

What Does the World of Work for 1.2 billion Youth Look Like?

A Vision for the Future Grounded in Today's Realities and Research

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Good afternoon.

Thank you for the invitation to the ILO to address this Conference on one of the most important challenges of our time.

I was invited to provide a vision for the future on the youth employment challenge, grounded in today's realities and research and to share with you some lessons. Let me start by introducing you to the work of the ILO on youth employment promotion.

We support countries in elaborating national action plans for youth employment and in crafting specific interventions in areas that range from skills, to entrepreneurship, to labour market policies, to inclusive finance, employment services and others. So we work on many of the areas of focus of this Conference.

We do research on what works in all these areas, and have three main databases: one on statistics,¹ one on programmes jointly with the World Bank,² and one on national policies. And we build on research and databases to engage in capacity building, knowledge sharing, policy advice and technical cooperation.

The Youth Employment Programme of the ILO currently has an overall portfolio of more than 120 million dollars and is growing fast.

In light of the magnitude of the youth employment crisis, the constituents from the 186 ILO member States decided last year to discuss this challenge in the International Labour Conference of 2012. And previous to this Conference last June, we organized 46 national and regional consultations with young people and a major Youth Forum in Geneva at the end of May.

¹ See www.youthstatistics.org

² See www.youth-employment-inventory.org

So in June, governments, employers and workers engaged in a major knowledge-sharing exercise. During two weeks they exchanged their knowledge and experience on youth employment and agreed on a set of conclusions entitled: “*The Youth Employment Crisis: A Call for Action*”.³

The *Call for Action* is really a Global Strategy and Action Plan: it provides a series of guiding principles and a detailed policy portfolio of tried and tested measures; it emphasizes the key role of partnerships; it declares that “youth are part of the solution, their voices should be heard, their creativity engaged, their rights respected...”; it calls on “governments, the multilateral system, the G20 and all relevant national, regional and international organizations” to tackle the issue, and it asks the ILO to take a leadership role.

The vision I am going to present today is very much based on this document and these discussions.

I invite you to study these conclusions carefully, to disseminate them and to take them into account in your work. And we will be happy to explore further partnerships and collaboration with all of you.

With this background, let me begin with the realities.

I. The realities: Where are the 1.2 billion young people today? And how does the world of work look like today for them?

There are indeed 1.2 billion people in this planet today between 15 and 24 years of age, this is nearly 17% of the world’s population.

90% of them live in developing countries, more than 55% of them in Asia. Only 10% live in developed countries.

Some of the major challenges are in Africa and Asia. In Africa the average age of the population today is 19 years old. By 2050 roughly half of the planet’s extra 2.3 billion people will be in Africa. This demographic reality means that the overall unemployment and underemployment problem in most African countries in the next decades is really a youth employment problem.

Now, how does the world of work look like today for these 1.2 billion young people?

³ The text of the resolution and conclusions can be found on the ILO website at: www.ilo.org/youth. Also available is the background report *The Youth Employment Crisis: Time for Action*, Geneva, 2012.

The situation is very differentiated between developed and developing countries, and even between regions and countries. Young people find themselves in very different predicaments vis-à-vis the labour market.

Furthermore, young people should not be viewed as a homogeneous group just because of their age. Among them, there are particular groups that are more vulnerable than others. While the gender gap has been closing, young women are still at a disadvantage. Female unemployment in most cases is higher than for males in spite of lower participation rates.

No single measure or indicator captures this complex, multidimensional reality. But let me tell you about the main numbers and trends.⁴

- Globally youth unemployment is reaching unprecedented proportions. Of the world's estimated 200 million unemployed people, about 75 million are young people, this is 4 million more than in 2007. With a 12.7% unemployment rate, young people are three times more likely than adults to be out of a job. And even this high unemployment rate does not count the at least 6 million young people, mostly in developed countries, who are discouraged, out of the labour market and thus not counted as unemployed.
- In most developing countries open unemployment and even discouragement are important but not the main issues. The main situations instead are working poverty, educated but unemployed, and the NEETs (Not in Employment, Education or Training). Since in developing countries large numbers of young people do not have the luxury of unemployment benefits or social protection they have to work, supporting their families, and in survival activities. We estimate that more than 200 million young people work but earn under US\$ 2 a day, mostly in the informal sectors of developing countries.
- In developed economies, in addition to unemployment and discouragement, the crisis increased the proportion of young people in temporary employment and part-time work. In the European Union, for instance, the proportion of youth employees with temporary contracts increased from 35.2 percent in 2000 to 42.2 percent in 2011. Between 2008 and 2011 youth part-time employment increased by 11.8 percentage points in Spain and 20.7 percentage points in Ireland. Traditionally, in the EU youth are four times more likely than adults to have temporary jobs, however, since 2008 the increase in the share of temporary employment for youth accelerated and was more than double the increase for adults. If you are studying having a temporary job is not necessarily bad. 41% of the youth working as temporary employees in the EU in 2010 were students. But the data suggests that temporary work has increased as an option of last resort, because more than one in three young people state that they could not find a permanent job. Another

