Context of Youth Employment

More than 1 billion people today are between 15 and 25 years of age and nearly 40 per cent of the world’s population is below the age of 20. Eighty-five per cent of these young people live in developing countries where many are especially vulnerable to extreme poverty. At the same time, the rate of urbanization is by far the highest in developing countries, and by 2015 it is expected that developing countries will account for more than 75% of the world’s urban population.

The International Labour Office estimates that 88.2 million young people aged 15-24 are unemployed in the world today, accounting for nearly half (47 per cent) of the 185.9 million unemployed persons globally. However, these unemployment figures are only the tip of the iceberg, and hundreds of millions more young people are working long hours for low pay, struggling to eke out a living in the informal economy. There are an estimated 59 million additional young people between 15 and 17 years of age who are engaged in hazardous forms of work. Young people actively seeking to participate in the world of work are two to three times more likely than older generations to find themselves unemployed.

While these figures are sobering, we should not necessarily view the fact that the vast majority of the world’s young people live in developing countries as a liability, but rather as a

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1Secretary, Secretary-General’s Youth Employment Network.
comparative advantage to be exploited. UN Secretary-General Kofi Annan, in his report to the Millennium Summit of the United Nations, writes that demography is not destiny and that “if I had one wish for the new millennium, it would be that we treat this challenge as an opportunity for all, not a lottery in which most of us will lose.”

This paper will focus first of all on some specific policy options for urban job creation, with specific attention paid to the role of cities and local authorities in implementing such policies. Secondly, the paper will present the broad outlines of the UN Secretary-General’s Youth Employment Network. After presenting on overview of the policy recommendations of Kofi Annan’s High-Level Panel on Youth Employment, the paper will outline the Network’s strategy for bringing together different groups of partners to support the commitment which Heads of State and Government made at the UN Millennium Summit to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work.” Youth employment will be presented both an integral part of the Millennium Declaration and a key contribution to meeting other Millennium Goals, including those relating to poverty reduction.

**Urban Employment Policies: Comparative Advantage of Cities in Job Creation**

City governments are on the front line in the battle to create and protect jobs. City governments are the first to feel the negative impact of unemployment, but they are often inadequately prepared to develop policies and programs to create jobs. The question is how to empower the prime victim of urban unemployment to provide some solutions to the problem.

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In the above context, cities have a comparative advantage in four areas in the quest to create employment. These are the regulatory environment, the informal economy, investment policies, and the ability to create local alliances. While these policy options are not specifically targeted to young people to the exclusion of other age groups, young people in developing countries, given high rates of urbanization and the disproportionately high share of young people among the unemployed and underemployed, will be the largest beneficiaries of such policies.

**The Regulatory Environment**

The first area of comparative advantage, the regulatory environment, covers a wide range of policies and programs and includes zoning regulations, regulations governing the establishment of small and medium-sized enterprises, regulations on public contracts and tendering procedures, and regulations linked to the application of working conditions and labor standards. All of these regulations have major implications for either encouraging or holding back the growth of the informal economy. Cities may be limited in their ability to create economic growth, but by screening and even designing such regulations to facilitate job creation, they are able to create a propensity for economic growth to result in more and better jobs. City governments are also able to change the way in which they contract out for goods and services so as to favor local employment and those using more labor-intensive methods to deliver these goods and services.

**The Informal Economy**

As much as youth employment is a concern of all countries at all levels of development, it is particularly a concern in developing countries, where the vast majority of young people live and work. In most developing countries, which lack public and institutionalized forms of social protection, the only safety nets for the unemployed are those of the family and informal
networks. Low-income young people, first, do not have access to the same educational opportunities, and, second, cannot afford to forgo immediate income-earning opportunities to invest in education. Therefore, a vast majority of young people in the developing world turns to the informal economy to eke out a living.

The challenge for young people working in this sector thus is not so much to make them employable, but rather to upgrade the productivity, incomes, and levels of social protection of the informal employment on which they depend. Here the key is not to create new jobs in the informal sector, but rather to improve the quality of those jobs that exist already. Education and training policies and delivery systems must be adapted to those working in this growing informal economy.

The regulatory environment is particularly important for improving employment prospects for young people working in the informal economy. City governments can also work to improve quality of employment, productivity, and social protection in the urban informal economy, both from the supply and demand sides. From the supply side, and in addition to the provision of basic infrastructure as discussed above, support can be given through training and micro finance, and by helping informal-sector workers and enterprises to get organized and create their own representative associations.

From the demand side, more careful analysis is required of how to stimulate demand for the goods and services produced by the informal sector. This analysis can begin by asking the question: Who buys the goods and services produced by the informal economy? Three sources of demand can be identified: low-income domestic markets, high-income domestic markets and international demand. While it goes beyond the scope of this paper to develop the demand-side approaches in detail, the key point is that the informal economy is increasingly become
integrated into the mainstream economy, at the local level, at the national level and internationally.

