



Rising to the youth employment challenge

New evidence on key policy issues

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Young people today face a daunting task in seeking to enter the world of work. The global recession has left its mark and, although they have witnessed modest falls in recent years, youth unemployment rates remain stubbornly high.

Unemployment, moreover, is only the tip of the iceberg; the quality of employment available to young people is increasingly an issue for concern. In low- and middle-income countries vulnerable and/or informal employment has come to dominate young people's labour market experiences, while in higher-income countries temporary and other non-standard forms of employment are increasingly becoming the norm.

In the latest ILO publication of a series that have in recent years analysed trends and policy approaches to youth employment, the book contains a range of analyses and reviews of evidence, adopting a variety of appropriate methodologies to examine a series of specific questions related to youth employment policy with a view to producing specific policy recommendations to support the more effective integration of young people into decent work.

After a brief discussion of some of the major global issues in youth labour markets in chapter 1, six thematic chapters focus on new evidence on key policy issues:

Chapter 2. Macroeconomic and sectoral issues in youth employment policy

The most consistent finding concerning the determinants of youth employment and unemployment is that aggregate demand – the state of the macro-economy – plays a key role. With this in mind, Chapter 2 uses panel econometric models to examine the potential for discretionary fiscal expansion to increase youth employment and reduce youth unemployment in the presence of insufficient aggregate demand. The analysis clearly establishes the usefulness of expansionary fiscal policy in promoting youth employment, particularly during recessions. The analysis also shows that such a strategy will only be effective if government finances are in relatively good shape in the period leading up to the recession, and if the discretionary fiscal policy is implemented without delay once recession hits.

The second part of the chapter examines the potential for sectoral development policies to promote youth employment. Detailed examination of country-specific experiences and the relevant literature leads to the conclusion that there is no sectoral “silver bullet” for youth employment. Thus, while sectoral strategies of various forms have proved successful in different contexts, there is no unique sectoral path to successful youth-oriented development.

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Chapter 3. Labour market institutions and youth labour markets: Minimum wages and youth employment revisited

The chapter reports the results of a meta-analysis of the youth employment effects of minimum wage legislation, focusing on the role of interactions between labour market institutions in determining youth employment outcomes. First, the chapter confirms previous ILO research which showed that, for the most part, the dis-employment effects of minimum wages are either small or nil.

The main focus of the chapter, however, is on the role of other labour market institutions in determining the size of the dis-employment effects of minimum wages in youth labour markets. One of the main characteristics of estimates of the effects of minimum wages on youth employment is their substantial variation across location and time. The meta-analysis focuses on the role of interactions between labour market institutions in determining the effects of minimum wages on youth employment. It finds that any dis-employment effects that do exist are moderated in countries which have more protective employment legislation, and also in those high income countries where collective bargaining is both more coordinated and less centralized.

Chapter 4. Active labour market programmes: The role of wage subsidies

This chapter looks at the impact of, and derives a number of specific findings on, the design features of wage subsidy programmes which may improve their effectiveness. The chapter seeks to redress the balance in contemporary discussions of active labour market programmes, which have often tended to focus primarily on the role of training programmes. In doing so, it clearly establishes the importance, for the long-run effectiveness of wage subsidy programmes, of incorporating elements which promote the formal or informal acquisition of employment-related skills and competences by the young participants.

Chapter 5. Self-employment and entrepreneurship

This chapter discusses self-employment among young people, and examines the effectiveness of programmes to promote youth entrepreneurship. While it reaffirms the role frequently played by self-employment, across high-, middle- and low-income countries, as the “employer” of last resort, the chapter’s analysis of the ILO’s School to Work Transition Surveys undertaken in low and middle income countries also suggests a more nuanced picture. It is important to distinguish between “freely chosen” profitable self-employment which is often associated with involvement in family business and with more educated young people, and self-employment used purely as a survival strategy by more disadvantaged young people.

