

Contribution to the integration segment of the 2015 session of ECOSOC, “Achieving sustainable development through employment creation and decent work for all”

DESA, Population Division
Revised, 27 March 2015

The creation of employment and the extension of decent work for all depend mainly, on the one hand, on macroeconomic growth, private sector decisions on investment and hiring, and government policies aimed at stimulating job growth and improving the quality and social protection of employment. Population dynamics, on the other hand, affect the size of the working-age cohorts, today and in the future, and therefore determine the trends in the absolute and relative size of the population groups supplying labour and demanding jobs. Further, labour migration, if properly governed and managed, can also benefit from and contribute to the creation of employment and decent work for migrants and their families.

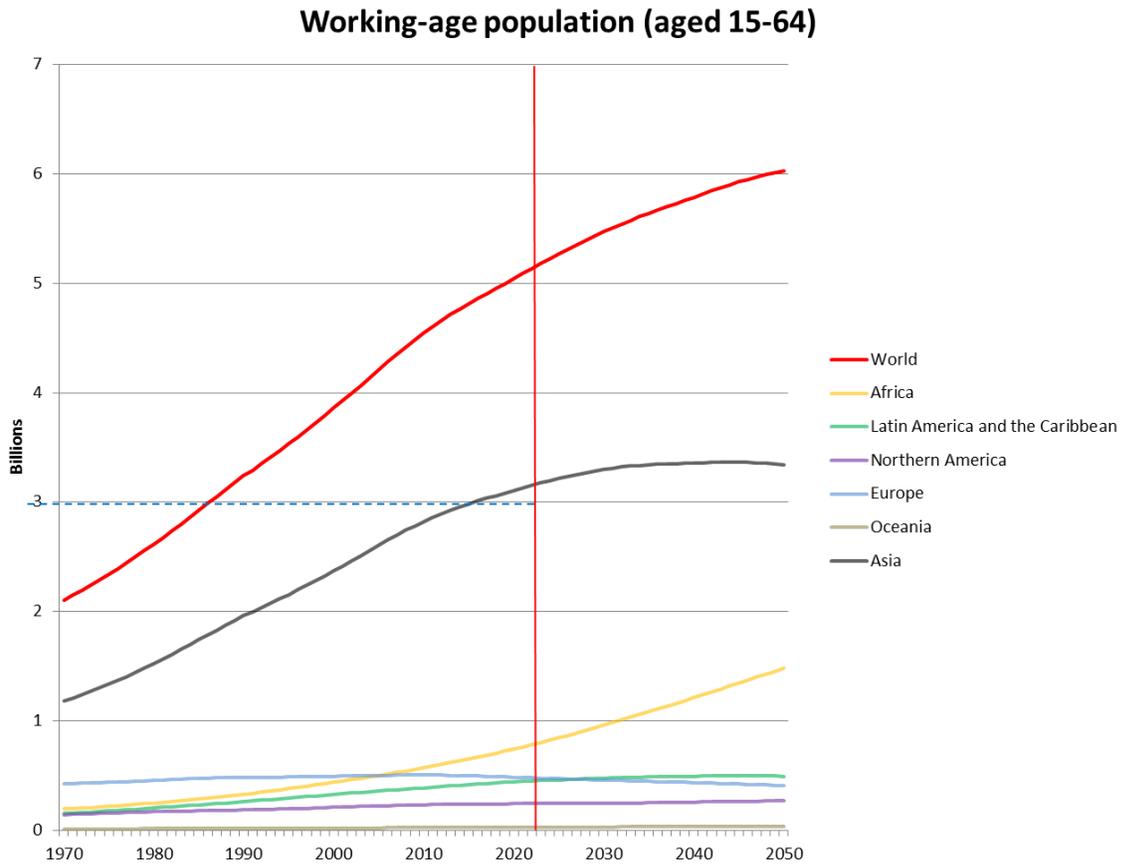
This note addresses two aspects of population trends in connection to employment and decent work: a) trends in the working-age population and employment; and b) labour migration and decent work.

