

BACKGROUND PAPER

Expert Group Meeting on Jobs for Youth: National Strategies for Employment Promotion

I. Background

In the Millennium Declaration adopted by the General Assembly in September 2000, Heads of State and Government resolved to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work.”¹ In pursuit of these goals, the Secretary-General, together with the heads of the World Bank and the International Labour Organization, convened a High-level Panel of the Youth Employment Network (YEN), comprised of twelve eminent persons drawn from leadership positions in private industry, civil society and economic policy. Following its initial meeting in July 2001, the Panel developed a set of recommendations on youth employment, calling for a global alliance and a guide to action for achieving decent work for young people.

The Panel identified four top priorities for youth employment, known as the four E’s: employability; equal opportunities for young men and young women; entrepreneurship; and employment creation. Separate working groups of the High-level Panel were formed to address each of the four priority areas in greater detail. The United Nations Division for Social Policy and Development of the Department of Economic and Social Affairs has agreed to act as secretariat for the working group on employment creation, which aims to place job creation for youth at the centre of economic and other policymaking. The following paper is intended to stimulate thinking among independent experts and members of the working group on employment creation of the Secretary-General’s Youth Employment Network on ways and means of creating jobs for young people.

II. Introduction

With an estimated 70 million young women and men around the globe unemployed – accounting for nearly 40 per cent of the 180 million workers unemployed worldwide – and many more underemployed, the need for employment creation efforts focusing on youth is undeniable. Overall, youth are two to three times more likely than adults to be unemployed. The situation is particularly critical for young women, who suffer higher rates of unemployment than young men in the majority of economies.

Young women and men warrant special attention because jobs provide not only a source of income, but also of dignity and self-respect. Sustained unemployment can make youth vulnerable to social exclusion, as youth who enter the workforce with limited job prospects, underdeveloped skills, and inadequate education are most at risk for long-term unemployment, intermittent spells of unemployment and low-wage employment throughout their working lives. Furthermore, youth unemployment and poor jobs

contribute to high levels of poverty. Focusing employment creation efforts on youth could help reverse these trends, and spell the start of active and productive workforce participation and the promotion of social integration.

Youth unemployment rates tend to fluctuate in line with overall unemployment rates, illustrating the close tie to general economic trends. Yet during times of recession, the rise in youth unemployment tends to be more substantial than the concurrent increase in adult unemployment, supporting the notion that youth are the first to be laid off during economic downturns.² These findings suggest that many employers view youth as being the most expendable if layoffs and downsizing become a necessity. Accordingly, lack of aggregate demand may only partially explain the youth unemployment problem.

Several policy instruments are available to fight economic downturns and avoid higher open unemployment and underemployment, sectoral shifts in employment, declining wages and earnings, changes in labour force participation, migration and informalization of the labour market. These include monetary, fiscal, trade and exchange rate policies. In Southeast Asia, for example, the role of expansionary fiscal policies in the context of the economic crisis of the late 1990s is well recognised. Although most countries of the region had budgetary deficits before the crisis, the magnitudes were within reasonable limits – except in Malaysia and to some extent in the Philippines – thus giving room for the adoption of expansionary policies. The effects of increased public spending produced quick and positive impacts on employment and incomes. Further, through the multiplier effect, future incomes and employment are likely to grow, assuming that crowding out effects on private investment are not significant.³

Some encouraging news, however, is that in most economies, with the exception of the United States and some transition countries, the share of youth unemployment to total unemployed decreased during the 1990s. This suggests a decline in the youth labour force (possibly owing to longer participation in education), as well as a decline in the number of unemployed youth (possibly owing to economic expansions of many economies during the 1990s).⁴ With the economic slowdown of 2001 and 2002, however, there are signs of a reversal of this trend – a factor which highlights the need for counter-cyclical macroeconomic policies to spur employment creation for youth. Nevertheless, it is clear that the promotion of youth employment remains a tremendous global challenge.

III. Strategies for Employment Creation

Although the issue of employment creation for youth cannot be dealt with independently of the other dimensions of youth employment, the focus of this expert group meeting will nonetheless be on placing employment creation at the centre of macroeconomic and other public policies. Other considerations that are integral to the employment creation effort, such as improving the supply of youth labour through investment in education and training, will not be addressed in any detail here.

Employment-intensive growth

As was pointed out in the report on the implementation of the outcome of the World Summit for Social Development, employment creation policies have often been neglected in favour of macroeconomic policies aimed at stabilization, fiscal prudence and budgetary balance.⁵ When surveyed, governments expressed a divergence of opinion as to whether employment could best be achieved indirectly, by putting in place “sound macroeconomic policies”, or directly, by explicitly modifying and targeting such policies to foster employment creation.

