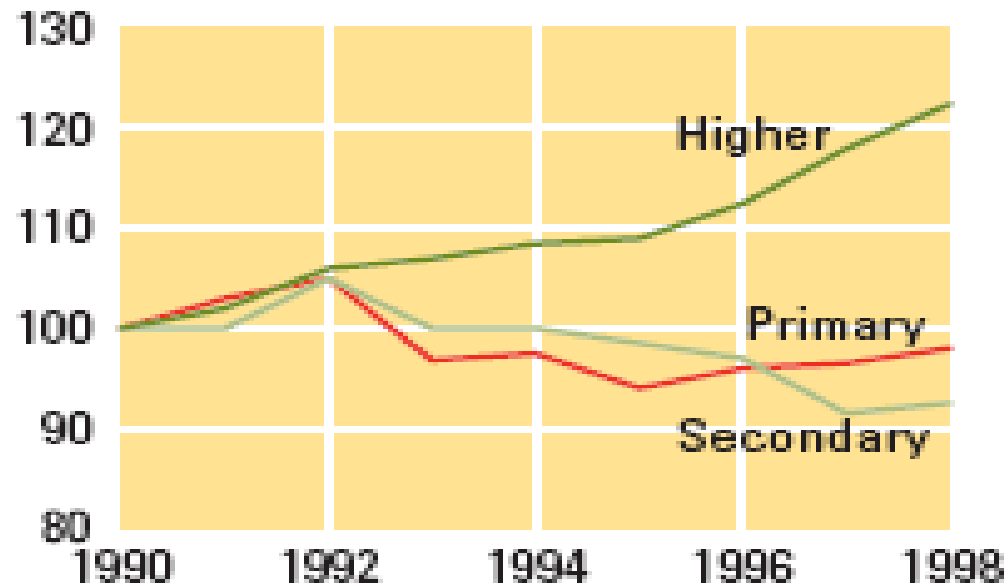
How can youth contribute to growth?

Human Capital, Growth and Skills needed

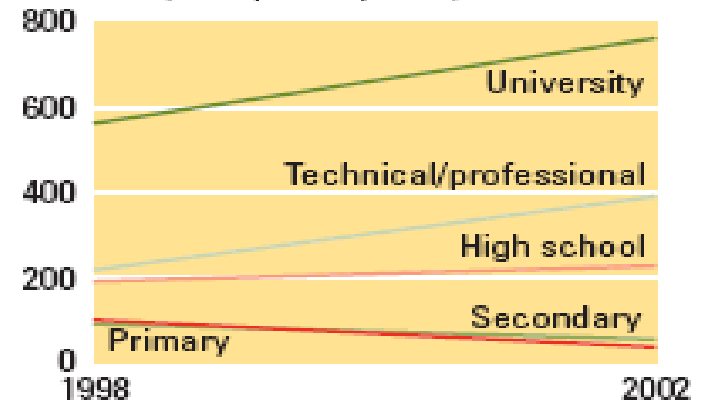


How can youth contribute to growth? Respond to increased demand for higher skills everywhere

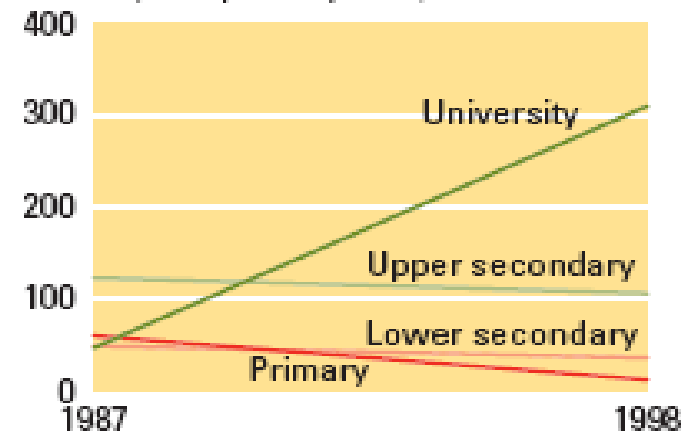
Latin America (1990 = 100)