1. Working age population and employment

The working age population is conventionally defined as that between the ages of 15 and 64. Even though not everybody in those ages works, and some people younger than 15 years of age or older than 64 are economically active, that age range encompasses a large majority of those engaged in economic activity. Consequently, trends in the working-age population give an indication of the dynamics underlying the present and future supply of labour.

Globally, the working-age population has been growing steadily during the past 3 decades, from about 2.1 billion persons in 1970 to nearly 4.8 billion in 2015, and is expected to grow to about 6 billion in 2050 [figure 1]. All of that growth will take place in developing countries, mainly in Africa and parts of Asia. At the same time, the more developed countries will experience a *reduction* of their working-age population of about 74 million people over the next 30 years.

Figure 1



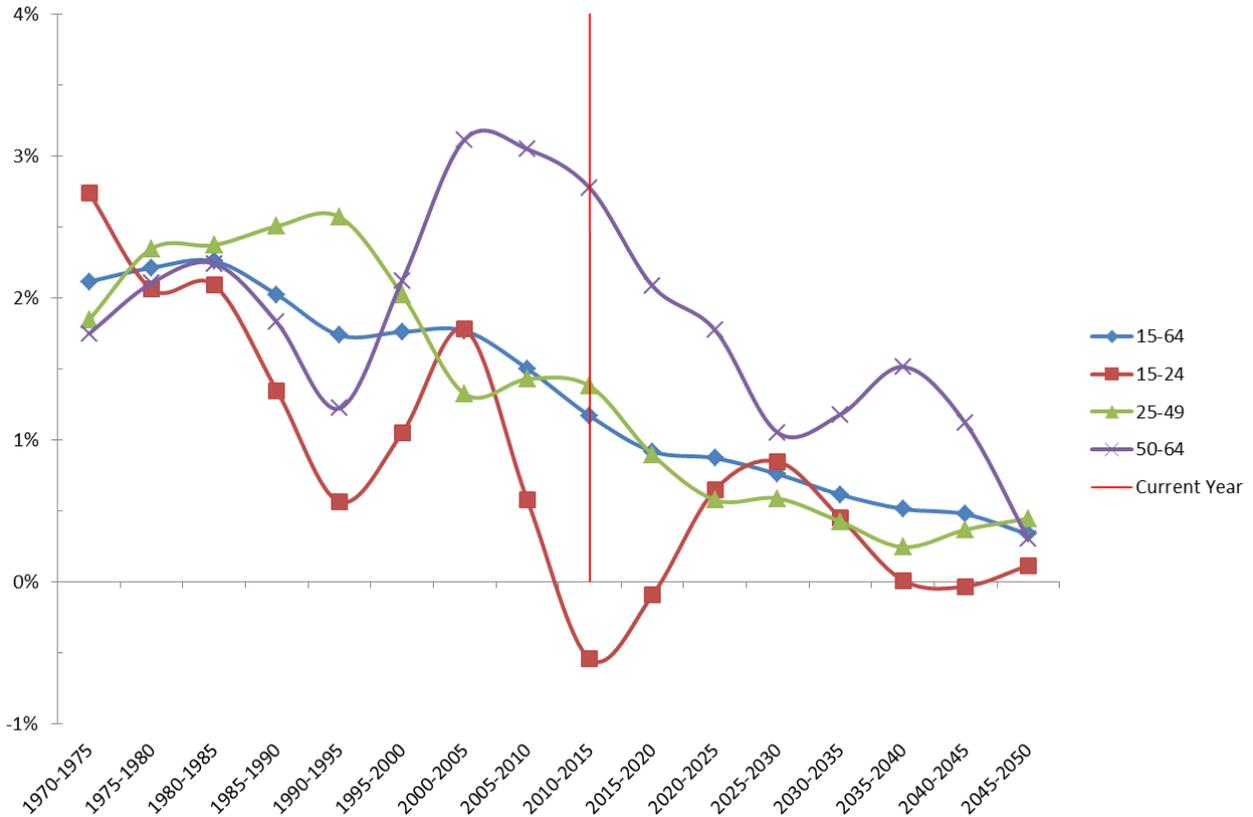
Source: United Nations (2014) *World Population Prospects: The 2012 Revision*, New York.

