

**FOR DEBATE AND GUIDANCE**

## FOURTH ITEM ON THE AGENDA

**Youth Employment****Introduction**

1. In his presentation to the Committee on Employment and Social Policy (ESP) in March 2006 of the “vision” document on the implementation of the Global Employment Agenda (GEA),<sup>1</sup> the Executive Director of the Employment Sector suggested that the future agenda of the ESP Committee could be expanded to consider three baskets of issues: continue to review national cases of employment policies under the improved system based on the discussion of the suggested modalities for evaluation of the GEA;<sup>2</sup> continue to review and define policy approaches in specific thematic areas (as has been done by the ESP Committee in each of the core elements of the GEA); and review cases of implementation of policies and instruments in specific programmatic areas. This suggestion was adopted by the Officers of the Committee who also agreed to have youth employment as the first programmatic area reviewed in the November 2006 session of the ESP Committee.
2. As suggested in the “vision” paper, the objectives of these programmatic reviews are to: strengthen the ongoing GEA implementation process; provide a basis on which to build better monitoring and evaluation of policies and instruments; better understand the relationship between particular policy interventions and employment/decent work outcomes; and allow a dynamic working relationship between the ESP Committee and the Office by maximizing opportunities for knowledge sharing, cooperation and policy guidance.
3. This paper is intended to contribute to achieving these objectives by reviewing the application of policies and instruments to promote youth employment in the context of the ILO Youth Employment Programme (YEP), including the key partnerships in which the ILO participates in this area, particularly the Youth Employment Network (YEN).
4. The document is organized in three sections. Section I provides, as background, an update on the activities of the ILO YEP, pointing out the programme priorities, main partnerships and some issues and challenges, as well as on the main activities of the YEN secretariat.

<sup>1</sup> GB.295/ESP/1/1.

<sup>2</sup> GB.295/ESP/1/3.

Section II contains an overview of knowledge about the effectiveness of selected policy instruments and interventions on youth employment outcomes, following the key policy areas identified in the checklist presented in GB.295/ESP/1/1. Section III describes recent ILO national level work in two countries.

## I. Update on recent action

5. Following the guidance of the 2005 International Labour Conference resolution concerning youth employment, the ILO Plan of Action to promote pathways to decent work for youth is based on three pillars: building knowledge; advocacy; and technical assistance. This section gives an update on key activities in each of these areas as well as on main activities of the YEN secretariat.

### (i) *The ILO Youth Employment Programme*

6. The Programme's working modalities are: policy advice and policy dialogue based on an integrated approach; interdepartmental and intersectoral work; field-headquarters collaboration; close involvement of ILO constituents; and development of partnerships, in particular with the United Nations (UN) and the World Bank, as well as with global, regional and national youth networks and other institutions, mainly through the YEN.

#### Building knowledge

7. As regards expanding knowledge and research, the main priorities have been to:
  - prepare and publish the *Global employment trends for youth*. This second issue not only updates the world and regional youth labour market indicators presented in the first issue, but goes further. It investigates the relationship between the lack of decent employment opportunities and poverty to explain why many young people remain poor despite the fact that they work. It also analyses increasing youth inactivity and provides a framework for identifying youth who are more vulnerable to getting stuck in labour market situations that will be detrimental to their own future development and to that of the economy at large. Finally, it synthesizes results and trends on school-to-work transition surveys (SWTS) in eight countries;
  - continue to run and analyse the SWTS and build knowledge around this ILO youth employment tool. The ILO SWTS are helping to shed more light on the situation of young people's working conditions. The surveys analysed to date<sup>3</sup> provide evidence that young people often work with short-term contracts, or have no contract at all, and that youth wages and job satisfaction are typically low. Based on the lessons learned from the application of the tool, the ILO is in the process of developing a SWTS methodological toolkit to assist ILO constituents in running a SWTS, analysing results and organizing dissemination in a manner that leads to participatory policy development;
  - further develop youth labour market indicators and provide timely data to capture the key trends in youth employment. At the request of the United Nations Youth Development Indicators team, the Office has participated in an inter-agency group tasked with developing a set of youth development indicators for the implementation

<sup>3</sup> A preliminary analysis of surveys run in Azerbaijan, China, Egypt, Jordan, Kosovo (Serbia), Islamic Republic of Iran, Nepal and Syrian Arab Republic can be found in the ILO: *Global employment trends for youth*, Geneva (2006), section 5.

of the United Nations' World Programme of Action for Youth. This has resulted in the establishment, inter alia, of a set of youth employment-related indicators that will allow for capturing a richer picture of the youth labour market. These indicators will be included in a dedicated database that will be used for the 2007 UN Youth Development Report;

- strengthen labour market information and monitoring systems to ensure a regular flow of information on the employment situation, specifically of young people. At the regional level, in Asia and the Pacific, dissemination of youth labour market indicators and an analytical review of youth employment at the regional level fed into the ILO Fourteenth Asian Regional Meeting.<sup>4</sup> In the Arab States, plans are under way to establish a regional labour market indicators database including information on youth employment. Work is in progress to set up a similar database for the Africa region. During the first part of 2007, a special issue of *Panorama Laboral* will be devoted to youth employment promotion as part of the Decade of Promoting Decent Work in the Americas which started in May 2006;
- identify, develop and coordinate research to gather empirical evidence on child labour and youth employment linkages. Research in this area has been launched in collaboration with IPEC in selected countries in Asia and the Pacific. The first survey concerning the impact of early school drop outs and child labour on future employment performance was recently conducted and published in Indonesia;<sup>5</sup>
- provide technical inputs to ILO documents and contribute papers to major international events. The Office provided extensive comments on the labour market chapter of the World Bank's "World Development Report 2007: Development and the Next Generation", which is dedicated to the theme of youth. A seminar, co-hosted by the World Bank in collaboration with the YEN secretariat at ILO headquarters, provided a useful platform for further discussion and exchange on the report; and
- develop and/or adapt capacity-building tools jointly with employers' and workers' organizations and that can be applied by them. This work item will be developed in 2007.