At the ILO’s 2002 International Labour Conference, the informal economy was a subject for discussion. Twenty years ago, when the ILO first discussed this issue, there was a sentiment that the informal sector was a transitory phenomenon that would gradually disappear as development took place. However, at present, not only is employment in the informal economy on the rise but furthermore, through international subcontracting and outsourcing arrangements, the boundaries between the formal and informal economies are becoming increasingly blurred.

Therefore, a strategy to upgrade youth employment in the informal economy needs to be carefully designed to exploit positive linkages and to discourage negative linkages between the two economies. Increasingly, subcontracting and outsourcing are utilized as a means to sidestep fundamental labor standards. To the contrary, increasing attention should be paid to bring informal-sector enterprises under the protection of fundamental principles and rights at work. This requires a combination of strong and enabling public policies to avoid a situation in which vulnerable small enterprises, including home-based workers and other forms of self-employment, are forced into a race to the bottom to ensure their access to wider markets.

**Investment Policies**

The third, closely related area where cities have a comparative advantage for job creation concerns investment policies. Infrastructure investments present an enormous opportunity to create new sources of employment for young people in developing countries, especially those in an urban setting where the needs for slum upgrading and infrastructure improvements are enormous.

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Infrastructure investments represent a missed opportunity where the potential for employment creation is greatly underestimated and under exploited. The World Bank estimated in *World Development Report 1994* that at that time developing countries were investing $200 billion a year in new infrastructure—4 percent of their national output and a fifth of their total investment. In preparation for the U.N. International Conference on Financing for Development held in 2002, the World Bank appealed for major, immediate infrastructure investments to address the urgent needs of the poorest segments of the population facing “infrastructure poverty.” However, for such infrastructure to effectively reduce poverty, greater attention needs to be paid to the employment potential of infrastructure investments.

Utilizing cost-effective, labor-intensive methods for the construction and maintenance of basic infrastructure is one means of getting an employment bonus for young people out of infrastructure investments. Small-scale basic infrastructure is usually of immediate benefit to poor people, is environmentally friendly, and most easily lends itself to labor-intensive methods. Examples of such infrastructure include agricultural feeder roads, low-income urban upgrading schemes, irrigation and water supply, soil conservation, and environmental restoration works. Also, a large proportion of the workforce in labor-intensive infrastructure development programs tends to be young people.

Experience has shown that labor-intensive public works can be implemented with timely and high-quality results. Also, such “public” works can be implemented by the private sector, and provide one opportunity for young people to start viable enterprises, in small-scale contracting, in engineering consulting, and in a variety of ancillary services.

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Local, rather than regional or national, governments are taking investment decisions increasingly. Whereas direct employment creation and special public works programs are often proposed by politicians as a means for rapid, direct employment creation, employment-intensive investment policies can also be used to redirect already allocated resources for a stronger impact on job creation. Typically, labor-intensive construction methods are appropriate for developing countries, where wage rates for unskilled labor are low.

However, there is scope for almost all countries to create new jobs by critically examining contracting and construction methods and by adopting methods that, at the margin, are both cost-effective and labor-intensive, while at the same time providing high-quality results. Employment-intensive approaches have evolved considerably over the years away from “make-work programs” to focus on cost-effective, high-quality public works that are implemented by small construction enterprises in the private sector.

The tendency toward decentralization and devolution of responsibilities and resources is accompanied by new powers of municipalities to raise taxes and to use their proceeds at the local level. Mayors and local authorities can harness these resources and powers in favor of job creation. Furthermore, both public and private investments should be encouraged not only in employment-intensive infrastructure investments but also for investments in human capital, basic health, and education, as one means of improving the productivity of the workforce. The problem of falling productivity of labor—which appears as one of the constraints to sustained economic growth, as well as at the root of the disquieting and in some cases entrenched problems of urban poverty—can be addressed through targeted mechanisms for investments in both infrastructure and in human capital. Investments can be targeted toward poor urban neighborhoods, whether they are in decaying peripheral urban areas or in the inner city.
Therefore, employment-intensive investment policies can be harnessed to improve both productivity and living and working conditions in the urban informal sector.

**Local Alliances**

In their fourth area of comparative advantage, city governments have a rather unique perspective on the ability of local partnerships to create alliances in favor of job creation. One form of alliance can be that which is embodied in the ILO’s own tripartite structure, between employers’ and workers’ organizations and governments, which all have a common interest in job creation. The notion of public–private partnerships appears most workable at the local level. Local businesses and governments have a common interest in urban renewal of decaying or insecure neighborhoods, the private and public sectors both stand to benefit from steps taken to increase the employment content and the employment impact of new investments. Trade unions can participate in community outreach programs and in helping the informal sector get organized. Employers and the private sector likewise have an interest in restoring the business climate of decaying neighborhoods.