Africa will account for a large and increasing share of the global growth in the working-age population. Asia, although it represents a very large share (about one third) of the world's working-age population, will see its rate of growth decline sharply over the coming decades.

The working-age population globally is currently growing at slightly over 1% per year, and is expected to continue to increase at slower rates over the next several decades. As regards the disaggregation by age, figure 2 shows that the older segment of the working-age population (those aged 50 to 64) is growing more than twice as fast (2.8 per cent per year), while the youngest segment of the working-age population (aged 15 to 24) is currently experiencing slightly negative growth, with swings driven by past oscillations in fertility. All age groups between 15 and 64 are expected to converge to modestly positive growth rates by mid-century.

Figure 2

**Global working age population growth rates by age groups,
1970-2050**

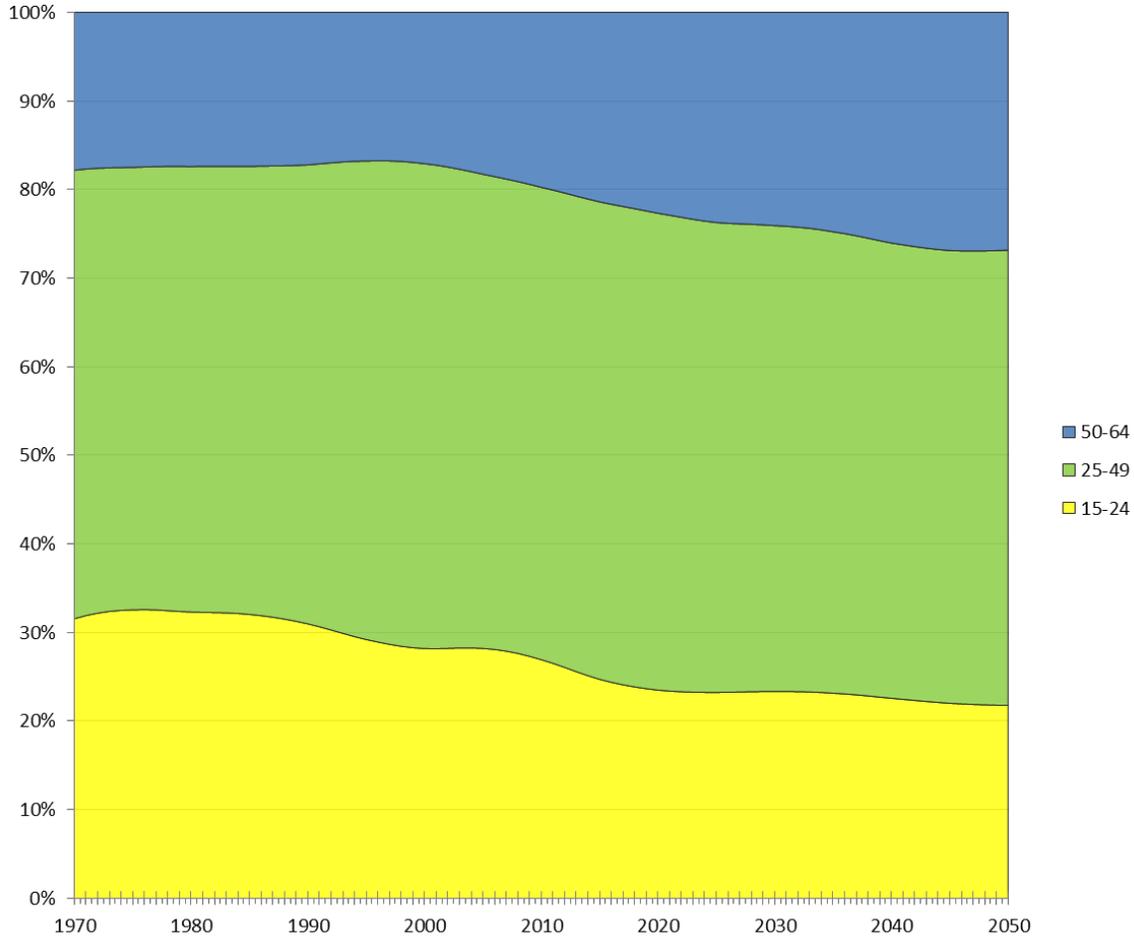


Source: United Nations (2014) *World Population Prospects: The 2012 Revision*, New York.

