

## **Youth and Employment in Latin America and the Caribbean: Problems, Prospects and Options \***

### **I. The employment situation of young people in Latin America and the Caribbean is *critical, dynamic and segmented***

It is *critical* because average unemployment among young people is, in all countries of the region, much higher than average unemployment overall. In fact, in Latin America and the Caribbean the youth unemployment rate is twice the overall unemployment rate and three times the rate for adults; in some countries it is as high as five times the rate for adults over age 45. What is more, young people account for about 50 per cent of all unemployed workers in nearly every country in the region. The situation is especially critical in certain countries, where unemployment among 15- to 24-year-olds circa 1999 reached levels of 29.5 per cent (Panama) and 27.9 per cent (Uruguay and Venezuela), according to ILO data. The same source indicated that the situation was particularly serious among 15- to 19-year-olds, whose unemployment rates were 37 per cent in Colombia, 35.9 per cent in Argentina and 29.2 per cent in Chile. While open urban unemployment in 1998 was 7.2 per cent in Chile and 10.2 per cent in Uruguay, youth unemployment was 20.8 per cent (15- to 19-year-olds) and 15.1 per cent (20- to 24-year-olds) in Chile and 25.1 per cent (15- to 24-year-olds) in Uruguay. These gaps were also observed circa 1997 in the OECD countries, where youth unemployment was about 13.4 per cent, compared to 5.9 per cent for adults.

This is aggravated by the fact that over the past decade (1990-1999), 7 out of every 10 jobs created in Latin America were in the informal sector, while average unemployment is now higher than it was 10 years ago (to an extreme degree in countries such as Colombia and Argentina). All of this means that employment has become harder to find and that most new jobs are of lower quality and are more unstable, more insecure and lower-paying. Lastly, a young person, on average, requires a longer period of time to find a job than an unemployed adult. If we consider all these issues together, we find ourselves facing a critical youth employment situation in Latin America.

In Latin America, young people today are more educated than their parents were. They have greater knowledge and higher consumer expectations as a result of their exposure to the cultural industry, and they have taken in the promises of development propagated by political figures, the family and the schools. On the other hand, the rate of youth unemployment is two or three times higher than the rate for the rest of the population. Young people have assimilated implicit promises of social mobility and a place in society, given the fact that they are more educated than their parents, but at the same time they come up against a situation in which their real work opportunities are more limited and do not correspond to the fund of knowledge they have accumulated during childhood and adolescence. They are treated as children by adults (politicians, entrepreneurs and the media), and a cultural bias often stigmatizes them as

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potentially violent, drug-consuming and morally weak – to the extent that this bias often becomes a self-fulfilling prophecy. Faced with difficulties in assuming a role in production, young people become more likely to operate on the fringes of, or even against, the existing institutional structure. It is no coincidence that young people have headed the increase in urban violence over the last decade. In some countries, including Mexico, Venezuela, Colombia and Brazil, the media industry developed vigorously and both the coverage and the achievements of the school system soared over that period, but trends in youth employment and quality of life for new generations were radically different. Steeply rising levels of violence in Latin American cities in the 1980s and early 1990s (with these very countries - Mexico, Venezuela, Colombia and Brazil - heading the list) were symptomatic of these problems.

It is *dynamic* because the relationship between educational achievements and requirements in the work environment is changing rapidly as those requirements shift in response to changes in technology and in national economies' areas of specialization and linkages with the global system; because the ratio of young women to men in the economically active population is changing; because the reforms being made to increase labour flexibility are increasing the vulnerability of workers, especially those who are first entering this new institutional framework; because young people's expectations are very dynamic and easily influenced by cultural changes; and because, for the young people now joining the economically active population, the new production patterns have moved away from the concept of stability and long-term employment.