#### Promotional and advocacy work

8. As regards promotional and advocacy activities, the main priority areas include:

- active contribution to profile youth employment issues at the High-Level Segment (HLS) of the 2006 Economic and Social Council (ECOSOC) as well as in the corresponding Ministerial Declaration;<sup>6</sup>
- participation in the Third Youth Employment Summit (September 2006), hosted by the Government of Kenya and the Youth Employment Summit Campaign in

<sup>4</sup> ILO: *Labour and social trends in Asia and the Pacific 2006: Progress towards decent work*, Bangkok, 2006 available at <http://www.ilo.org/public/english/region/asro/bangkok/14arm/download/labour.pdf>.

<sup>5</sup> ILO: *Draft report on the relationship between early school drop out, child labour and youth employment*, Jakarta, 2006.

<sup>6</sup> See <http://www.un.org/docs/ecosoc/meetings/2006/hls2006/index.shtml>.

Nairobi.<sup>7</sup> The event gave visibility to the ILO's work especially in the area of enterprise development and labour-intensive approaches to infrastructure development and its relevance to youth employment;

- participation in the UN Youth Leadership Summit (October 2006), where two ILO publications on youth employment were launched;<sup>8</sup>
- identification of youth employment as a priority issue in all recent and forthcoming ILO Regional Meetings, namely in the Americas (Brazil, 2-5 May 2006), Asia and the Pacific (Republic of Korea, 31 August-2 September 2006), and Africa (Ethiopia, spring 2007). This has been the result of the Office continuous policy and advocacy work on youth employment in many countries of these regions;
- at the subregional level, organization of a tripartite subregional conference on youth employment for seven countries of Central Asia and the Caucasus.<sup>9</sup> Participants reached consensus on the key steps to be taken towards the development of a youth employment strategy in the subregion that will be used for planning future work in the context of the DWCPs. As a follow-up, the Office is providing support to the development of situation analyses of national youth labour markets. These analyses will be used to assess and strengthen existing initiatives, as well as to eventually develop national action plans (NAPs) on youth employment; and
- engagement in policy dialogue on the priority of youth employment in relation to the main frameworks driving policy at the national level, be they national development plans, PRSPs or UNDAF. This type of advocacy work will be intensified in the future and is a core function of the EMP/POLICY Department.

#### Technical assistance

9. Much of the Office work over the past months has focused on developing a strategy with well defined priorities and specific country interventions in the area of technical assistance oriented towards achieving concrete results. This strategy has a number of components:
  - (1) Consultations with regional, subregional and national ILO Offices on the priorities for support to youth employment promotion and their inclusion in the Strategic Management Module of the Programme and Budget for 2006-07.
  - (2) Identification and selection, in close consultation with the social partners, of 15 countries targeted to comply with Outcome 2a.3 of the Programme and Budget for 2006-07. It should be noted that specific interventions include but are not limited to these countries.
  - (3) Elaboration of two guides to support governments, the social partners and other stakeholders on the process of elaboration of NAPs: (a) a substantive manual which provides guidance on elaborating the necessary diagnosis, possible priority areas, interventions and instruments, and project profiles; (b) a good practice process guide for preparing NAPs. These guides have been shared with the YEN core agency

<sup>7</sup> See <http://www.yesweb.org/2006>.

<sup>8</sup> ILO: *Global employment trends for youth*, op. cit.; G. Di Cola (ed.): *Beyond the scoreboard. Youth employment opportunities and skills development in the sport sector*, ILO, Geneva, 2006. For more information on the Summit, see: <http://www.un.org/youthsummit/regions.asp>.

<sup>9</sup> Armenia, Azerbaijan, Georgia, Kazakhstan, Kyrgyzstan, Russian Federation and Uzbekistan.

partners (UN and the World Bank) with a view to making them a common reference tool and a common YEN approach for use by these and other agencies in their work at the national level, which would facilitate cooperation, common programming and benchmarking of national experiences.

- (4) Support to selected target countries under a phased approach in the elaboration, improvement or implementation (as the country situation requires) of their NAPs.<sup>10</sup> Several of these countries are YEN lead countries, and there has been close coordination and joint work on a continuous basis with the YEN secretariat to deliver support in those countries. Initial work applying the methodology outlined in the previous paragraph has been undertaken in Azerbaijan, Ecuador, Egypt and Kosovo (Serbia). This adds to the ongoing work on NAPs supported by the Office in the Democratic Republic of Congo, Indonesia, Namibia, Rwanda, Senegal, Sri Lanka, and Viet Nam. Once a country has a NAP with clearly defined priorities and activities, the Office determines which components it can support, based on own resources and those obtained from donor institutions. In this implementation phase, close coordination with the YEN secretariat and YEN partner agencies is envisaged to find creative ways to deliver human and financial resources to support the country NAP.
- (5) Support for the development of operational programmes and practical interventions in the context of DWCPs continues to be provided in many countries. For instance, a new programme has been launched in some Asian and Pacific countries to increase capacity for action on moving children and teenagers out of hazardous work and into education. This has been pursued by engaging local, regional and national government authorities, employers' and workers' organizations, educators, civil society groups, as well as children, young people and their families from the affected communities.<sup>11</sup>
- (6) New initiatives have been undertaken to expand the capacity of the Office to deliver youth employment outcomes within DWCPs, including through the mobilization of extra-budgetary resources, by fostering synergies with other UN agencies (e.g. UNDP, UNIDO), and to develop more public-private sector partnerships in the future, following the lead of the PREJAL project in Latin America. PREJAL is an innovative example of how the ILO can engage with government agencies and companies of a donor country to promote youth employment. This is the first time that the ILO has developed a technical cooperation project which involves enterprises as both implementing partners and donors. The role played by the employers' organization of the donor country has been key in securing the participation of the companies in the project.<sup>12</sup> The Office is preparing a public-private partnership policy framework, the necessary legal regulations and partner selection criteria, with a view to presenting these ideas to the appropriate decision-making bodies.
- (7) The Office continues to work closely with the social partners in the design and implementation of the programme on youth employment, both at headquarters and in the field. For example, the social partners have been consulted on the selection of the

<sup>10</sup> Work by the Office in this area responds to the Governing Body's request to assist and support, upon request, governments in the elaboration of NAPs. See GB.286/ESP/5.