As a result of the aforementioned trends, we observe [figure 3] that the global working-age population is experiencing gradual but persistent ageing. In 1970, the young and middle-aged segments comprised about 82% of the world's working-age population, and the older working-age population represented a relatively constant 18% of the total.

Figure 3

Percentage distribution of the global working-age population



Source: United Nations (2014) *World Population Prospects: The 2012 Revision*, New York.

According to the United Nations projections, older working-age persons (ages 50-64) will outnumber younger workers (ages 15-24) by the year 2023. By 2050, about 1 in 4 persons in the working-age population in 2050 will be in the older working-age group, and only 1 in 5 will be in the younger group.

Thus, the growth of the global working-age population is decelerating, and the young are becoming a smaller proportion of the total. Why then should we be concerned with these trends, and especially about young workers? There are at least three good reasons for this.

First, there are wide regional disparities: As noted in the report of the Secretary-General on the theme of the 45th session of the Commission on Population and Development¹, there is substantial growth in the youth population of sub-Saharan Africa, and of South Central and Western Asia, and at the same time stability or decline in other parts of the world, including in most of Europe and Japan.

Second, the situation is also not homogeneous *within* development regions; for example, the younger working-age population has already started to decline in China, Brazil, the Islamic Republic of Iran, and Indonesia. Third, youth commonly experience higher unemployment rates and earn lower wages than older workers even under normal macroeconomic conditions. Furthermore, youth were disproportionately affected by the global recession of a few years ago and subsequent slow recovery of the world economy.

Box 1. Youth unemployment

The global youth unemployment rate continues to remain above the level of 2007, before the economic and financial crisis. Young workers often lack adequate social protection and receive below-average wages. These difficulties are heightened by youth lacking the requisite skills. Even in developed regions, for example in many countries of Europe, an increasing proportion of employed youth are engaged in temporary employment or part-time work.

Data from the ILO indicate that the world unemployment rate rose after the start of the global economic crisis to 6.4% in 2009 and 2010, and has since remained at levels near 6%. Meanwhile, the youth unemployment rate has remained above 12%, 2 to 4 times as high as the average for the entire labour force. The ratio of youth-to-total unemployment rates is particularly high in the Middle Eastern and Northern African region, and in Southern Europe. Youth are also disproportionately represented among the working poor, especially in Africa.²

High youth unemployment and a lack of legally sanctioned channels for safe and orderly migration can result in young people engaging in risky cross-border movements in search of better opportunities.

Other socio-economic implications of recent trends in the working-age population are delayed economic independence of youth, diminished opportunities for economic growth, and the potential for political instability.

a) Economic independence: Youth employment directly affects one important milestone of the transition to adulthood, namely economic independence. Evidence shows that youth around the world attain financial independence mostly between the ages of 22 and 27, although there is significant international variation, according to research by Lai (2011) based on data from National Transfer Accounts,³ recently updated by the United Nations Population Division.

¹ Report of the Secretary-General, “Adolescents and Youth”, E/CN.9/2012/4.

² Globally, in 2008 young people accounted for 24% of the working poor, vs. 18% of total employment (Kapsos, 2011)

³ Lai, M.S. (2011), “Transition to financial independence of youth in Asian countries: Does furthering one’s education pay?” *Technical Paper* 2011/15, United Nations Population Division, New York.