It is *segmented* because more highly educated young people have a better employment outlook in terms of income, working conditions, social status and mobility, technological competitiveness and job satisfaction. In all the countries of Latin America, except Cuba and to a lesser degree Uruguay, there is a very strong correlation between educational achievement and the income level of students' families, which reproduces existing disparities in the future. This situation is compounded by the fact that in the "new economy", access to employment for young people tends to be polarized. On the one hand, there is a privileged group of computer-literate young people who become professionals on a "fast track" career path or successful entrepreneurs who have a greater command than adults of the new skills required in the information society (the use of virtual networks and adaptation to deregulated flexible markets); while on the other hand, there is a large number of young people who hold insecure, low-level jobs in the informal sector or who are employed in the formal sector in low-skill positions where wage levels are declining in comparative terms. Lastly, there is segmentation by gender (Latin American women continue to have lower incomes than men with the same level of education and skills), by area (rural youths in Latin America have far fewer opportunities than urban youths for the simple reason that they do not live near modernized enclaves) and by network (young people from middle- and high-income urban families have greater access to good jobs through family contacts, classmates and friends in business or in the State technocracy).

The segmentation of unemployment is clearly biased by income group and educational level. By analysing youth unemployment according to household income level, ECLAC has shown that, between 1990 and 1997, the ratio between typical unemployment rates in the poorest and the richest quartiles steadily increased in 8 of the 12 Latin American countries studied. In Honduras in 1997, the unemployment rate for the first income quartile was 13.1 times higher

than the rate for the fourth quartile (the highest income level); this gap was also very wide in Argentina (9.5) and Bolivia (8.3). In Brazil, circa 1997, youth unemployment was 10.1 per cent in the fourth quartile, compared to 22.7 per cent in the first quartile. In Chile the rates were 5.8 per cent and 25.8 per cent, respectively, and in Bolivia they were 2.0 per cent and 16.5 per cent, respectively. In Argentina, the open unemployment rate for young people from poor households in urban areas rose from 40.0 per cent to 55.4 per cent between 1990 and 1997, while the rate for the country's youth population as a whole was 24.3 per cent in 1997. Similar gaps were observed in Colombia and Panama.

At the same time, unemployment among young people not attending school is more severe among those from low-income households. According to ECLAC sources, in Brazil unemployment among young people not in school rose by 8 percentage points between 1990 and 1997, owing primarily to the lack of growth in young women's employment, while in Argentina, unemployment among young people not in school and belonging to poor households rose by more than 15 points over the same period. In Mexico this group saw a 3 per cent rise in unemployment during that time.

Lastly, the segmentation resulting from the correlation between education levels and working conditions also reveals three problematic groups in the Latin American countries. First, there are adolescents and young people who work and who cannot continue their education (representing about two thirds of those who have managed to find jobs), most of whom work to contribute to household income. The second group consists of young people who neither work nor attend school. While this group has shrunk since the early 1990s, it continues to account for 12 per cent to 40 per cent of young people in poor households, and 2 per cent to 10 per cent of those in higher-income households. The third group consists of young people who have left school with less than 10 years of education (meaning that they have very little chance of earning incomes that represent upward social mobility). This group has also become smaller, but young people in this category continue to represent between 20 per cent and 50 per cent of the total -in the lowest-income quartile, this proportion ranges from 38 per cent to 82 per cent in different countries.

## **II. The uncertain outlook for the coming decade**

### **A. The political and socio-economic prospects of Latin American and Caribbean society**

*Political stability:* Virtually all the Latin American and Caribbean countries have democratic Governments elected by popular vote and are consolidating democratic institutions. As a result of the hard lessons of the political violence of earlier decades, they attach great value to social peace and their domestic political forces are strongly committed to democratic legitimacy. Although political conflicts have been generated by the social conflicts stemming from poor income distribution, unemployment, lack of opportunities for young people and economic instability, political democracy and the rule of law seem to be surviving such difficulties. The region can therefore expect to witness, at least for the coming decade, a trend towards the continuance of democratic regimes and the further development of mechanisms for improving accountability, reducing government corruption and broadening the participation of

social actors in decision-making processes. While a tendency towards political authoritarianism and populism is still apparent in some countries, it should not preclude respect for the rules governing democratic institutions.