<sup>11</sup> For additional information on this initiative, see *Youth training and employment to combat the worst forms of child labour*, ILO, Bangkok (forthcoming).

<sup>12</sup> Some challenges, related to initial administrative difficulties ensuing from the novelty of the project and to its wide geographical coverage, provide lessons for future projects of this nature.

15 target countries and on the guides for the elaboration of NAPs. At the national level, they are closely involved in the preparation of NAPs and other country activities on youth employment.

10. The Office believes the strategy outlined above is a pragmatic and comprehensive set of activities, consistent with the 2005 International Labour Conference resolution on youth employment to achieve the ILO's objectives in this important area. Although there is always room to improve in organizational terms, the main limitations the Office faces in implementing the Youth Employment Programme are related to human and financial resources. The mobilization of extra-budgetary resources is essential to complement the limited regular budget resources.

**(ii) The Youth Employment Network**

11. As the previous paragraphs suggest, the YEP coordinates all its activities with the YEN secretariat, with an increasingly clear division of work between the two, and with intense complementarities and synergies. The basic functions of the YEN secretariat are: (a) to facilitate the coordination of the messages and activities among the ILO, UN and World Bank, as well as relevant stakeholders both globally and in specific countries. As regards the NAPs, the YEN secretariat generates interest, facilitates the engagement of relevant stakeholders, coordinates the division of tasks among institutions and monitors progress in their implementation; (b) knowledge management with a focus primarily on collecting and sharing best practices – the technical functions rest primarily with the YEN core agency partners; (c) advocacy; and (d) resource mobilization.

**(a) Facilitating the coordination of messages and activities on youth employment**

12. Nineteen countries have stepped forward to reaffirm their commitment to youth employment at the highest level by becoming lead countries of the YEN, doubling in number since the 2005 International Labour Conference.<sup>13</sup> These countries represent a broad regional and economic diversity. In 2005, a report of the UN Secretary-General presented an analysis and evaluation of NAPs drawing on the submissions of 39 member States.<sup>14</sup> YEN core agency partners were actively involved in the formulation of many of these NAPs. Furthermore they have increased their support both in and beyond YEN lead countries through technical assistance and the development of tools to assist countries in preparing their NAP.

**(b) Knowledge management: Collection and dissemination of best practices**

13. As policy-makers seek measures to help young people make the transition into the labour market, they are hampered by a lack of information on what options are available, what works in different situations, and what has been tried and failed. In response:

<sup>13</sup> Azerbaijan, Brazil, Democratic Republic of the Congo, Ecuador, Egypt, Georgia, Indonesia, Islamic Republic of Iran, Jamaica, Namibia, Nigeria, Mali, Rwanda, Senegal, Sri Lanka, Syrian Arab Republic, Turkey, Uganda and the United Kingdom.

<sup>14</sup> United Nations: *Global analysis and evaluation of national action plans on youth employment*, Report of the Secretary-General (A/60/133), July 2005.

- the World Bank is assembling a *Global inventory of interventions to support young workers*.<sup>15</sup> By documenting these experiences and consolidating the lessons learned through regional synthesis reports, this project will build a knowledge base which will be accessible to policy-makers and others concerned about youth employment;<sup>16</sup>
- the United Nations Department of Economic and Social Affairs (UNDESA), in collaboration with the YEN secretariat, has prepared a report – *Review of national action plans on youth employment: Putting commitment into action*. It details the substance and focus of NAPs,<sup>17</sup> assesses the extent to which these strategies have been embedded in policies and the degree of coordination between different ministries in tackling the youth employment challenge. Suggestions for determining benchmarks to assess progress towards the goal of creating opportunities for decent and productive work for young women and men are included;
- the YEN secretariat has prepared a *Resource directory for lead countries of the youth employment network* to guide lead countries through the process of meeting their commitments to youth employment at a national and global level, as well as to assist in strengthening the community of lead countries. It complements the policy guidelines prepared by the ILO, drawing on experiences in a number of lead countries.

14. The YEN has institutionalized its commitment to promoting youth participation through the creation of a constituency within the youth community, which has full and equal participation at the high-level panel meetings as a standing youth consultative group (YCG). The YCG, in partnership with the YEN secretariat, is producing a guide for youth to facilitate and motivate their participation in youth employment policy-making.

(c) Advocacy

15. The YEN continues to build and expand networks, deepening the involvement of more organizations, social actors and technical partners. The range of partnerships has grown – lead countries, multilateral partners, private sector, youth groups, academic community, employers’ and workers’ representatives and civil society groups. New multilateral partners are pursuing operational activities with the YEN, including UNHCR, UNIDO and the United Nations Office for West Africa (UNOWA).
16. Products for advocacy and awareness-raising are widely distributed, such as information leaflets, YEN fact sheets, YEN information packs, and the YEN *Newsletter*. A working paper series was launched in 2005 with a study that takes stock of and distils lessons from ILO work on youth employment.<sup>18</sup> The second paper will focus on World Bank messages on youth employment.