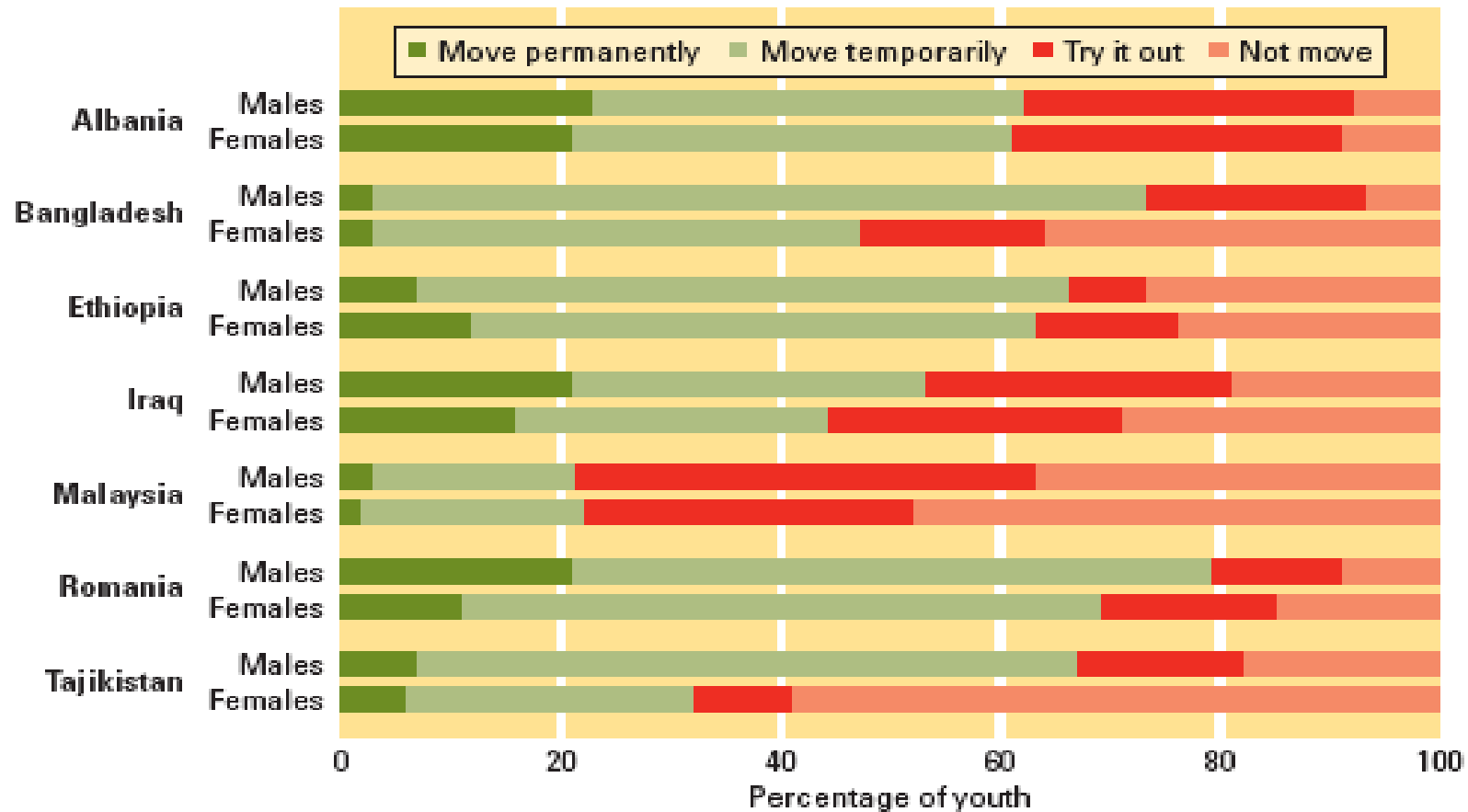
Vietnam (1998 primary = 100)



Ghana (1987 primary = 100)