*Economic growth:* The growth potential of the Latin American and Caribbean economies is unclear because it is highly dependent on external factors that are currently volatile or adverse, such as financial capital flows, foreign direct investment, trade barriers in industrialized countries, the uncertain economic outlook in the region's export markets and competitiveness in comparison to other regions. In addition, increasingly sustained investments in human capital are needed to maintain high levels of economic growth over the long term and to generate high-quality jobs for future generations. Thus far, however, the education reforms of the 1990s have not had a positive impact on the quality of human resources in the countries of the region. Accordingly, so long as growth continues to depend on trade and financial cycles instead of reflecting a strong increase in the capacity of human resources for productive innovation, development will be precarious and its impact on job creation will not necessarily be positive.

*Social problems:* Today, income is very poorly distributed in most of the countries of the region, and in some of them (Venezuela and Argentina), distribution patterns have deteriorated significantly. The liberalization and privatization model being imposed in nearly all the countries has not had a positive impact on income distribution, has generated new vulnerabilities in social groups that are not closely linked to the modern sector of the economy and has created a serious gap between included and excluded groups. This gap has been widened by the digital divide, since only 6 per cent of the Latin American population has access to electronic networks, and most of this group is in the high-income or higher-middle-income category. Lastly, the pattern of economic modernization has tended to reinforce long-standing negative trends in the region such as residential segregation, the loss of a sense of solidarity between different income groups and tremendous disparities in productive capacity.

#### B. The impact of youth unemployment on society

Sustained high rates of youth unemployment have multiple effects on society. First, they mean that the countries are failing to take advantage of the human resources they need to increase their productive potential, at a time of transition to a globalized world that inexorably demands such leaps in productive capacity. Second, they reinforce the intergenerational transmission of poverty. Third, owing to the discrepancy between more education and exposure to the mass media and fewer employment opportunities, they may encourage the spread of disruptive behaviours, recourse to illegal alternatives for generating income and the loss of basic societal values, all of which erode public safety and social capital. Fourth, they may trigger violent and intractable political conflicts. Fifth, they may exacerbate intergenerational conflicts when young people perceive a lack of opportunity and meritocracy in a system that favours adults who have less formal education and training but more wealth, power and job stability.

### III. Tackling the problem of youth unemployment

Promoting youth employment and employability requires an integrated effort that includes action in the areas of education, skills development, the job supply and support for

young, low-income entrepreneurs. These initiatives must provide for participation by various stakeholders, from the State to private entrepreneurs, including non-governmental organizations, local authorities, youth leaders, the media, parents' associations, etc.

(a) *With regard to formal education*, regional data show that, on average, a minimum of 12 years of formal schooling are now required for access to employment opportunities that will prevent poverty or offer a way out of it. The data also indicate that the highest returns on education go to those who complete their secondary and university education.

Although the countries of the region continue to make progress towards expanding the coverage of secondary education with a view to promoting a better future for young people by enabling them to take part in production, in most countries the gap between high-income and low-income groups in terms of secondary and higher education coverage has also tended to widen in recent decades. Consequently, efforts in the area of education should focus on achieving universal coverage, preferably up to the end of secondary school, and on reducing differences in the quality of the education provided to different socio-economic groups.

Strenuous efforts are therefore needed to ensure that current education reforms give priority to keeping adolescents from vulnerable groups in secondary school and to encourage more low-income students to enter higher education in order to provide more democratic access to productive employment in the future. In view of the changes taking place in employment styles and career paths, it is essential to promote the use of computers and information technologies (mainly networking) in schools in order to narrow the digital divide. It is equally important, in conjunction with these new tools, to develop higher cognitive functions by orienting the learning process towards problem identification and problem solving, increasing the capacity for reflection and creativity, enhancing the ability to distinguish between what is relevant and what is not and developing planning and research skills, since these functions are vital in an information-saturated world.