<sup>15</sup> This project is being undertaken by Human Development Network, Social Protection Unit (HDNSP) under the auspices of the YEN. It is being financially supported by the German Government (BMZ).

<sup>16</sup> These will be available before the end of the year.

<sup>17</sup> Drawing on the submissions to the “Global analysis and evaluation of national action plans on youth employment”.

<sup>18</sup> D. H. Freedman: *Youth employment promotion: A review of ILO work and lessons learned*, YEN papers No. 1, ILO, Geneva, 2005.

## (d) Resource mobilization

17. Resources (financial, technical and political) have been provided, leveraged and pooled for activities on youth employment undertaken by a wide range of partners, including lead countries, core agency partners, youth organizations, social partners, and civil society. Assistance and/or seed funding to leverage activities on youth employment have expanded. For example, the YEN secretariat was asked by the UNOWA to act as the coordinating mechanism for work on regional security and youth employment.
18. Many countries have committed political, technical and/or financial support to the issue of youth employment generally and specifically to lead countries in the framework of the YEN, including Canada, China, Finland, Germany, Ireland, Netherlands, Portugal, Spain, Sweden and the United Kingdom. The financial support of Finland, Ireland and particularly Sweden has sustained the core operations of the secretariat. Sweden has pledged support for the next three years (mid-2006 to mid-2009) both for the YEN secretariat and activities in lead countries. Canada is funding an initiative to place young Canadians in eight lead countries as YEN associates to support these countries in their NAP development.

## II. Policy instruments for youth employment: Lessons learned

19. This section contains an overview of knowledge about the effectiveness of selected policy instruments on youth employment outcomes, organized under the key policy areas identified in the GEA implementation checklist presented in GB.295/ESP/1/1.

### ***Economic policies for employment expansion***

20. Given that youth employment is highly dependent on the general employment situation in a country, policies to boost and sustain job-rich economic growth are fundamental for the successful integration of young people into the labour market. The Office's research and policy advice work, geared to helping countries place productive employment generation at the centre of economic and social policies, constitutes the foundation to the development of any employment intervention directed at young people.
21. Over the past two decades, macroeconomic policies in many developing countries were largely shaped by stabilization and structural adjustment considerations, and were much less concerned with the objectives of promoting sustained and stable growth, and employment creation. The adoption of austerity measures limited the scope for policies to promote the employment of young people. ILO research argues for the need to design macroeconomic policies to ensure a balance between the objectives of macroeconomic stability and employment generation.<sup>19</sup> Recent research on Latin America suggests that young people could benefit from fiscal policy if such policy would be designed by governments to finance active labour market policies.<sup>20</sup>

<sup>19</sup> GB.291/ESP/1.

<sup>20</sup> J. Berg, C. Ernst and P. Auer: *Meeting the employment challenge: Argentina, Brazil and Mexico in the global economy*, Boulder, Colorado: Lynne Rienner, 2006; and Spanish edition: *Enfrentando el desafío del empleo: Argentina, Brasil y México en una economía globalizada* (México, DF: Plaza y Valdés Editores).



22. Other research on Central and Eastern Europe has found evidence that higher payroll taxes tend to increase youth unemployment rates.<sup>21</sup> This points to the role of government interventions in the forms of wage subsidies or other incentives (e.g. tax exemptions or reductions in social insurance contributions for a limited period) for enterprises that hire young people. These incentives can offset the cost of initial training required for young workers and allow the targeting of particularly disadvantaged youth. Evaluations of wage subsidy schemes in European and OECD countries find a large beneficial impact on employment but identify as main lessons the need to pay attention to the duration and level of subsidies, as well as to their targeting to the most disadvantaged to avoid potential displacement effects and deadweight loss.<sup>22</sup>
23. Some countries are focusing on sectoral development to further employment for young people.<sup>23</sup> Sectoral policies can generate considerable demand for labour in the medium to long run, especially when they target sectors with high employment elasticity or sectors which have a strong employment-creating effect in other sectors of the economy, apply employment-intensive methods, and are combined with human resource development and training strategies. Certain sectors have strong youth employment potential (e.g. information and communication technologies, hotels and tourism, retail and wholesale distribution, other services) and their development could provide real prospects for expanding job opportunities for young people. The interplay between sectoral development and youth employment promotion in developing countries warrants further investigation. The Office will undertake some new research in this area.
24. Alongside an employment-friendly macroeconomic policy framework, there is the need to devise complementary policies to enhance the employment content of growth. Many governments are increasingly recognizing the importance of investments in infrastructure, including through labour-based public works, as part of their strategies to promote youth employment among low-income and low-skilled youth.<sup>24</sup> The experience of the labour-based programmes promoted by the ILO points to their effectiveness in upgrading productivity and quality of work for young un(der)employed youth, as they combine employment opportunities with training and good labour practices. In Mali, a recent tripartite review of an ILO technical cooperation programme positively evaluated the National Agency for Youth Employment noting in particular the positive effects of labour-based infrastructure development on youth employment. The review concluded that labour-based works cannot only create immediate employment opportunities for young people in various sectors, but can also lead to long-term job opportunities through cooperatives or small enterprises in sectors as diverse as irrigation, stone paving production, village nurseries and road maintenance. In order to replicate successful projects and take them to scale for a broader impact on employment-intensive economic growth, the Office will intensify its efforts to re-evaluate the employment impact, including on young people, of countries' overall public investment programmes.

<sup>21</sup> S. Cazes and A. Nesporova: *Balancing flexibility and security in Central and Eastern Europe*, ILO, 2003.

<sup>22</sup> World Bank: *World Development Report 2007: Development and the Next Generation*, Chapter 4, Washington DC, 2006; ILO: *Starting right: Decent work for young people*, Geneva, 2004.