Although few would disagree that sustainable, long-term economic growth is the best way to create employment, many would also agree that improved economic growth in and of itself is often not enough, particularly when special groups such as youth are concerned. Thus as the High-level Panel of the YEN recommended, employment creation must be placed at the centre of macroeconomic and other public policies. To this end, added attention is being paid to increasing the employment intensity of economic growth, especially in the rapidly expanding sectors of the economy.

For this purpose, governments can put in place incentive structures that would promote employment-intensive growth through directing investment to sectors that are most employment intensive. Labour-intensive manufacturing industries, including garments and textiles, electronics, leather products and food processing, have traditionally provided a key source of employment opportunities in developing countries. As these industries can produce for the world market, the incentive structures – through tariffs or the exchange rate policy, for example – and the global trading system can contribute to employment growth by facilitating the flow of exports of these goods.

The government of Egypt, for example, has come up with a multi-pronged programme for combating unemployment.⁶ To promote employment-based economic development, the programme calls for restructuring government expenditure and directing it towards small, labour-intensive projects that will produce jobs, as well as directing economic efforts towards exporting by raising the competitiveness of domestic products and creating incentives for exporting companies. Furthermore, the government proposes to encourage investment by resolving conflicts between investors and government bodies; updating investment incentives to include labour intensive projects that provide quick return; developing promotional tools about investing in the country; and developing bodies dealing with economic transactions to improve their effectiveness in investment.

Role of the public sector

An important factor in placing employment creation at the centre of macroeconomic policies is the sustained commitment and involvement of the public sector, most notably the ministries of labour. Yet the public sector in many countries, and the labour ministries in particular, have a diminished capacity to play a key role in research, policy development and implementation of labour market policies. Due in part

to structural adjustment policies, ministries of labour have suffered deep cuts in their staffs and budgets, and have been further marginalized from the process of economic policy making. Overall, this has hampered the ability of many countries to successfully integrate labour market policies within the macroeconomic framework.

Despite these drawbacks and constraints, the public sector can still play a fundamental role in job creation for youth. One is as a direct employer, by hiring youth in public administration or for public works projects. Another is through forging public-private partnerships, and enacting policies that promote and encourage private sector job creation for youth.

Public works projects

Public works projects have traditionally been an important source of new jobs, particularly for vulnerable groups such as youth. Moreover, labour-intensive public works, which have been used for both regular infrastructure development and as a means of responding to crisis situations, have been demonstrated to have a positive impact on economic development. For example, labour-intensive public works projects have been shown to be cost-effective and competitive when compared with equipment-based methods in the rehabilitation, maintenance and development of infrastructure, including rural roads, environmental rehabilitation, irrigation and urban slum upgrading schemes.⁷ A potential area of concern, however, is that the construction, rehabilitation and maintenance of infrastructure in some countries has been taken over by multinational public works enterprises which use more capital-intensive rather than labour-intensive methods, resulting in a loss of domestic capacity and employment.

Public works projects have also been widely used in developing countries following crisis situations, such as natural disasters, emergence from armed conflict, or cyclical downturns in economic activity. In such instances, public works projects can be used as a counter-cyclical measure to get dislocated workers into jobs following economic downturns or other crises. But in addition to the very practical aim of providing opportunities for employment and income, these activities can help restore a sense of stability and normalcy to people's lives after the disruption caused by the crisis, while at the same time facilitating the country's rebuilding process.

Industrialized countries have also looked to public works projects as a source of new job creation for youth. In these countries, public works projects have been connected with improving the environment and providing vital social services. Social services in particular are relatively labour-intensive, and creating jobs in this area responds to the growing need for personal services in an ageing society. Such services are instrumental in both creating employment and fostering social integration and intergenerational solidarity.

Encouraging private sector job creation for youth

The public sector can engage the private sector in promoting jobs for youth through policies that grant private sector employers various incentives for hiring youth. These incentives can take the form of tax rebates, wage subsidies, or loosening of employment regulations.

In Lithuania, for example, youth are considered a “socially vulnerable” group, and employers who fill job quotas with youth are given compensation. There are certain factors that must be considered, however, if these financial incentive approaches are to be truly effective in creating employment for youth. First, it is important to ensure that there is an overall net increase in employment, and not just a substitution effect of youth employment for adult employment. Second, employers should avoid a displacement of adult workers for youth workers – where adult workers are fired so that youth can be hired at a lower cost. Third, provisions should be put in place to safeguard against employer abuse of financial incentive schemes, such as employers who fire workers as soon as the subsidy runs out and never make an attempt to create unsubsidised employment.