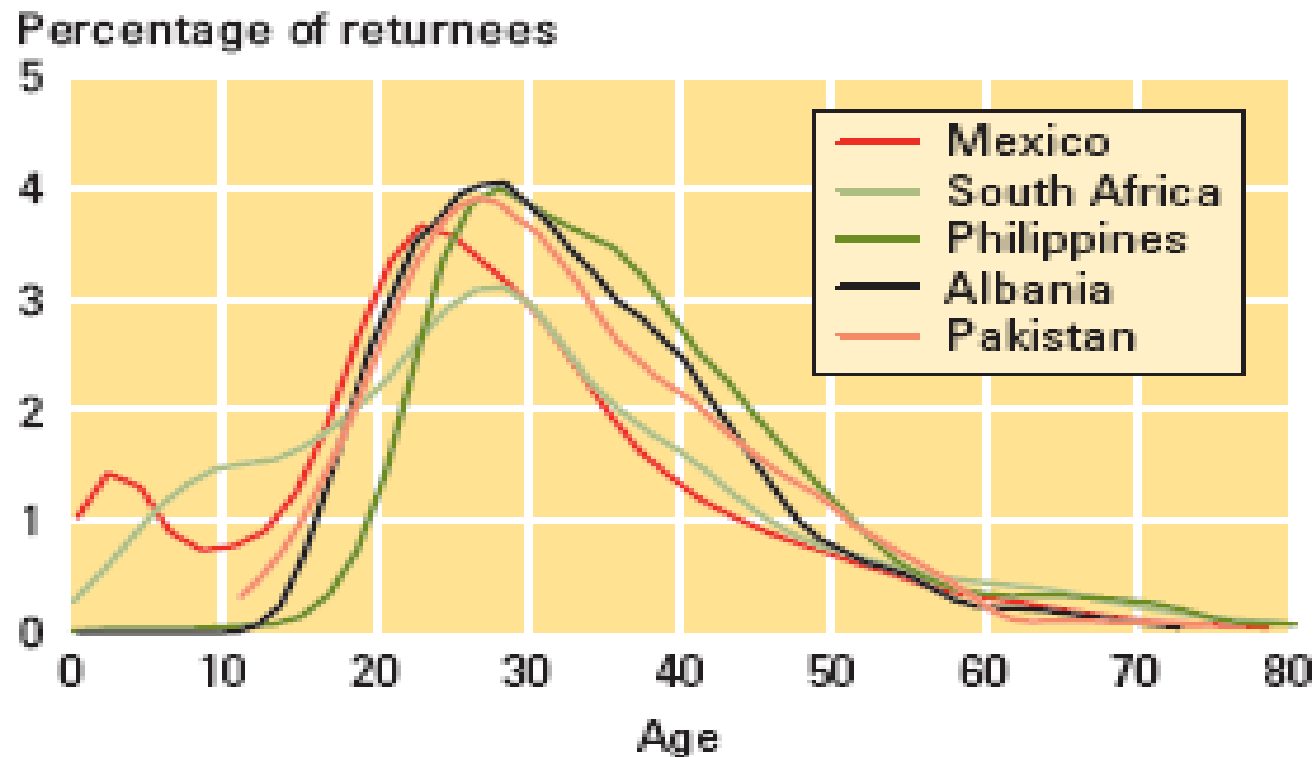


How can youth contribute to growth? More mobile – Migration



Source: WDR 2007 InterMedia surveys. In the survey, youth ages 15–24 were asked "If it were possible for you legally to move to another country to work, would you?"