(b) *Professional training, vocational skills development and support for young, low-income entrepreneurs* are essential and require greater investment in the quality and coverage of the relevant programmes, a qualitative leap in adapting training and skills development to new employment demands and technological change and the involvement of multiple stakeholders, including universities, entrepreneurs' and employers' associations, financial agents and others.

The biggest challenge in this regard should continue to be *vocational training coupled with the provision of initial work experiences*. This approach addresses two of the primary causes of youth unemployment: lack of experience and lack of training. The impact of vocational training should be maximized through the use of strategies for *targeting* (aimed at the most vulnerable youth sectors), *decentralization* (assigning a more active role to the municipal level) and *inter-agency cooperation* (with the widest possible range of training institutions, both public and private), taking a *comprehensive approach* (by combining training with internships and support for job placement) based on *labour market agreements* (basically between training entities and firms) and supported by stringent *monitoring and evaluation* mechanisms.

A national training and skills development system which provides internships in businesses and links with employers, is technically up to date and stays abreast of changes in the job supply could substantially improve the options for young people who do not have a university education. Another important field of endeavour is the provision of support in the form of access to financing, information and networks for young entrepreneurs wishing to establish viable microenterprises and small businesses, as a large proportion of the jobs now being created in the region are in small businesses. Young entrepreneurs should receive particular support in the use of and access to new information and communication technologies, since incorporation into contact and information networks is, and will increasingly be, the most effective and efficient way to generate value added in microenterprises and small businesses. To the extent that young people are enthusiastic and quick to learn about these new technologies and about the use of electronic networks, this asset gives them great autonomy in acquiring productive knowledge, using market information, advertising their skills, generating alliances and contacts and finding better areas of specialization.

Vocational training and education should take a less rigid approach, given the increasingly profound changes taking place in labour markets. They should focus on developing *cross-cutting competencies*, providing skills for occupational "families" rather than for a specific occupation, promoting an entrepreneurial spirit and teaching the basic principles and techniques of management. All these efforts should aim at providing training in a wide range of substantive areas and processes under the governing concept of *transition training*. They should form *training chains* designed to meet young people's needs at four different stages: (a) when they are still in the education system; (b) when they leave the system and enter the labour market in search of their first job; (c) when they are engaged in very low-productivity informal activities or are chronically unemployed; and (d) when they have found an occupation and need to become integrated into ongoing training chains to improve their assets and their labour-market participation.

(c) *Action at the macro level is needed, both in relation to employment policy (and its coordination with economic policy) and in the regulation of labour markets.* Many of the efforts made in these areas may end in failure, however, so long as most countries in the region continue to promote a liberalization-privatization-deregulation dynamic which restricts employment, widens the gap between the formal and informal sectors and between specialized and non-specialized activities, deprives people of social protection if they lose their jobs, makes employment more precarious and discontinuous and is indifferent to the dangerous and increasing correlation between being "young" and being "excluded".

Proactive labour policies must be based on an awareness that job creation is sustainable only when the economic activities concerned are competitive in the long term. In Latin America, employment has grown much more rapidly in Mexico and the countries of Central America and the Caribbean (3.7 per cent per year during the 1990s as a whole), which have been specializing in exports of manufactures, than in the South American countries (2.9 per cent per year over the same period), where natural-resource-based exports have been relatively more important. The retooling of production activities and increased labour mobility make it necessary to implement aggressive vocational training policies.

Public investment, productive innovation and macroeconomic stabilization policies should place greater emphasis on job creation. This is not only a matter of expanding job opportunities for young people. It is also a means of incorporating new generations into the production system, which is important because it is they who have the assets best suited to the new production requirements that have arisen in open markets: more years of education, which make it possible to increase the intellectual value added of production; more familiarity with the new information and communication technologies; and more flexibility in adapting to new types of work.