<sup>23</sup> ILO: *Youth: Pathways to decent work*, Report VI, International Labour Conference, 93rd Session, ILO, 2005.

<sup>24</sup> UN: *Global analysis and evaluation of national action plans on youth employment*, op. cit.

**Skills, technology and employability**

25. There is a close connection between a young person's employment prospects and education. Basic education constitutes the foundation of young people's employability and is also an effective means of combating child labour and eradicating poverty. It is now widely accepted that long-term investments in human capital play a key role in enhancing the productivity of labour and growth.<sup>25</sup> Recent ILO research in Indonesia provides evidence that children who drop out of school before completing secondary education and begin work are more likely than their peers, who complete their education, to earn much less, to be more prone to unemployment and to be in less secure employment later in life.<sup>26</sup> The Office will continue to expand its knowledge base on the linkages between education, child labour and youth employment as a basis for informed policy advice to constituents in this area.
26. The transition from education to work is problematic for many young people. Failure to find a job is often linked to a mismatch between educational outcomes and labour market requirements. Combining education, training and work has proven to be an effective approach to help youth gain a foothold in the labour market. Some countries have adopted programmes which link formal education with on-the-job training and internship.<sup>27</sup> Others are using career guidance and counselling as an important instrument to facilitate the school-to-work transition. A recent ILO review of career guidance activities has revealed the varied approaches in this area. In conjunction with this research, improved career guidance materials have been developed in ILO projects in Ethiopia, Indonesia and the Philippines.<sup>28</sup> Apprenticeship is considered another effective way to prepare young people for work. In many developing countries, traditional apprenticeship continues to be the largest provider of skills for young people mostly in the informal labour market. However, in many cases, training in the practical skills of local trades needs to be complemented with more systematic knowledge and with entrepreneurship and non-traditional skills so that young persons are prepared for higher value-added work and technological changes. A combination of different approaches is needed to expand job opportunities for young people outside the informal economy. These include recognition of non-formally acquired skills, public-private partnership in training design and delivery, and improvement of traditional apprenticeships. ILO research in India and in Ghana is now exploring how the infrastructure of training, both public and private, can be best utilized for upgrading skills in the informal economy. The Office will also draw policy lessons from the findings of the school-to-work transitions surveys, which will inform future technical assistance and policy advice work.
27. Vocational education and lifelong learning that are responsive to the evolving demand for skills in the labour market are fundamental to improving youth employability. ILO research on vocational graduates in India indicates that young people's employability was limited due to a number of factors, namely low operational flexibility and responsiveness

<sup>25</sup> GB.294/ESP/4.

<sup>26</sup> ILO: *Draft report on the relationship between early school drop out, child labour and youth employment*, op. cit.

<sup>27</sup> M. Godfrey: *Youth employment policy in developing and transition countries - Prevention as well as cure*, Social Protection Discussion Paper No. 320, World Bank, Washington DC, 2003.

<sup>28</sup> E. Hansen: *Career guidance. A resource handbook for low- and middle-income Countries*, ILO, Geneva, 2006.

of vocational education and training (VET) systems and institutions.<sup>29</sup> The skills mismatches generated by a lagging response of the VET system to changing demand for skills has also been a key finding of the Country Reviews of Employment Policy in the Stability Pact Countries and is addressed in the recommendations of the country reports.<sup>30</sup> The development of core or non-vocational skills (e.g. teamwork, problem solving, use of technology and learning-to-learn) is an important element of VET reforms in many countries. In Asia and the Pacific, member States identified the development of these employability skills as one of the priority skills issues in the region.<sup>31</sup> Since little is known about core skills in a developing country context, the Office is documenting some country experiences to assess how these skills are integrated in the reforms of training policies, as well as which institutional mechanisms and actors are involved in this process. This research will contribute to raising awareness on the need to integrate core skills into skill development policies and programmes, as well as to informing future policy advice work by the Office.

- 28.** VET programmes are more likely to be effective when they are well targeted and meet the specific requirements of the intended beneficiaries. The ILO's Training for Rural Economic Empowerment (TREE) methodology has been promoted by the Office to create employment and income-generation opportunities for vulnerable groups, in particular young people.<sup>32</sup> In Pakistan, the TREE approach has been instrumental in forming the national policy to increase access to skills training for young persons typically denied access to such training because of their location in rural areas. In some countries, TREE has been successfully used in the aftermath of crises. In the Philippines, TREE has been set up to help young returnees from armed conflict to reintegrate into their communities and build productive futures for themselves and their families. The experience gained under the TREE projects has resulted in a set of general procedures and tools to facilitate the implementation of the methodology. A generic TREE package will be developed to include a generic manual, a user-friendly guide and promotional material, as well as a guide for policy-makers. These products will serve to support the application of the methodology in a wider number of countries.
- 29.** Mobilizing social dialogue and tripartite structures plays a key role in promoting youth employability. The involvement of the social partners in the design and implementation of education and training policies and programmes is crucial. In Mongolia, a series of tripartite meetings identified on-the-job training – for incoming young workers and for workers in need of re-training – as the central policy concern that needed to be addressed through tripartite cooperation. As a pilot country for the follow-up to the 2002 International Labour Conference resolution concerning tripartism and social dialogue, the ILO supported the efforts of the social partners to devise effective on-the-job skills development strategies. This joint effort has continued through the active and effective advocacy by workers' and employers' organizations for a comprehensive national youth

<sup>29</sup> ILO: *Industrial training institutes of India: The efficiency study report*, Geneva, 2003.

<sup>30</sup> The ILO and the Council of Europe are involved in a regional cooperation effort to address the employment challenges faced by the Stability Pact countries. A series of Country Reviews of Employment Policy (CREPs) is the major outcome of this process. Countries reviewed so far include Albania, Croatia, Republic of Moldova and Serbia.