Loosening of employment regulations, such as easing restrictions on hiring and firing, or limiting workers’ ability to form and join labour unions, have also been promoted as means of encouraging employers to hire youth. The idea is that a less regulated labour market will be more attractive to employers and thus stimulate hiring of the target group. This approach has been used in Export Processing Zones (EPZs) in many countries, where employers who set up shop in the zones are subsequently exempt from local employment regulations. Although EPZs have managed to attract foreign investors, and so create jobs, there is some question as to what impact the loosening of employment regulations has had on worker rights and promotion of decent work.

Creating jobs in growth sectors, including services and ICT

When looking at prospects for job creation, it is important to have an understanding of where the growth sectors of the economy are. Local employment services can conduct labour market analyses to determine where the demand occupations are, or are likely to be in the future. Vocational training and school-to-work programs should be tailored in accordance with these findings, to ensure that youth are being trained for the right occupations.

Although growth sectors will vary across and within countries, it is clear that information and communication technologies (ICT) are opening up new career opportunities for youth worldwide. The Internet and wireless communications have brought the world closer together, expanding job opportunities for people in both industrialized and developing countries. ICT can also be used to help improve the functioning of labour markets by helping young people gain access to local, regional, national and global markets. The High-level Panel has further underscored the importance of ICT to the youth job creation effort, and recommended that Governments

create an enabling environment for ICT diffusion through infrastructure development and appropriate trade and fiscal policies and legislative frameworks, mobilizing domestic and foreign investment.

The United Nations, through its Information and Communication Technology Task Force, has examined the potential of ICT as a powerful tool for sustainable development and poverty alleviation. The task force also pointed to the significance of international cooperation and a multi-stakeholder approach in bridging the digital divide that currently separates developing and industrialized countries. To help close this gap, an information exchange and cooperation on practical experiences in using ICT for development should be encouraged. Furthermore, an effective partnership should be established between countries with ICT infrastructure, experience and knowledge and those without to promote equal opportunity for all countries in benefiting from ICT. Integral to this effort is the development of human resources to promote a knowledge-based economy in developing countries.

Demographics also play a key role in determining where the jobs of the future will be. In industrialized countries, for instance, job creation efforts have been focused on social services, in response to the growing need for personal services in an ageing society, as well as care for the young, the sick and the disabled. These jobs also tend to be quite labour-intensive, and lend themselves to intergenerational solidarity, an important factor in promoting social integration.

In developing countries, the rural to urban migration of young people has precipitated a shift away from agricultural to industrial employment. Yet as more young people leave the countryside to seek their fortunes in the city, fewer hands are left to tend the farms, causing considerable disruptions in agriculture production in some areas. With the importance of the agricultural sector to many economies of the world, combined with the fact that 70 per cent of the world's poor live in rural areas, job creation efforts for the young must be mindful of rural as well as urban development.

Informal jobs

Most new jobs in developing countries are created in the informal sector of the economy. For example, the ILO estimates that 93 per cent of new jobs in Africa and virtually all new jobs for young people in the region are generated in the informal sector. Unfortunately, most informal sector activities are characterized by low productivity, inadequate incomes and poor or even exploitative working conditions. Wages are on average 44 per cent lower in the informal economy than in the formal economy.

Given these discouraging facts about the quality of informal sector employment, further attention should be paid to upgrading this burgeoning sector. Strategies to promote the informal sector have tended to focus on improving access to credit, technical and business training, improved infrastructure, and marketing skills. Demand-side issues can also be examined, including linkages between the formal and informal economies. There is some evidence, however, that the informal sector is becoming increasingly

informalized, rather than being integrated into the formal economy. New initiatives are needed, therefore, to increase productivity and incomes and improve working conditions for informal sector workers.

Even in the formal economy, the move towards greater flexibility – of employment contracts, hours of work, pay schemes and the like – has led to a greater informalization of work. Creation of work-sharing arrangements, reduction in working time and increasing labour market flexibility are being introduced as ways of spreading employment opportunities between the employed and job seekers. Industrialized countries reported a rise in precarious and non-standard forms of employment, brought on by the growth of labour market flexibility and new subcontracting mechanisms. As youth tend to have more tenuous attachments to the labour market, and experience higher rates of job turnover, this move towards greater labour market flexibility may have little impact on them.