(d) *Special programmes to improve the job prospects of particularly vulnerable groups should be implemented and/or expanded.* Not all young people are affected to the same extent by unemployment and problems with employment. Rates of unemployment and underemployment are much higher among young people who belong to ethnic minorities, who have low levels of education, who live in far-flung rural communities, who have some level of disability or who have a history of violent crime. To break the vicious circle of unemployment and exclusion, it is necessary to take specific actions in relation to these groups. These actions may include State subsidies for private firms that hire young people in such situations, quotas in public-sector employment for young people in these groups, various indirect forms of affirmative action, special job training programmes focusing on specific vulnerabilities and vocational guidance and placement programmes for these groups. In general, these actions require concerted efforts by the State (especially ministries of labour and training services), the private sector and civil-society support associations.

#### **IV. Best practices**

(a) One clear model of best practices is the "*Chile Joven*" vocational training programme, which was launched in 1990 and has already been adapted to conditions in other Latin American countries that are replicating it. The programme is unusual in that it provides training within relatively short time periods using innovative operational methods, and emphasizes the relevance of the occupations selected and the effective job placement of young people instead of focusing exclusively on technical training. The programme's implementation involves numerous actors, both public and private, ranging from the Ministry of Labour to entrepreneurs with a commitment to the training and employability of young people. The applicable rules of the game are competitive, so that even applying to the programme requires young people to exert their own efforts and initiative from the outset. The programme targets young people with medium and low levels of education, and assessments are made of the subsequent labour market participation of the beneficiaries. The "*Chile Joven*" programme includes various complementary, flexible subprogrammes that expand the options available to young people: an on-the-job training and work experience subprogramme, a two-track learning subprogramme and a self-employed workers' subprogramme.

The first of these subprogrammes includes a technical training phase that partially qualifies participants for an occupation (200 hours) and a job training phase that develops social skills to facilitate young people's job placement (50 hours). The beneficiaries then take part in a three-month work experience performing the job learned in a firm, either as interns or with job

contracts. The executing agencies include private training firms and corporations, which offer nearly 2,000 courses that benefit some 35,000 young people.

The two-track learning subprogramme has a pre-training component that provides remedial instruction in basic subjects (60-120 hours), a training component to complement on-the-job training and develop an understanding of the technology used in the occupation (180-300 hours) and an on-the-job training component in a firm with a teacher-mentor, in parallel with the training component in the technical agency. In this case the beneficiary is a regular worker in the firm and the State provides the firm with a subsidy equivalent to 40 per cent of the minimum wage for the duration of the course. Some 140 such courses are being given, for the benefit of about 3,000 participants.

Lastly, the subprogramme for self-employed workers includes occupational training (80 hours) and management training (at least 100 hours); upon completion of the second component, the student must prepare a project to be financed by the programme's credit assistance network. The network, in turn, makes two assessments: one prior to the provision of financing, which includes a pre-feasibility study of the project and formalizes the support to be provided with a letter of commitment; and another, once the course has begun, that evaluates the feasibility of the student's project. At least 50 hours of technical assistance are provided for the projects, and the beneficiaries receive a monthly subsidy of US\$ 54 for the duration of the technical assistance phase, up to a maximum of three months.

(b) *Another prime example of a State-led initiative is the PROJOVEN Programme in Uruguay.* This is a cross-sectoral vocational training programme for low-income young people between the ages of 17 and 24. It was launched six years ago and involves the National Employment Board, the National Employment Office of the Ministry of Labour and Social Security and the National Youth Institute. The Programme is financed with the resources contributed by private-sector workers and employers to an Occupational Retraining Fund, and also from the general budget.

The Programme is considered an example of best practices for several reasons. The first is that it creates linkages between the job supply and the demand for jobs, as all the training it provides is adapted to reflect employment trends. This is facilitated by the fact that the Programme is funded in part by workers' and employers' associations and that it represents a cross-sectoral initiative by different State institutions. In addition, PROJOVEN obtains providers for its training courses by extending public invitations to bid, with the stipulation that the providers should adapt the course content to the demands and requirements of businesses that hire workers.