Young adults become *financially* independent at relatively early ages when their working conditions allow them to cover their private consumption. For instance, youth in Austria, China, and Sweden achieved financial independence as early as age 21. In these countries, many young people had completed apprenticeships and were active participants in the labour market.⁴ The factors accounting for a young age of financial independence vary across countries: while in Austria young workers earn relatively high wages, the early age of financial independence in Sweden is due to youth's low private consumption compared to other countries. This is due, in turn, to the fact that Sweden has a very generous public welfare system and offers free public education; therefore, private consumption tends to be low. China is different in that both young and older workers have very low private and public consumption compared to all other countries with comparable data.

In some developing countries where early entry to the labour market is common, young people nonetheless achieve their financial independence at a *later* age, owing to their low wages or because they are unemployed. Financial independence in Mozambique, Senegal, Nigeria, Indonesia, and South Africa occurs at relatively late ages, between 26 and 33. These countries have a high proportion of youth in the total population, raising the policy concern about a young, underemployed and low productivity workforce.

Economic independence (own labour income sufficient to cover both private and public consumption) comes relatively late in countries like Indonesia and Mexico, at age 27 and 33, respectively, compared to Austria and Sweden, where economic independence is achieved at age 21 and 25, respectively. This is due to low wages for young workers and high consumption levels compared to older adults in Indonesia and Mexico, relative to other countries.

b) Opportunities for economic growth: The effect of increasing numbers of people in the working ages, youth included, need not be detrimental for the macro-economy, provided that they are invested with appropriate human capital and that there is sufficient demand for labour.

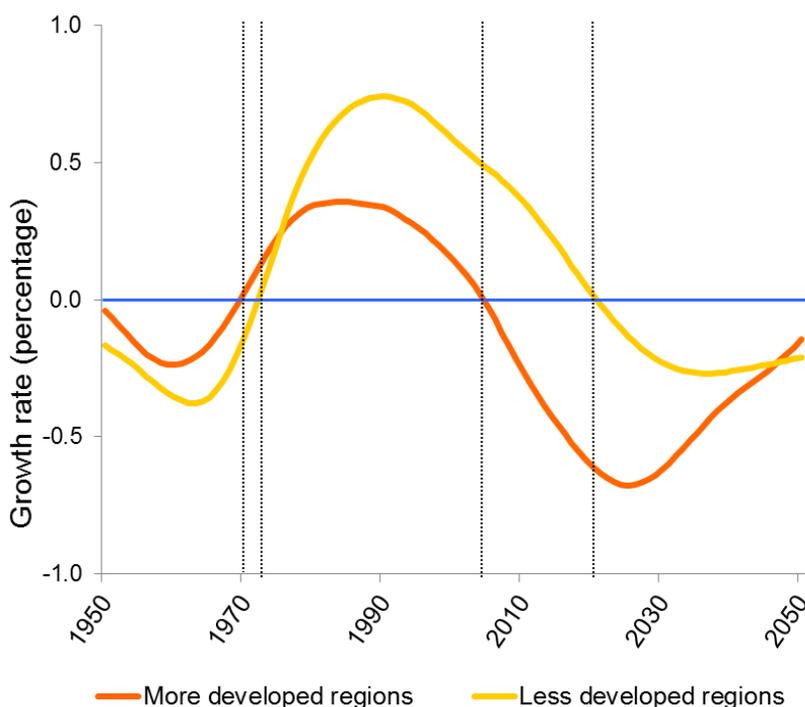
Rather, a large working-age population can provide a “demographic dividend”, as international evidence of previous decades has shown, particularly in Asia. As mortality and fertility decline, countries typically enjoy a period when the ratio of the working-age population to dependants rises. These changes in the age structure of a population can create a window of opportunity for more rapid economic growth.

In East Asia, where the change from high to low rates of mortality and fertility has been more compressed in time than elsewhere, evidence suggests that the demographic dividend has been an important contributor to that region's economic success. Latin America has undergone a similar demographic transition but has not capitalized on it to the same extent, while the opportunity to reap the economic benefits of a demographic dividend in sub-Saharan Africa still lies ahead.