Quality of jobs

The discussion of informal jobs naturally lends itself to concerns over the quality of jobs. Clearly, job creation efforts have to be concerned not just with the quantity of jobs created, but with the quality of these jobs as well, and in particular, whether they comply with minimum international labour standards. The challenge of creating good quality jobs is especially great in the informal economy, as these jobs tend to be characterized by low productivity and low quality, and are often lacking in social protections. Studies have indicated, however, that improvements in working conditions can lead to higher productivity, which in turn leads to higher levels of competitiveness. The ILO's notion of decent work, as well as its Declaration on Fundamental Principles and Rights at Work, can serve as guides in developing employment strategies that promote good quality jobs for youth.

Encourage entrepreneurship

Youth entrepreneurship can be encouraged through a variety of means, including special programs that facilitate access to credit. Due to their lack of collateral and business experience, youth are considered very high risk by lenders, making it difficult for them to gain access to credit. Special programs, therefore, can be developed to provide small business loans to youth entrepreneurs. Many youth currently rely on savings or turn to family and friends to get start up funding. Those not fortunate enough to have these alternatives have little chance of starting their own businesses unless special credit programs are designed for them.

Studies have indicated that older youth (those in their 20s) are more likely to have success with entrepreneurship schemes than younger youth (those in their teens). Clearly, entrepreneurship is not for everyone, and so cannot be viewed as a large-scale solution to the youth employment crisis. Entrepreneurship requires some business acumen and an entrepreneurial spirit, which many youth do not have and cannot acquire, even after training. Furthermore, micro and small enterprises tend to experience very high rates of

business failures, so they have a limited ability to create sustainable employment. For this reason, the High-level Panel noted that entrepreneurship should be supported not only through structural measures, but also through growth-oriented macroeconomic policies so that enterprises can sustain themselves.

Another option is to encourage programs where young people from developing countries work abroad in industrialized countries to earn money and develop job skills. For example, young people from the Balkans traditionally have spent years living and working in countries like Switzerland, Germany and the UK, where they were able to gain job experience, learn important business skills, save money, and then come back to their home country with the capital and the know-how needed to open up small businesses.

IV. Youth Labour Market Issues

There are a number of issues that must be taken into consideration when discussing employment creation for youth. One is their lack of work experience and professional maturity, which can make it difficult for youth to secure employment. There are many employers who do not want to take the risk of hiring young, inexperienced workers, preferring instead to engage older, more seasoned employees.

Training programs can help youth develop the social skills and work habits needed to make themselves more attractive to potential employers. But another way to make youth workers more attractive to employers is to pay them a lower wage than their older counterparts. A youth sub-minimum wage may encourage employers to hire younger workers, in part because it compensates them for the perceived lower levels of productivity of young workers. On the down side, however, young workers may grow resentful of being paid less for doing the same work as their older colleagues. There may also be some concern about a youth sub-minimum wage being in contradiction to the equal pay for equal work doctrine. In addition, there is a danger that a youth sub-minimum wage could lead to a substitution of young workers for adult workers.

Another issue relating particularly to youth is that they tend to have higher turnover rates than adults. Thus part-time and seasonal employment opportunities may be more appropriate for some youth, especially those combining work and schooling. In industrialized countries, seasonal jobs, such as those in amusement parks and recreational areas, can provide an abundant source of employment opportunities for youth who are looking for jobs only during the summer months. Temporary jobs can also provide young workers with needed job experience, which will make them more attractive to employers over time. In addition, temporary contracts may be viewed as a form of probationary period for young workers, after which their contracts can be normalized.

In developing countries, part-time and seasonal jobs are less a matter of choice for young workers; nonetheless, turnover rates still remain high for youth. Export Processing Zones (EPZs), for example, tend to attract a largely young, female workforce. Nearly all of these young women, however, leave their jobs in the zones by the age of 25. It is not

clear why this is the case. It could be that harsh living and working conditions – where the average working day can be 16 hours – tend to drive the young women out after a few years, or the decision to leave may be cultural, whereupon reaching a certain age, the women are expected to leave their jobs, marry and have families. In either case, EPZs have offered little potential for long-term jobs.

Long-term vs. short-term strategies

Policies for job creation can be viewed from two perspectives: the long term and the short-term. From a long-term perspective, the focus is more on preparing youth for good-paying, productive jobs in the new growth sectors of the economy. From a short-term perspective, however, the focus is more on funnelling youth into temporary jobs where they can learn job skills and gain income, if only for a short period of time.

When looking at job creation efforts from a long-term viewpoint, it is important to devote considerable attention to education and skills training so as to better prepare youth for emerging, demand sectors of the labour market. Apprenticeship programs, which invest heavily in hands-on skill training, fall into this category. So do mentoring programs, where youth are paired with more experienced workers on the job.