<sup>31</sup> ILO/SKILLS-AP: *Developing skills through partnerships in Asia and the Pacific*, Bangkok, 2006.

<sup>32</sup> TREE is a comprehensive community-based training package which helps communities to identify and assess local economic opportunities, to design and deliver community-based skills training, and to provide a broad range of post-training services.

policy in line with the recommendations of the 2005 International Labour Conference resolution concerning youth employment. This work is feeding into current Office efforts to support youth employment in Mongolia, including through the development of a NAP.

### **Enterprise development**

30. Private sector growth is a key engine of job creation and youth entrepreneurship is an important component of employment policies. In most countries, with proportionately large populations of young people, the barriers to doing business are high and this serves to thwart enterprise creation, encourage informality and jeopardize good governance. Youth share many of the challenges the general population experience in small business development, but in addition they often face age-specific problems (e.g. lack of business experience and collateral, limited access to business networks, perceived lack of reliability). The ILO experience shows that sound youth enterprise promotion policies, strategies and programmes need to be embedded in an enabling policy and regulatory business environment, while focusing on the opportunities and problems specific to young women and men entering self-employment.
  
31. Making improvements to the business environment is thus essential for helping markets work better and for improving the investment climate, which is key for expanding job opportunities for young entrepreneurs and employees. The ILO research indicates that the challenge is to ensure that the business environment is more conducive to the creation and growth of sustainable enterprises across the full spectrum of society so that the potential for enterprises to create decent jobs is maximized. When it comes to the legal and regulatory environment for business, fewer and simpler laws and regulations usually mean a more dynamic and efficient private sector. But if sustainable enterprises are to be fostered, the regulatory framework should not compromise international labour standards.<sup>33</sup> The Office is engaged in efforts to support constituents to advocate for the design of labour legislation that facilitates the application and compliance of its provisions in micro- and small enterprises, where the majority of young entrants to the labour market are found.<sup>34</sup>
  
32. Building up an enterprise culture is an essential component of any strategy to promote entrepreneurial activity among young people. In many countries, the first step is to change cultural attitudes in schools towards entrepreneurship by promoting it as a career choice. A recent ILO-UNESCO review of entrepreneurship education programmes worldwide points to their value in terms of their contribution to learning, to teaching practices, to the acquisition of business and life skills, while recognizing that these programmes cannot by themselves solve all problems related to youth unemployment and poverty.<sup>35</sup> The ILO has developed a dedicated tool to promote an enterprise culture among young people – the Know About your Business (KAB) package. The KAB programme is too recent for assessing its impact on start-ups, although its application has brought about some promising results. To date, the package has been integrated into the national curriculum for vocational training in Kazakhstan and Kyrgyzstan, and is under pilot testing in vocational, secondary and higher education in more than 20 countries. The Office will continue to support the promotion of this tool taking into account the high demand from constituents.

<sup>33</sup> G. Reinecke and S. White: *Policies for small enterprises: Creating the right environment for good jobs*, ILO, Geneva, 2004.

<sup>34</sup> GB.297/ESP/1.

<sup>35</sup> ILO and UNESCO: *Towards an entrepreneurial culture for the twenty-first century. Stimulating entrepreneurial spirit through entrepreneurship education in secondary schools*, Geneva, 2006.

It will also launch an innovative resource guide for assessing the entrepreneurial culture in a given area and advising policy-makers on the design of interventions to increase the entrepreneurial potential, including among young women and men.

- 33.** The ILO's Start and Improve Your Business (SIYB) management-training programme is another tool used by the Office to promote entrepreneurship through a focus on starting and improving small businesses. The programme has been applied in approximately 90 countries and operates through a network of more than 600 partner organizations, which offers a good potential to reach out to young people. Lessons learned from the implementation of SIYB indicate that entrepreneurship development programmes for young people need to be part of a comprehensive set of measures to make it easier for young people to start and run their own businesses (e.g. entrepreneurship education and training, enabling administrative and regulatory framework, business assistance and support, access to finance).<sup>36</sup> The Office works to adapt the SIYB programme in order to make it particularly attractive to young entrepreneurs by using information technology, distance learning and mass media.
- 34.** Access to start-up finance is a key constraint for youth who want to engage in self-employment. Lessons from programmes that provide capital to young people include: outreach is still limited; too-restrictive targets narrow the range for risk diversification which banks do not like unless they are fully compensated for the higher risk exposure; a too pronounced focus on "self-employment" may reduce funding for wage employment via SMEs; stand-alone projects have limited sustainability and long-term effectiveness. The Office will document good practices of specifically targeted packages to assist young borrowers in engaging in self-employment.

### ***Labour market policies and institutions***

- 35.** Labour market regulations, policies and institutions play a crucial role in matching the supply and demand sides of the labour market. The growing number of young people in intermittent, insecure and low-paid jobs in some countries and their over-representation in the informal economy in others require urgent action to improve their working conditions and to advance their rights at work.
- 36.** Labour market regulations are a key element of policies aimed at promoting efficiency and equity in the labour market. However, minimum wages and employment protection legislation (EPL) have repeatedly attracted controversy in the debate on youth employment. It has been argued that they are both a cause of high youth unemployment. There is no conclusive evidence that reducing minimum wages of young people is a means of decreasing youth unemployment or increasing the demand for young workers.<sup>37</sup> Similarly, evaluation studies conducted mainly in OECD countries do not provide a clear indication of the impact of EPL on young workers. The argument that stricter EPL results in higher youth unemployment is challenged in recent studies.<sup>38</sup> The question is not whether to regulate or not, but what kind and what level of regulations are appropriate to

<sup>36</sup> U. Schoof: *Stimulating youth entrepreneurship: Barriers and incentives to enterprise start-ups by young people*, ILO, Geneva, 2006.