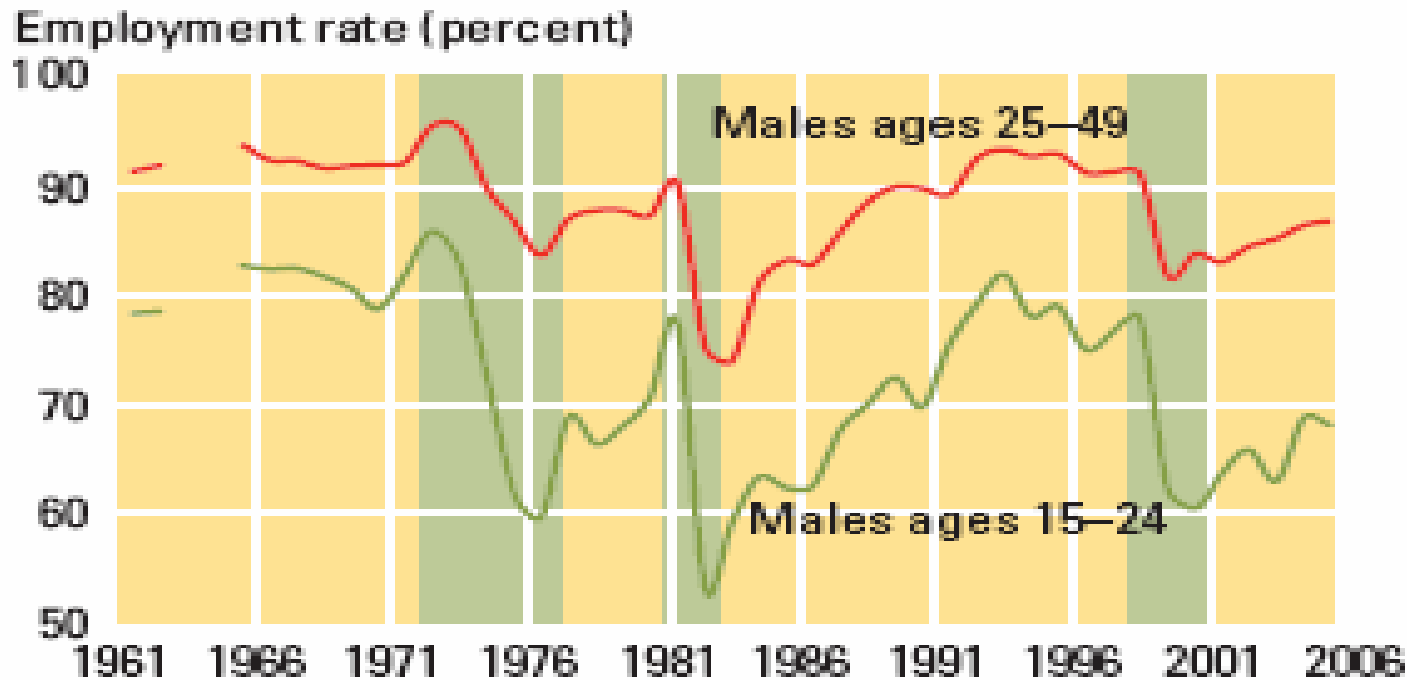
How can youth contribute to growth? More mobile -- Returned Migration



Source: McKenzie (2006a).

Note: Height of each curve represents percent of the flow of total migrants into the country who are of a given age.

How can youth contribute to growth? More mobile -- Provide a margin for adjustment over the cycle



Source: Fares and Montenegro (2006).

Note: Shaded portions represent periods of economic slowdown. Employment series are adjusted for school enrollment.

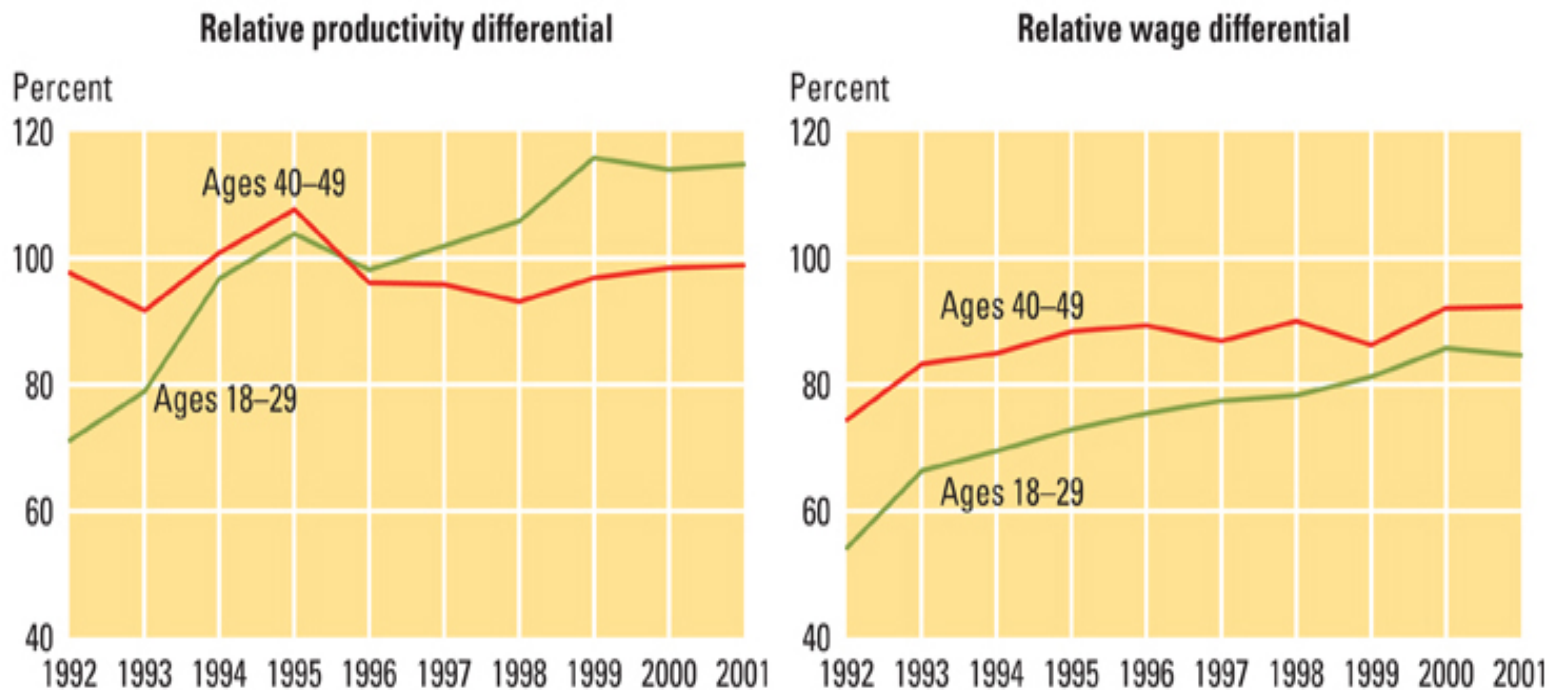
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But policies matter