With short-term job creation efforts, the primary objective is to get young people off the unemployment rolls and into jobs as quickly as possible. Less consideration may be given to the duration or career potential of these jobs; nonetheless, even a temporary job can enable youth to gain income and learn basic work skills, factors which will help make them more attractive to employers, and therefore more employable in the future. Short-term jobs can also be used as a counter-cyclical measure to get dislocated workers into jobs following major economic downturns or other crisis situations. Public works projects, mentioned earlier, are often used for this purpose.

Special consideration paid to young women

Particular attention needs to be paid to the concerns of young women workers, especially since young women tend to have higher rates of unemployment than young men. According to an ILO report, in two-thirds of 97 countries studied, more females than males were unemployed. In many Latin American and Caribbean countries, female youth unemployment was 50 per cent higher than male youth unemployment.

Special concerns also arise for both women with children and unmarried women. For young women with children, attention must be paid to providing affordable, quality childcare during the working day. Unmarried women have a different set of concerns, as they can be discriminated against because they are seen as being too mobile before they marry. Some micro-credit programs will not lend to single women, believing that they will leave upon marriage and not pay back their loans.

As young women often cluster in low-wage, low-skill jobs, it is essential that job creation efforts place particular emphasis on opening up equal opportunities for young

men and women. By the same token, however, particular care should be taken to ensure that job creation efforts are concentrated in industries attractive to both young men and women. For example, construction and infrastructure projects are often advanced as part of employment creation efforts for youth, but these jobs tend to hold greater appeal for young men than for young women. Thus equality of opportunity and equal treatment for young women and men should be viewed from both the demand and supply point of view, and the importance of social and cultural mores must also be taken into consideration.

V. Concluding Remarks

It is hoped that substantive recommendations will emerge from this expert group meeting on how to place employment creation at the centre of macroeconomic and other public policies. This paper is intended to stimulate thinking towards that objective. The following are some policies and processes that the group may consider when formulating its recommendations.

Advance labour-intensive policies

Public policies to promote job creation should focus on eliminating obstacles to greater use of labour, which are created, for example, through import subsidies for equipment and overvaluation of local currencies.

In order to promote employment, research can focus on promoting modern, efficient and productive labour-intensive methods of work and production, in both rural and urban areas. Monitoring and evaluation capacity could also be improved to better assess the employment impact of public policies and programs.⁸

Focus ODA on job creation

Traditionally, employment generation has not been a significant focus of official development assistance (ODA). In reports to the United Nations, countries have indicated that ODA has not had a sufficient impact on employment since it is largely used to fund capital rather than labour inputs into social development.⁹ These policies can be re-examined, with a view towards directing more ODA to employment-intensive economic growth, particularly for the benefit of youth.

Trade policies to encourage job creation

Globalization also plays a fundamental role in any policy on youth employment creation. Developing countries may try to lure foreign investors as a way to boost employment, or count on foreign markets to buy their locally produced goods and services. For this reason, it is important to look at trade policies as an integral part of job creation efforts. The High-level Panel has recommended that all developed countries provide duty-free, quota free market access to all non-arms exports of the 49 least

developed countries, and to consider extending this access to other developing countries as well.

Encourage social dialogue

It is essential to encourage social dialogue in the development of social and economic policies that will impact youth job creation. By granting stakeholders a say in the policy development process, social dialogue contributes to the likelihood that the outcomes will be better tailored to the needs of the target groups. The process of inclusion and involvement also gives the stakeholders a better sense of ownership over the policies developed, which has been shown to contribute to the success of their implementation. Thus youth and their representative organizations, employers' organizations, trade unions, the business community, and other interested NGOs should be invited to contribute to the design, implementation and evaluation of job creation programs for youth.

Notes

¹ General Assembly Resolution 55/2, para. 20.

² International Labour Organization, *Key Indicators of the Labour Market*, Youth unemployment, KILM 2001-2002, p. 5.

³ Islam R. and J. Krishnamurty, "Employment, Labour Market and Poverty during Economic recovery and slowdown in East and Southeast Asia", ILO-Japan-Government of Indonesia Tripartite Sub-Regional Seminar, Jakarta, 29 April – 1 May 2002.

⁴ ILO, *op. cit.*, p. 6.

⁵ Comprehensive Report of the Secretary-General on the implementation of the outcome of the World Summit for Social Development, A/AC.253/13, p. 15

⁶ Elements of the National Programme to Combat Unemployment in Egypt, 2002.

⁷ Comprehensive Report of the Secretary-General on the implementation of the outcome of the World Summit for Social Development, A/AC.253/13. p. 40.

⁸ *Ibid.* p. 122.

⁹ *Ibid.* p. 67.