<sup>37</sup> See, for example, F. Eyraud, and C. Saget: *The fundamentals of minimum wage fixing*, ILO, Geneva, 2005; M. Godfrey (2003), op. cit.; N. O'Higgins: *Youth unemployment and employment policy. A global perspective*, ILO, Geneva, 2001.

<sup>38</sup> R. Freeman: *Labour market institutions without blinders: The debate over flexibility and labour market performance*, Cambridge, Massachusetts, NBER, 2005; M. Godfrey (2003), op. cit.; S. Cazes and A. Nesporova (2003), op. cit.

get the best forms of protection for young people, who often work under insecure work arrangements, without inhibiting firms from hiring. Further evidence is required to better understand whether more flexible contractual arrangements are a stepping stone to stable employment or a trap leading young people into a spiral of short-term work combined with unemployment spells throughout their working lives. The Office has started some research work on contractual arrangements for young people and subsequent labour market outcomes, as an important area of work of the EMP/ANALYSIS Department.

- 37.** Active labour market policies and programmes (ALMPs) can greatly facilitate young people's entry and re-entry into the labour market. ILO and other studies indicate that, if properly targeted and implemented, ALMPs can effectively benefit the most disadvantaged youth by mitigating education and labour market failures, while promoting efficiency, growth and social justice.<sup>39</sup> In this regard, an ILO project in Kosovo (Serbia) points to a number of lessons.<sup>40</sup> First, one of the success factors of ALMPs targeting disadvantaged youth is the availability of baseline data. Without these data it is rather difficult to detect the problems faced by many young people while entering and/or remaining in the labour market and devise effective programmes that overcome their disadvantage. Second, regular monitoring of ALMPs and constant flow of information from local to central institutions, and viceversa, allows timely adjustment to the established targets. It also allows widening the scope of best-performing measures and narrowing that of less successful ones. Third, effectiveness and impact of ALMPs is greater if these programmes are implemented by local authorities. The latter have better knowledge of both opportunities and constraints of the socio-economic context. However, decentralization needs to be synchronized with effective coordination and guidance at central level. Fourth, the involvement of social partners can bring focus on issues (e.g. informal economy, working conditions, youth discouragement and inactivity, the promotion of socially responsible enterprises) that are not always on the government's agenda. The design of separate components can help strengthen their capacity and empower them vis-à-vis the government. Technical assistance to countries to develop, implement and evaluate ALMPs for young people remains an area to be further expanded by the Office.
- 38.** One barrier to matching the supply of young labour to demand is the lack of both labour market information and job search skills. Public and private employment services play this intermediation function as they are the main deliverer of labour market services and policies. In many developing and transition countries, public employment services have not been able to keep up with the changing requirements of the labour market and do not offer targeted packages of services that meet young people's needs. Assistance to support reforms and strengthen institutional capacity of public employment services constitutes a critical area of the ILO's work. For example, in Sri Lanka the Office supported the establishment of the JobsNet programme – an online and service centre-based employment delivery network that offers a web-based interface between job-seekers, employers and training institutes.<sup>41</sup> While not targeted specifically to young people, the latter are among the primary beneficiaries as they make up the largest share of new labour market entrants.

<sup>39</sup> See G. Rosas and G. Rossignotti: "Starting the new millennium right: Decent employment for young people", *International Labour Review*, Vol. 144 (2005) No. 2; P. Auer, U. Efendioglu and J. Leschke: *Active labour market policies around the world: Coping with the consequences of globalization*, ILO, Geneva, 2004; World Bank: *Young People in South Eastern Europe: From risk to empowerment*, Washington DC, 2005.

<sup>40</sup> Between 2005 and 2006 the project provided support to the institutions responsible for the provision of employment and training services to develop active labour market demonstration programmes targeting disadvantaged youth.

<sup>41</sup> See <http://www.jobsnet.lk>.

In the Philippines, the Office has supported the Department of Labor and Employment to develop a career guidance manual that will be used to strengthen the capacity of the Public Employment Support Office nationwide to provide more effective job-search assistance to young people. Notwithstanding ongoing efforts, current work by the Office is not sufficient to meet the needs of public employment services on the ground. The Office would need to enhance its technical advice services and resources in this area, including by working in partnership with other international and regional organizations.

### ***Governance, empowerment and organizational capital***

39. The basis for good governance is a well-functioning democratic political system that is responsive to the needs of all citizens. At the national level, key aspects of good governance include the rule of law and institutions for the representation of all interests and for social dialogue. This approach is at the heart of the ILO's Youth Employment Programme. The Office work in this policy area aims at strengthening the involvement and the capacity of the ILO's constituents in the development, implementation and monitoring of youth employment policies and programmes.
40. The promotion of youth employment through an integrated approach, as called for by the 2005 International Labour Conference resolution, lends itself to and requires concerted and sustained action by several actors. However, youth employment interventions have often been confined to specific programmes that are narrow in scope, limited in time and fail to link up with broader development frameworks. Greater coherence and coordination between the various government agencies at stake is needed in many countries.<sup>42</sup> In others, the involvement of employers' and workers' organizations remains inadequate.<sup>43</sup> NAPs are proving to be a useful mechanism and delivery vehicle for an integrated and comprehensive policy-making approach to youth employment. The experience of the Office so far points to the following lessons. First, it pays dividends to link up with existing national plans and priorities in terms of moving the youth employment agenda forward and shaping it. As mentioned earlier, the Office work geared to mainstreaming youth issues into main national policy frameworks tries to address this issue and will be intensified in the future. Second, participation and dialogue are critical to ensure commitment, broad-based ownership and sustainability. In this regard, efforts are being deployed to supporting a multi-stakeholders approach to the development of NAPs, in particular through the engagement of various government ministries and the social partners. Coordination with the YEN secretariat is helping to facilitate youth participation.
41. Social dialogue is a central element in the development of effective and credible interventions to promote decent employment for young people. It requires strong, independent and well informed partners.<sup>44</sup> An important area of work for the ILO is to strengthen the capacity of employers' and workers' organizations to participate in policy-making on youth employment and to extend outreach to young workers and entrepreneurs. As discussed in the previous sections, special emphasis is given to secure the engagement of the social partners in the activities undertaken by the Office. Some activities are also specifically targeted to them. For example, in Peru the Office has supported dialogue among the four trade union centres in order to develop trade union action plans and

<sup>42</sup> ILO: *Improving prospects for young women and men in the world of work. A guide to youth employment*, Geneva, 2004.