⁴⁴ See ILO *Global Employment Trends for Youth 2012*, Geneva.

dimension of this problem is the issue of “serial internships” for graduates desperate for employment but that can only find internship after internship.

So there is a major problem with the quality of work for young people, in both developed and developing countries. In developed countries employment deficits have a strong cyclical component, but with a high risk of becoming structural. In developing countries it is mostly structural and previous to the crisis.

Two additional situations are significant in both developed and developing countries:

- The NEETs for instance, often constitute at least 10 per cent of the youth population. Disconnected from both the world of work and the world of education and training, this is the group most vulnerable to risky behaviors such as violence, drug addiction, gang activity, and others. In the United States the NEET rate was 15.6 per cent in 2010 whereas the average for the OECD was 12.8 per cent.
- Yet another category that has become disconnected from the world of work, or have been forced to migrate in search of opportunities, are the educated unemployed. These are young people that have managed to go to school and college, but for whom the transition from school to work has become longer and more insecure. In countries such as Tunisia and Spain they are a significant number.⁵

Persistent youth unemployment and underemployment carry very high social and economic costs and threaten the fabric of societies. And there is plenty of evidence that failure to generate sufficient decent jobs results in long-lasting “scarring effects” on young people and raise fears of a “lost generation”.

⁵ Several factors explain the incidence of the educated unemployed: (1) they are often caught in the work-inexperience trap: they have no experience to show in their job applications simply because they have been unable to get a job or apprenticeship in the first place; (2) educational and vocational training systems that are not well attuned to the demands of companies in terms of technical or non-technical skills leading to so called skills-mismatch; (3) the skills mismatch problem can also have a structural origin. In countries that experienced a housing or construction boom and bust, the new sectors that can create employment usually have different skills requirements and therefore may not be able to absorb the unemployed young people from the shrinking sectors. In countries like Spain, this is a particularly serious problem leading also to discouragement and rising NEET rates; (4) the “first-out and last-in” pattern for youth as they are more likely to be fired before adult workers in a downturn and the last to be hired during a recovery; (5) poor working conditions and low-skill profiles of existing jobs which do not utilize or provide a good return on education and training; (6) a fundamental barrier is present in countries and sectors where companies are not hiring because they do not have enough effective demand and the recovery is weak. All these barriers stimulate growing numbers of educated unemployed to migrate to other countries in search of opportunity.

Are these global trends about to improve?

Are these global trends about to improve? Unfortunately, we do not expect so for the global averages. Last week we published new youth unemployment projections up to 2017 based on the IMF growth projections.⁶

We find that global youth unemployment is set to remain high at 12.6%, or possibly even rise on average globally, as the impact of the Eurozone crisis spreads to other regions. East Asian and Latin American economies are slowing down. World trade has also decelerated sharply. And weak growth translates of course into weak labour markets.

A return to high and sustained growth rates would take major coordinated policy efforts, the end of the deleveraging in key economies, and more effective solutions to the Eurozone debt crisis. This is not impossible, but as of today looks very problematic, to say the least.

But averages are only a first approximation to country realities, there are enormous variations in economic and employment performance between regions and countries. Think of Spain and Greece where youth unemployment is more than 50% while in Germany and Switzerland it is less than 10%.

Therefore, the global numbers I have presented should not to be taken as a prophecy of inevitable doom or a fatalistic acceptance of some “new normal”. On the contrary, my message to you is yes, the recovery has been weak and there are still heavy clouds in the horizon, but we must urgently invest in youth opportunities, because we also know that policies and interventions matter and can make a great difference. I will come back to this in a few minutes.