4 Mairhuber, Ingar (2010). “Transitions in female and male life course: Changes and continuities in Austria”, in *The Welfare State and Life Transitions: A European Perspective*, Dominique Anxo, Gerhard Bosch, and Jill Rubery, eds. Cheltenham, U.K.: Edward Elgar, p. 155.

As emphasized in the Secretary-General’s report on the theme of the 48th session of the Commission on Population and Development,⁵ reaping the demographic dividend is time-sensitive [figure 4], and capitalizing on the benefits is not automatic, but policy dependent. Providing high-quality formal and vocational education is needed to enable young people to acquire relevant skills and build their human capital. Policies to enhance school-to-work transitions and expand decent work opportunities for youth can contribute to a more stable and productive integration of youth in the labour market.

Figure 4.
Demographic dividend (demographically induced economic growth) by development region



Source: United Nations (2013) *World Population Ageing 2013*, New York.

c) Potential for political instability: When large cohorts of young people (“youth bulges”) encounter limited job opportunities, not only the potential of demographic dividend is limited, but also the risk of political unrest and violence is increased.⁶ This risk can be mitigated by providing better opportunities for young people, particularly in education and employment. Both

⁵ “Integrating population issues into sustainable development, including in the post-2015 development agenda”, E/CN.9/2015/3

⁶ Urdal (2012) A clash of generations? Youth bulges and political violence, *Technical Paper 2012/1*, United Nations Population Division, New York; Azeng, T.F. and T.U. Yogo (2013), “Youth unemployment and political instability in selected developing countries”, *Working Paper Series No. 171*, African Development Bank, Tunis, Tunisia.

are critical, as expanding higher education without job opportunities for graduates can foster, rather than mitigate, political instability.

2. Labour migration and decent work

Today, there are more than 232 million international migrants worldwide.⁷ Millions more are directly and indirectly affected by migration, including communities of origin, transit and destination.

The social, cultural, economic and political context in which migration takes place largely determines whether it translates into increased opportunities or heightened vulnerabilities. When grounded in human rights, and underpinned by humane, fair and well-governed migration policies, migration can be a powerful tool for development. Migration can provide access to decent work through various mechanisms. Foremost among them are remittances, which can help the migrant's families in origin countries to increase access to health and education services, and to promote financial inclusion by expanding access to credit. Migrants also contribute to development in their home countries through foreign direct investment and the transfer of technology and skills.

However, migration can also exacerbate inequalities, for example when migrant workers are denied access to fair wages, decent working conditions and social protection. The skills of migrants are also often underutilized owing to the non-recognition of credentials and qualifications, resulting in "brain waste". Lack of decent work opportunities often compel the rural poor, in particular youth, to migrate. Unscrupulous intermediaries take advantage of the vulnerabilities of migrants and perpetrate abuses during the recruitment and placement process, including charging excessive recruitment fees, debt bondage, and illegal wage deductions linked to repayment of recruitment fees.

For migration to meet fully its development potential, migrant workers must be protected from discrimination and other violations of their rights, in accordance with existing principles enshrined in international human rights and labour standards. Creating more and better regulated migration options, ensuring the portability of pensions, health-care entitlements and other social security benefits, as well as the recognition of skills and qualifications would enable migrants and their families to realize their full social and economic potential and to contribute to the development of their countries and communities.

In the Declaration of the 2013 High-level Dialogue on International Migration and Development, the General Assembly acknowledged the important contribution of migration to development, including in the consideration of the post-2015 development agenda, and underscored the need to advance efforts to reduce the costs of labour migration. The Open Working Group proposed several targets related to international migration, migrants and mobility in its outcome document of July 2014. These targets address (a) the opportunities of migration for development, (b) the challenges associated with migration, and (c) the need to facilitate safe, orderly, and regular migration. The third International Conference on Financing for Development, to be held in Addis Ababa, Ethiopia, in July 2015, should also shed light on the role of remittances in the implementation of the United Nations development agenda beyond 2015.

⁷ United Nations (2013), Trends in International Migrant Stock: Migrants by Age and Sex (POP/DB/MIG/Stock/Rev.2013/Age) available at <http://www.unmigration.org>