<sup>43</sup> United Nations: *Global analysis and evaluation of national action plans on youth employment*, op. cit.

<sup>44</sup> N. O'Higgins (2001), op. cit.

activities on youth employment. A similar exercise is planned for Colombia and Ecuador. This is an area that warrants more systematic support throughout the Office-wide activities.

### **III. Examples of ILO interventions in selected countries**

#### **(i) Egypt**

42. Youth unemployment is one of Egypt's foremost challenges today (two-thirds of the unemployed are youth) – a challenge that is high on the policy agenda of the Government. In the second semester of 2006, the ILO has taken the lead in providing assistance to the development of a NAP on youth employment, as called for under the country's commitment as a lead country of the YEN. A multi-stakeholder steering committee, led by the Ministry of Manpower and Migration (MOMM) and involving key national actors and international partners, has been set up to guide and supervise the refinement and implementation of the NAP. A national technical commission, composed of representatives from different ministries and the social partners, has been established as an inter-institutional mechanism responsible for drafting the NAP, in cooperation with the steering committee. In line with the ILO methodology spelled out in the ILO guides for the preparation of NAPs, the technical commission is conducting a situation analysis of the youth labour market as the first component of the NAP document. For this purpose, it has decided to convene thematic working groups<sup>45</sup> to deepen the analysis of specific policy areas. The situation analysis, which is instrumental in preparing the subsequent parts of the NAP, will outline the main youth employment problems and priority policies to tackle these problems. Consultations with civil society, including young people's groups, and close collaboration with other development agents have been facilitated by the YEN secretariat. It is expected that the NAP will provide the entry point to address and supply integrated support to policies, programmes and monitoring in the fields of general employment and the labour market.

#### **(ii) Viet Nam**

43. Viet Nam has a young population. About 1.2 million young people enter the labour market each year. Over the past two years, the ILO has been collaborating with the rest of the United Nations Country Team on a programme entitled Young Viet Nam. It has also cooperated with UNICEF to provide advice and assistance to the formulation of the country's first Youth Law and was able to ensure the inclusion of a component on employment for young people. The Youth Law, which was adopted by the National Assembly in November 2005, creates a legal enabling environment for youth development. A tripartite-plus committee, including representatives from relevant ministries, employers' and workers' organizations and civil society, was set up to facilitate a policy dialogue on youth employment. The establishment of the committee has been a major milestone in that for the first time, it brings employers' and workers' organizations into a formal dialogue on youth employment with Government and other stakeholders. A key outcome of its work was the drafting of a NAP on youth employment. The NAP seeks to operationalize the Government's Youth Development Strategy by 2010 and will be carried out within the context of the 2001-10 National Socio Economic Development Strategy and the 2006-10 Socio-Economic Development Plan. ILO business learning tools such as the "GET" Ahead training package for young women in enterprises, the SIYB programme and the KAB

<sup>45</sup> The working groups are: Macroeconomic Context, Youth Labour Market, Education and Training, Enterprise Development and Labour Legislation, and Labour Market Policies and Programmes.



training packages have been adapted for local use. Awareness-raising on youth employment has been promoted through an advocacy campaign, including newspaper articles, television chat shows and videos. Job bazaars were used as platforms for providing information to young jobseekers and for sharing experiences. The project has also contributed to strengthening institutional capacity of employers' and workers' organizations. The Viet Nam Chamber of Commerce and Industry and the Viet Nam General Confederation of Labour were involved in policy dialogues and in innovative activities on youth employment. In turn, this contributed to enhancing understanding of their role in youth employment issues among national stakeholders and the wider public. In the near future, a key area of the ILO's work in Viet Nam will be to assist the Government and the social partners in the implementation of the NAP, once it is adopted.

## Conclusions

44. This document has presented a summary of efforts by the Office in implementing the 2005 International Labour Conference resolution concerning youth employment, by providing an update of the main activities undertaken recently and, particularly, an overview of the knowledge and experience concerning the effectiveness of selected policy interventions and instruments on youth employment outcomes.
45. Although significant progress has been achieved, the magnitude and multi-faceted nature of youth employment problems on the ground require sustained commitment as well as coherent and complementary action, both within and outside the Organization. Within the Office, delivery on youth employment is a cross-cutting responsibility. A successful and effective ILO Youth Employment Programme that builds on the ILO's values and comparative advantage calls for continuous resource allocations and coordinated efforts across sectors and departments at headquarters and the field structure. The partnership of the ILO with the United Nations, the World Bank and other international and youth organizations through the YEN is also a fundamental part of the Programme.
46. In addition, an in-depth assessment of the impact of the Office work on youth employment is essential. The development of effective mechanisms to monitor and evaluate the impact of policies and instruments on youth employment outcomes constitutes an important area for future work.
47. The Committee is invited to comment on this report with a view to giving guidance on the future development of the Office work on youth employment.

Geneva, 3 October 2006.

*Submitted for debate and guidance.*