- East Asia vs. Latin America
 - Capital mobility: Share of youth in the labor market could attract capital/new firms
 - Labor market policies:
 - Slovenia vs Tunisia
 - Higher returns to education when more mobility is allowed
 - Returned migration
 - Youth entrepreneurship (Information and access to capital)
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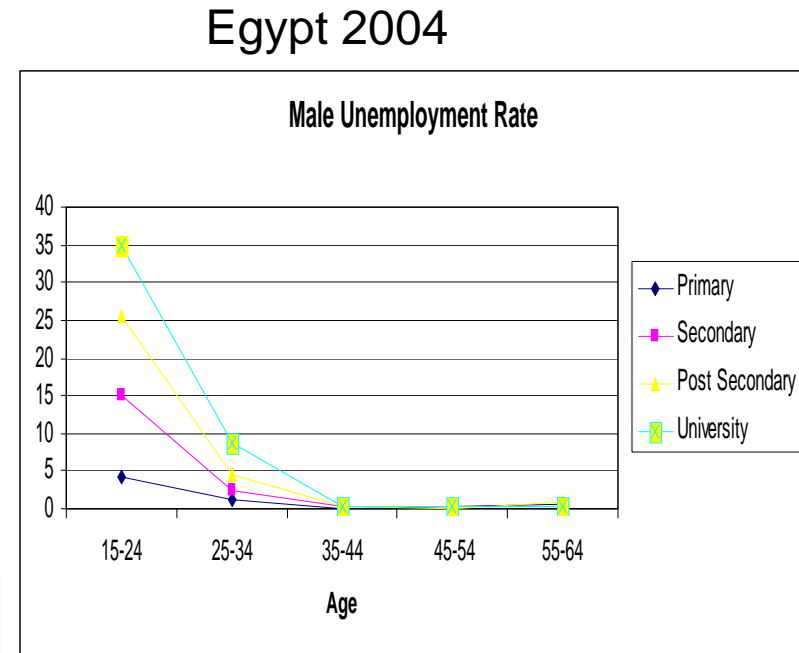
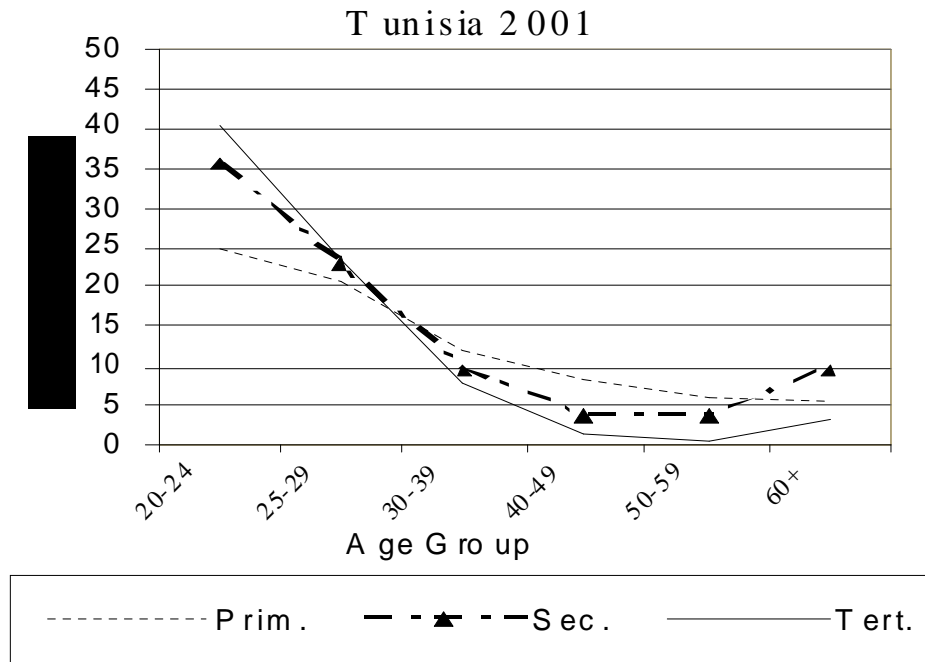
In Transition economies youth productivity was fastest to increase