The promotion of entrepreneurship programmes is an area in which international organizations have been particularly active. Where opportunities for wage employment are severely limited, as in many lower-income countries, such programmes may be seen as one of relatively few options. However, while programmes promoting entrepreneurship can have a positive effect on young people’s longer-term employment and income prospects, the chapter notes that this requires fulfilment of quite a restrictive

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set of conditions. Ideally, such programmes should be part of a more general toolkit of programmes and policies designed to integrate young people into good-quality employment. On their own, they are unlikely to provide a successful general solution to the challenge of promoting decent work among young people.

Chapter 6. Contractual arrangements for young workers

The chapter examines contractual arrangements aimed at facilitating the entry of young people into employment. The chapter also considers work-based training arrangements, including apprenticeships, which may in practice be seen as forms of contractual arrangement with the potential to facilitate the entry of young people into long-term stable employment. This is important inasmuch as recent years have seen the emergence of less formal work-based learning arrangements such as traineeships and/or internships. While these arrangements may provide a basic and flexible form of on-the-job competence-building, they can run the risk of becoming cheap “make work” programmes with few positive outcomes for young people. Underlying the analysis is the concern that the spread of “non-standard” contractual forms has had the effect of removing or at least reducing the protections available to young workers in high income countries. These arrangements take many forms, and the chapter identifies those that appear to be more effective in promoting the longer-term integration of young people into stable employment. Some of the findings are perhaps surprising; for example, in addition to the standard finding that dual apprenticeships work “best”, the chapter also finds a positive role – in some circumstances – for traditional informal apprenticeships.

Chapter 7. The quality of work: Informal employment in low- and middle-income countries

This chapter looks at informal employment. Informal employment is clearly the dominant form of youth employment in low- and middle-income countries where at least three out of four young workers are informally employed. Although there are a number of single-country analyses of various aspects of youth informality, there have been relatively few evidence-based considerations of the characteristics, determinants and consequences of, and possible remedies to, informal employment among young people. Just as non-standard contractual forms of employment have come to dominate the early labour market experiences of young people in high-income countries, informal employment is the predominant form of employment for young people living in low- and middle-income countries.

One of the key features of informality is its variety. The chapter reviews evidence on informality and young people and uses data from the ILO’s School-to-Work Transition Surveys to dig a little more deeply into how informality affects young people and how this varies across regions and countries, and according to individuals’ characteristics. In particular, the analysis considers the extent to which informality may act as a stepping stone to stable formal employment. For the less educated, this suggestion is conclusively refuted by the analysis, as is the idea that informality is in any sense freely chosen. For the more highly educated, however, the situation is more ambiguous. While clearly inferior to formal employment, informality is more easily escaped by

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more highly educated young people, for whom the wage penalty associated with informality is also smaller.

Although there is a clear inverse association across countries between the level of economic development and the prevalence of informality, the chapter demonstrated the inadvisability of a formalization strategy based purely on encouraging economic growth. Moreover, the high costs of informality for young people, and the difficulties they face in getting out of informal work once they have set out upon that path, make it clear that policy approaches in this area should not be limited to the formalization of existing informal work, but should follow a two-pronged strategy involving also the facilitation of access to a first formal job for young people to pre-empt the vicious cycle that traps so many in informality. Given the variety in types and forms of informality, here more than anywhere policy approaches need to be tailored to specific country contexts.

Chapter 8: Towards more effective youth employment policies and programmes

The eighth and final chapter draws together some of the major findings of the six themed chapters. In addition, the analyses presented in the book repeatedly emphasize the importance of complementarities between context, institutions, policies and programmes influencing the entry of young people into quality employment. Inter alia, the concluding chapter suggests ways in which policies and programmes can be combined – in a complementary fashion – in order to better promote the integration of young people into decent work. For example, one such combination with much potential for expansion has been used to advantage above all in Latin America and involves the explicit use of active labour market programmes, including self-employment initiatives, to encourage the formalization of employment. Much remains to be done and the final chapter ends by suggesting some directions for future research; what we still need to know – or to know better.

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