II. Youth Voices

As I said, at the ILO we have been listening hard to young people. As preparation for the June Conference we organized 46 national and regional consultations with young people with close to 5000 participants in total and a major Youth Employment Forum in ILO Headquarters in Geneva at the end of May.

We heard many testimonies in these events.⁷ Although the themes and perceived constraints vary depending on national specificities and context, there were some recurrent issues and barriers:

⁶ See *Global Employment Outlook*, available at http://www.ilo.org/global/research/global-reports/global-employment-trends/2012/WCMS_188810/lang--it/index.htm.

⁷ There is a report for each region, as well as a global report (available at www.ilo.org/yep).

- First, a recession or a growth model that is too dependent on capital intensive or extractive industries is a killer of opportunities. So is a deficient environment for entrepreneurship.
- Second, the problem is not only too few jobs but low quality jobs such as temporary contracts and part time work. Limited access to social security for young people was also frequently mentioned as a very important contributor to low quality jobs.
- Third, the skills mismatch challenge was also amply recognized.
- Fourth, inadequate information services for job matching and ineffective career guidance services make it difficult and costly for young job seekers to anticipate employment opportunities and to signal their skills and availability to potential employers.
- Fifth, the work inexperience trap was widely discussed, the paradoxical situation where young people are not hired because they lack work experience and they lack work experience because they are not hired. /Participants discussed the strengths and weaknesses of different possible solutions to this, such as apprenticeships, internships, and incentives to employers to hire inexperienced young workers.
- A sixth recurrent theme was the narrow exposure of young people to entrepreneurship education and training, and the limited access to financial, physical and social capital, the lack of venture capital and angel investors, and the absence of incubators or proper IT infrastructure.
- Seventh, young people stressed that effective youth employment initiatives must involve them in policy dialogue an in concrete platforms, partnerships and programmes.
- Finally, social discrimination and stereotyping was also widely discussed, whether based on gender, race or ethnicity.

In a myriad of different ways young people kept coming back to one or several of these as barriers to their dreams of getting a decent job, of improving upon the standards of living of their parents, of becoming independent adults⁸ and full and proud members of their communities. But young people also saw many ways to remove these barriers and improve their opportunities.

III. An infrastructure of economic opportunities for young women and men

So how can we move forward? The policy vision I want to share with you is based on the conclusions of the 2012 International Labour Conference and ILO experience, research and lessons based on evaluations of what works, by us and others.

⁸ Many young people expressed concerns about the need for them to move back with their parents when leaving university does not lead to jobs, or having to postpone starting their own families. For a country, a combination of low youth employment and ageing society may be a disastrous mix for the future: long-term low productivity of young people combined with a rising dependency rate.

According to this vision the role and main objective of policies and partnerships is precisely to create an infrastructure of broad and equal decent work opportunities for young women and men. And there are plenty of actions that can be taken to remove the list of barriers I just mentioned. In fact, the parallel tracks in this Conference are all spot on in key areas of opportunity.

Governments have a key role to play, but it is a shared responsibility, it is everybody's business to do this. As the ILO Call for Action states: "Nothing short of strong collective action and partnership at the national, regional, and global levels will succeed in changing the dire situation of young people in labour markets for the better".

According to this vision, in addition to the cyclical shocks and volatility, there are also profound structural megatrends driving transformations in the world of work. One should be aware of them, as they are the ones shaping the future and bringing new realities, business models and methods of work around the corner:

- I have already mentioned demographic trends;
- technological innovations are also changing the nature of work opening huge opportunities but also transforming and destroying old methods of production and work;⁹
- there is also a new economic geography associated with the dynamism in the emerging South; and
- a new geography of skills is changing the nature of global competition for talent and making the idea that developed economies have the monopoly of having smart people doing smart things in smart ways no longer valid;¹⁰
- global value chains in manufacturing, services and agriculture are accelerating transformations;
- as are the energy-efficiency and low-carbon growth imperatives, and climate change.¹¹

These and other megatrends are producing new waves of creative destruction and transforming labour markets. And it is the role of education, training, employment, labour market and social protection policies to smooth the transitions and prepare workers for these changes. Only through these policies can we ensure that the storms of creative destruction lead young people to a better place.

⁹ See McKinsey Global Institute: *The World of Work: Jobs, pay, and skills for 3.5 billion people*, June 2012; and *The Social Economy: Unlocking value and productivity through social technologies*, July 2012.