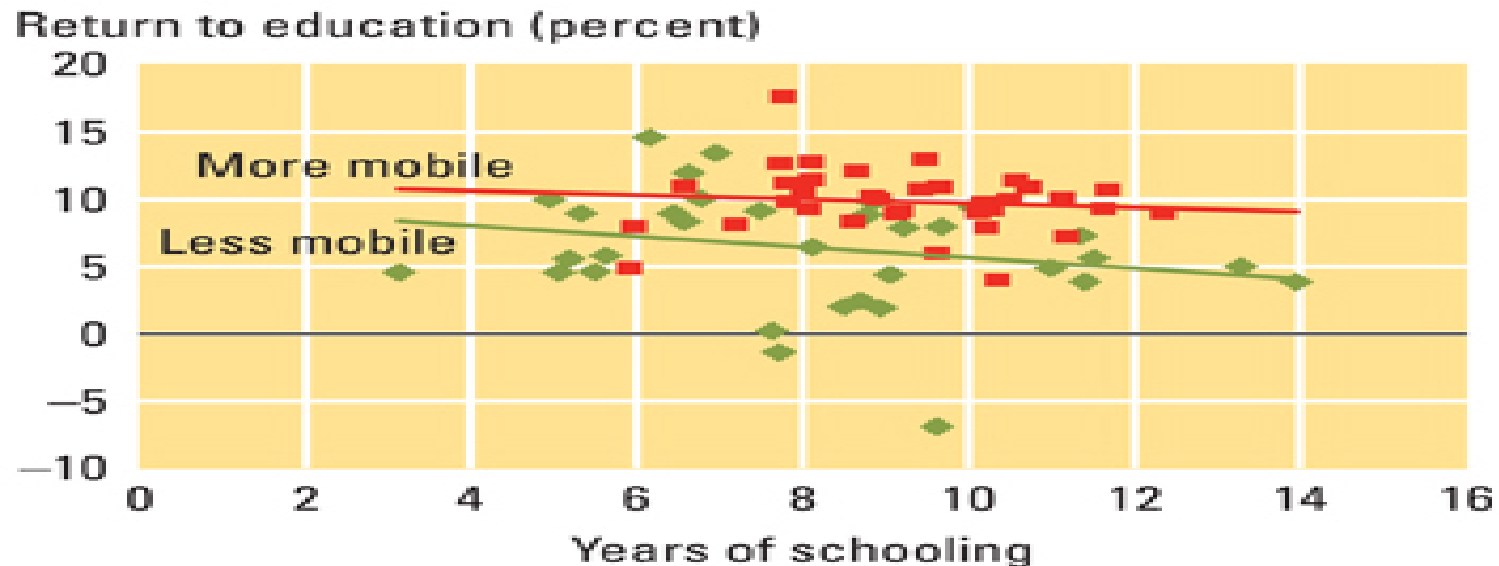
Source: Vodopivec (2005).

Note: The figures show relative productivity and earnings of different age groups compared to a reference group of people ages 50 and above, whose productivity and earnings were normalized to 100 percent.

But entry in the labor market can be bumpy and the transition can be delayed



Returns to education are higher in markets where youth are more mobile



Source: Fares, Montenegro, and Orazem (2006b).

Note: “More mobile” countries have an average return to education of 9.9 percent; “less mobile” countries have an average return to education of 6.4 percent. Countries are classified as “more mobile” and “less mobile” according to the Heritage Foundation Economic Freedom Index. Each data point in the graph represents one country.

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