

Global Youth Unemployment

Trends, Challenges & Policy
Measures



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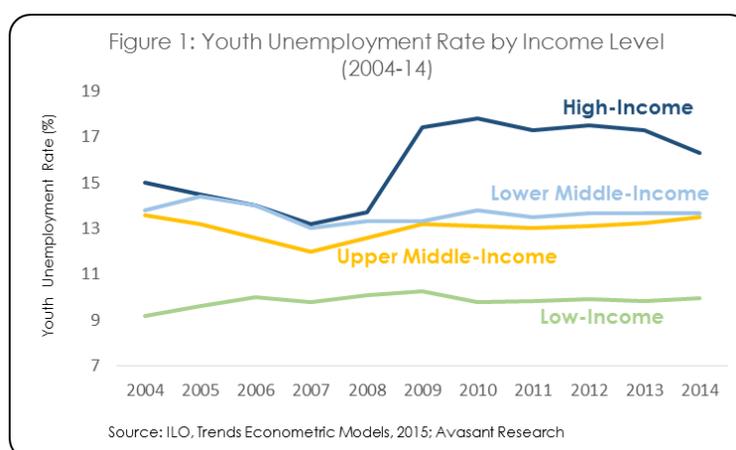
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Youth employment is a major policy concern for governments across the world. This is because finding productive employment for the youth is intrinsically linked to economic growth, political stability and social progress of a state. As countries move towards middle income status, young people increasingly tend to be hesitant to take up unattractive jobs, at least in the short term. However this is a luxury not available to the youth in low-income countries. Therefore youth unemployment in middle and high-income countries generally tend to be higher than in low-income countries (See Figure 1). The following sections describe the important dynamics shaping global youth unemployment and the policy measures required to address the problem.

Youth Employment Trends

Some of the major trends in global youth employment are:

- Low youth participation in labor force:** The global youth labor force and youth employment-to-population ratio (EPR) has been steadily declining since the last decade. For example, youth EPR declined by 2.7% between 2007 and 2014, from 43.9% to 41.2%¹. This decline in youth participation in labor force is largely due to an increase in education enrollment across the world.



- Regional variations in labor demand:** Agriculture is the predominant sector employing a large share of the youth in the low-income countries in South-Asia and Sub-Saharan Africa. However in Sub-Saharan middle-income countries and Latin America, services sector is increasingly replacing agriculture and manufacturing sector as the major source of employment. In the Middle East and North Africa labor demand arises largely from construction and public sector.
- Regional variations in unemployment levels:** In 2014, Middle East and Africa had the highest levels of youth unemployment in the world, at 28.2% and 30.5 respectively. South Asia and East Asia fared the best with 9.9% and 10.6% of youth unemployment respectively¹. Also, the unemployment rate of young women exceeds that of young men by 20-22% in North Africa and Middle East.
- Education attainment shaping unemployment levels:** The level of education attained has a direct impact on Youth unemployment. In the regions of Asia and the Pacific, Middle East and North & Sub-Saharan Africa, youth who have completed their tertiary education were between two to three times more likely to be unemployed than the youth with primary education or less¹. However in case of high-income countries, it's the youth with lower education who are more likely to be unemployed.

Scale of Youth unemployment

The global youth unemployment rate has remained steady in the last four years at around 13.0% and is likely to remain at the same level over the next few years. This rate is now on par with the youth unemployment rates of the early 2000's. While these signs are positive at the global level, an improvement in youth unemployment in the developed or high-income economies is likely to be offset by a deterioration in youth employment rates in low-income economies over the

¹ "Global employment trends for youth 2015", ILO (2015)

medium term. Particularly alarming are the high youth unemployment rates in Middle East and North Africa, and heightened alienation of young women from the labor force in these two regions.

Unemployment rate of young women exceeds that of young men by **20-22%** in **North Africa and Middle East**.

Global bottlenecks in employing youth

- **Skills Mismatch:** Lack of adequate or right skills is the most common reason for sub-optimal employment of youth. In developed economies, a number of young people who have completed tertiary education are unemployed because of mismatch of their skills with the needs of the market. These young people therefore take up jobs for which they are overqualified. This also leads to displacement or loss of jobs for lesser educated youth. Low-income economies, by contrast, have a large number of under-educated youth who are incapable of taking up high-productive work.
- **Economic or Business cycle:** Changing economic or business cycles also act as a major bottleneck to employing youth. As ILO reports, “youth are the “first out” as economies contract and the “last in” during periods of recovery”. Therefore in times of economic crises, young people are forced to take up involuntary part-time work, vulnerable employment or other jobs that they consider less than ideal or of decent quality.
- **Structural Barriers:** Economies with tighter labor regulations tend to have a higher degree of youth unemployment. This is because tighter labor regulations, such as high minimum wage laws or regulations against temporary employment discourages employers from hiring youth. It also limits opportunities for youth to successfully transition from a part-time or temporary work to a stable work by acquiring skills that the market demands.

Policy measures

Some key policy actions that can be undertaken to address youth unemployment are:

- **Skill development:** Policies addressing skill shortages and skill mismatches would go a long way towards reducing youth unemployment. This involves enabling: greater access to primary and secondary education, use of ICT in education to reach and target specific groups of youth, and public & private investment in relevant training and apprenticeship programs.
- **Youth entrepreneurship:** Greater and easier access to credit and creating a conducive environment for starting businesses can lead to more young people taking up self-employment and also creating more jobs in the process.
- **Restructuring Labor laws:** Labor policies should focus on narrowing down the differences in the hiring and wage policies between public and private sector. Tighter minimum wage laws and greater restrictions on temporary work contracts tends to further youth unemployment and hence labor policies should consider restructuring these regulations.
- **Growth focus:** Pursuing growth oriented, macro-economic policies with a focus on stimulating public and private investment is an essential precondition for improving job prospects for youth. Developing enabling regulations for enterprises operating in labor intensive sectors will also lead to a reduction in youth unemployment.

The nature and extent of Youth unemployment is not uniform across the world — it varies by region, gender, education and income level of countries. An employed young person in Sub-Saharan Africa is more likely to be worse off than even an unemployed person in a high-income country, who is willing to wait for the right work. The objective therefore should not be to reduce youth unemployment rate per se, but to create high-productive, good quality work with decent working conditions for youth across the world. That is a tall order, but nevertheless a noble goal worth pursuing.

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About Avasant Foundation

Avasant Foundation is Avasant's vehicle aimed at giving back and making an impact on the society while contributing to our corporate social responsibility (CSR) objective. The mission of Avasant Foundation is to identify and support programs that uplift and provide opportunities for children and youth in underdeveloped and emerging economies in literacy, education and employment creation. In partnership with philanthropic organizations and institutional donor agencies, we provide deserving youth access to skills training and education with the goal of job creation.

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