¹⁰ Oxford Economics, *Global Talent 2021: How the new geography of talent will transform human resource strategies*, 2012. Available at: <http://www.towerswatson.com/research/7656>.

¹¹ See ILO-UNEP, *Working Towards sustainable Development: Opportunities for decent work and social inclusion in a green economy*, Geneva, 2012. Available at: http://www.ilo.org/global/publications/ilo-bookstore/order-online/books/WCMS_181836/lang-en/index.htm; as well as: *ILO Skills for Green Jobs: A Global View*, 2011, at www.ilo.org/skills.

Let me comment briefly on five key areas of policy intervention, five major building blocks where we all must work to build an infrastructure of broad and equal economic opportunity for young people.

1. Employability, education, training and skills

The first building block is education and skills. Much has been done and much has been learned about this.

School enrolment has improved very significantly in many countries, but what is often not working is quality. Major deficits remain on the quality of education and training and their relevance to labour market requirements. 130 million young people are estimated to be without basic reading, writing and numeracy skills, early school leavers represent an increasing segment of disadvantaged youth.

Huge opportunities lie in improving the links between the world of education and training and the world of work. There are many measures and mechanisms that work, if well designed. They include:

- close dialogue between business and education and training institutions;
- improving the range and types of apprenticeships and internships;
- developing skills strategies as part of sectoral policies in close partnerships between companies and training institutions;
- expanding the reach of formal education and training through distance-learning strategies. New technologies, connectivity and social networking are having revolutionary consequences in access to information and in democratizing opportunities for continuing learning.
- Access to good employment services has been shown to decrease the job search period. Increasing investments in training without building up the capacity of Public Employment Services, is like building a road and stopping before constructing the bridge to the final destination... in this case a good job.
- In many developing countries, informal apprenticeships continue to be the largest provider of skills for young people. Improving these systems is a major area of opportunity throughout much of Africa and Asia.¹²

Other key measures that work are:

- mechanisms for early identification of potential early school leavers and for ensuring they stay in school;

¹² See ILO, Skills for Employment Policy Brief, *Upgrading Informal Apprenticeship Systems*, 2011. Available at http://www.ilo.org/wcmsp5/groups/public/---ed_emp/---ifp_skills/documents/publication/wcms_167162.pdf

- second chance initiatives targeted at young people who are neither in employment, nor education or training;¹³
- systems of recognition of prior learning.
- Cash transfer or food transfer programmes can be very effective in ensuring young people stay in education and training if integrated into broader social protection strategies.

2. Labour market policies

A second building block for a society of broader opportunities is labour market policies. If well targeted they can benefit the most disadvantaged and promote greater equity and social inclusion.

These include Public investment and Public Employment Programmes that can make a big difference particularly in countries with low labour demand.¹⁴

Many countries have introduced temporary contracts to ease hiring of young people. And yes, they can smooth entry but they can also trap young people in a vicious circle of temporary jobs and unemployment. This is a very difficult and controversial issue, too rigid labour legislation can indeed produce a dual labour market in which insiders are overprotected and outsiders find it difficult to get formal permanent jobs. The challenge is to strike a fair balance between labour market competitiveness and flexibility and the right of workers to security. Social dialogue is key to strike this balance in the specific circumstances of each country.

Employment or training guarantee schemes for young people, such as those in Austria, Denmark, Finland, Norway and Sweden, that combine active labour market policies with incentives for employers to hire, can help get young job-seekers off the street and into useful activities and decent work. We have estimated that such programmes can reach out to 100% of the unemployed youth in European countries and the United States at a cost that oscillates between 0.1 and 0.4% of GDP.

Good practices in Active Labour Market Policies demonstrate that conditionality, activation and mutual obligation can successfully promote early exits from unemployment and avoid issues of welfare dependence.

¹³ See ILO, Skills for Employment Policy Brief, *Skills for Disadvantaged Youth*, 2011, at www.ilo.org/skills.