Second, the Programme targets groups that not only are vulnerable themselves, but also tend to reproduce vulnerability. The Programme focuses on young men and women who have not finished secondary school and do not have formal jobs, most of whom have dropped out of the educational system and lack both work experience and the skills they need to obtain work. Within this group, the Programme gives preference to those who are already heads of household (fathers and/or mothers).



Third, the Programme offers a variety of training options to meet the needs of subgroups with different levels of difficulty. It combines three basic modules: specific or technical training (200 hours), a vocational orientation workshop (50 hours) and job placement supported by information, business contacts and follow-up (up to 3 months), along with two complementary training programmes (150 hours) and a training internship (3 months). For young people with additional needs, these courses are supplemented with basic skills training in reading and writing and in interpersonal relations, to strengthen the general abilities required in the world of work. The Programme also takes advantage of the benefits available under Uruguay's Youth Employment Act, which encourages firms to hire young people in order to promote on-the-job training and fosters linkages between vocational training institutions and businesses.

Follow-up surveys of beneficiaries who have completed the Programme show a 36 per cent reduction in the number of young people without work, a near-100 per cent increase in the number who are working and a gross workforce participation rate of over 50 per cent for all beneficiaries. Programme participants also tend to obtain higher-quality jobs in terms of both remuneration and fringe benefits.

(c) *An interesting initiative by a local-government agency is the Primer Oficio ("First Job") Programme* developed by the Municipal Youth Secretariat of the municipal government of Curitiba, Brazil. This Programme, which was started in 1989, has the aim of providing unemployed adolescents with opportunities to join the labour force and earn an income. This is accomplished through a job placement programme in partnership with various firms located in the city. Circa 1998, some 115 firms in Curitiba participated in the Programme, which was financed entirely with local-government funds.

One positive aspect of this initiative is the high rate of participation by businesses located in the city. Also noteworthy is the fact that Latin America does not traditionally have city services that match unemployed young people with businesses' demand for workers. Another interesting point is that, far from representing an alternative to formal education, the Programme requires the young people selected to stay in school, and monitors their school performance. The beneficiaries take an introductory course to enable them to fill available vacancies in the firms in the city that support the Programme, and after they are hired the specialists of the Municipal Youth Secretariat follow up on them to assess their school performance, adaptation within the firm and family situation. Thus, this initiative is not merely a municipal youth employment agency, but a comprehensive programme that takes the beneficiaries' educational, work and personal lives into account.

(d) *Non-governmental organizations* offer many youth participation programmes, but far fewer of them operate in the specific area of employment, as national and local governments are usually the ones that have the necessary resources, influence and institutionalized links with the business world. One non-governmental programme is the *AXÉ Project/Programme* run by the Association of Parish Communities of Salvador de Bahia, Brazil. This non-governmental organization, founded in 1991, addresses the needs of street children and adolescents at risk. The Project/Programme's objective is to provide street children with an educational process in which work is regarded as an essential tool for building good citizenship. The aim is to create opportunities for employment and production as a means of generating income and facilitating

the beneficiaries' social, family, educational and productive reintegration. The initiative is funded by the federal Government (20 per cent), the local government (10 per cent), international cooperation (35 per cent) and private contributions (3 per cent), in addition to a self-financing component (32 per cent).

The programme has several distinctive features. First, the kind of training provided takes young people's motivations and generational sensibility into account. Priority has been given to the fashion industry as a teaching instrument and as a foundation for productive development, reaffirmation of cultural identity and reinforcement of self-esteem. Second, the programme targets the population at highest risk – i.e., street children in a city with a high level of extreme poverty. Third, the teaching strategies used seek to break down the dichotomy between vocational training and citizenship-building and between social projects and economic activity by combining liberal arts education with complementary technical and occupational training. Lastly, the initiative takes a pragmatic approach that strongly encourages the autonomous business management of training and production workshops and focuses on establishing links with private firms.