¹⁴ See M. Lieuw-Kie-Song, K. Philip, M. Tsukamoto, M Van Imschoot, Towards the right to work: innovations in public employment programmes, ILO, Employment Working Paper 69, 2011. Available at: http://www.ilo.org/employment/Whatwedo/Publications/working-papers/WCMS_158483/lang--en/index.htm

In a partnership with the MasterCard Foundation the ILO is enabling national statistics offices and labour ministries to carry out school to work transition surveys in 28 countries to identify precise obstacles and develop national strategies and capacities to remove them and smooth the transition.¹⁵

3. Youth entrepreneurship and self-employment

A third building block is Youth entrepreneurship. Many governments, business associations, International Organizations, including the ILO, donors and NGOs are working and investing on promoting youth entrepreneurship. Interventions range from entrepreneurship education to business development services to incubators, accelerators, mentoring and others.¹⁶

Unfortunately, something that is missing in this field is rigorous evaluations. A recent study commissioned by the UK Department for International Development (DFID) to scan all evaluations and studies worldwide on youth entrepreneurship promotion, concludes that the existing literature is undermined by a lack of rigour and that it shows little awareness of the fundamental principles of good evaluation.¹⁷ We have a major knowledge gap in this specific area.

What we do know is that youth entrepreneurship training can be most effective as part of an integrated approach that also improves key elements of the enabling environment, such as access to finance, improving regulations to lower the costs of starting and operating a business, and management training for SMEs. All these types of interventions and others work. The promotion of sustainable enterprises, under a specific ILO approach, is one of the pillars of our work on promoting productive employment and decent work.

Financial services and capabilities and enterprise development are, quite rightly, two of the parallel tracks in this conference. I want to commend the work of Making Cents in these areas. I found particularly interesting the report of the 2010 Global Youth Enterprise and Livelihood Development Conference that presents the “key ingredients” that are necessary to include in programming and policymaking. This corroborates the importance of integrated packages that include a broad range of services.

¹⁵ See www.ilo.org/yep/w4y

¹⁶ A major programme in the ILO is the promotion of women entrepreneurship, strongly supported by Irish Aid. The WB-ILO Inventory of Youth Employment projects, that has more than 500 entries, suggests that in 2011, youth entrepreneurship promotion initiatives constituted 20 per cent of all youth programmes, making it the second most important after skills training.

¹⁷ M. Hart, J. Levie, A. Thorpe, M. Karim, *What Capacity Development Services are Most Effective in Improving Young Entrepreneurs' Business Performance and their Human Capital: A Literature Review*, Aston University, University of Strathclyde, 2012.

4. Rights for young people

Our fourth building block is labour rights for young workers. Policies to promote youth employment should not disregard nor weaken the protection of labour rights, they should not lead to discrimination at work for instance. There is a list of international labour standards that are particularly relevant. You can read this list as an Annex to the *Call for Action* document. This includes issues such as ensuring that minimum wages for young workers are observed, as well as appropriate occupational safety and health and social protection.

5. Employment and economic policies for youth employment

The fifth building block are macroeconomic and sectoral policies. Because there is no supply-side fix for the youth employment challenge. High and sustained growth is essential, and so is the quality of that growth in terms of its employment content, and for this, sectoral policies are key. Sectoral and trade policies mindful of the balance between dynamic agriculture, manufacturing and services sectors, and making the most of export potentials, can influence job creation for young people by encouraging economic diversification and accelerating productive transformation.

And as I already said, macroeconomic authorities must recognize their responsibility, because fiscal effort is necessary for employment policies targeting youth, which should not be sacrificed in the name of fiscal consolidation and austerity.¹⁸ We observe that Youth employment is a rising priority in national policy agendas around the world. This is good news. But often the priority is not sufficiently translated into action, funding is limited, resources underestimated. Making youth employment an effective priority requires decisions to allocate adequate and predictable funding. These investments should have a space in national budgets. I cannot overemphasize the importance of this point. This is not just a responsibility of ministers of labour, or of line ministries for the productive sectors, it is a challenge for ministries of finance and the macroeconomic authorities.

Concluding remark

In conclusion, clearly there is a lot we know about what works but also many aspects where we do not really have the answers. So there is a large knowledge agenda to be developed. Documenting and cataloguing successful initiatives and partnerships and better understanding the underlying models is extremely important. We at the ILO are working on it, and so are all of you, and I congratulate Making Cents as this Conference is one of the major knowledge sharing forums on the subject. Thank you for your commitment and for your attention.

¹⁸ Matsumoto, M., Hengge, M., Islam, I., *Tackling the youth employment crisis: A macroeconomic perspective*, Employment Working Paper No 124, Geneva, 2012.