Let us now move from local-level alliances to a global alliance for youth employment, namely, the Youth Employment Network.

**The U.N. Secretary-General’s Youth Employment Network**

In September 2000, the largest gathering of heads of state and governments ever met at the United Nations in New York for the Millennium Summit. During this summit, as part of the Millennium Declaration, they resolved to “develop and implement strategies that give young people everywhere a real chance to find decent and productive work.” In preparation for this

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meeting, Annan issued a report titled *We the Peoples: The Role of the United Nations in the Twenty-First Century* (Annan 2000). Here, the secretary-general first proposed his Youth Employment Network:

> Together with the heads of the World Bank and the International Labor Organization, I am convening a high-level policy network on youth employment drawing on the most creative leaders in private industry, civil society and economic policy to explore imaginative approaches to this difficult challenge. I will ask this policy network to propose a set of recommendations that I can convey to world leaders within a year. The possible sources of solutions will include the Internet and the informal sector, especially the contribution that small enterprises can make to employment generation.\(^7\)

The 12-member panel of the Youth Employment Network met for the first time in July 2001 at International Labor Organization (ILO) headquarters in Geneva chaired by Annan, together with Juan Somavia, the ILO director-general, and James Wolfensohn, the president of the World Bank.\(^8\) At this meeting, Annan emphasized the need for both immediate action and long-term commitment to achieving the millennium goal on youth employment. He also invited the panel to continue working with him in an advisory capacity on an ongoing basis. Finally, he asked the ILO to take the lead in organizing the future work of the Youth Employment Network and to assume the responsibility for hosting a permanent secretariat.

**Recommendations of the Youth Employment Network**

Following this first meeting, the U.N. secretary-general’s High-Level Panel on Youth Employment developed a set of policy recommendations, which were transmitted to the U.N.

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General Assembly, which discussed them in November 2001 in the overall framework of following up on the Millennium Summit. The panel’s recommendations encourage world leaders to take personal responsibility for translating the commitments taken at the Millennium Summit into action through a specific political process.

_A U.N. Political Process on Youth Employment_

In the panel’s recommendations, heads of state and governments are first invited to develop national action plans on youth employment with targets for the creation of jobs and for the reduction of unemployment. Preparing these actions plans should be based on a critical review of past national policies. Furthermore, governments are invited to volunteer to be champions of this process, to take the lead in preparing their action plans and in showing the way to others.

In developing their plans, governments are encouraged to closely involve young people. It is also recommended that governments integrate their actions for youth employment into a comprehensive employment policy. Employment policy is seen not as a sectoral policy among others; rather, it is the successful mobilization of all public policies.

Following up on the Youth Employment Network’s work, the U.N. General Assembly has recently adopted a Resolution on Promoting Youth Employment, cosponsored by 106 U.N. member states. This resolution demonstrates the strength of international consensus and commitment around the Millennium Goal of “decent and productive work for young people”—and around the Secretary-General’s Youth Employment Network as the means of action for meeting this commitment. This resolution, as was recommended by the high-level panel,

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8 The panel members are Saifuddin Abdullah, César Alierta, Ruth C. L. Cardoso, Hernando de Soto, Geeta Rao Gupta, Bill Jordan, Allan Larsson, Rick Little, Maria Livanos Cattaui, Magatte Wade, Ralph Willis, and Rosanna Wong.

encourages member states to prepare national reviews and action plans on youth employment and to involve youth organizations and young people. It also invites, within the context of the Youth Employment Network, the ILO, in collaboration with the U.N. Secretariat, the World Bank, and other relevant specialized agencies, to assist and support governments and to undertake a global analysis and evaluation of progress made.

It is useful here to draw out a few implications and conclusions from this political process. First, youth employment provides an entry point into broader and more complex employment policy issues. Youth employment is an issue on which political consensus can be easily developed. Therefore, developing solid strategies for youth employment provides a first step for political leaders and policymakers in addressing tougher issues of creating employment for all groups within society where there may be difficult trade-offs to face.

Second, the political commitment of governments provides an umbrella and a space for action for a variety of nongovernmental actors, including employers, trade unions, and organizations of young people. Therefore, the political process of preparing national action plans is not an objective in itself but rather a means to encourage public–private partnerships in developing concrete action for youth employment.

Youth Are An Asset, Not a Problem

The panel’s policy recommendations begin by presenting youth as an asset, not as a problem. This is an important political message, particularly in view of the relationship among civil conflict and unrest, crime, HIV/AIDS and even terrorism. Given the growing concern with the problems that confront young people and to which they are especially vulnerable, it is important to focus on unemployment—and not on youth—as the problem. An article that

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appeared in the *New York Times* “Week in Review” section in the months following September 11, 2001, quotes figures from the U.S. Census Bureau:

> From Casablanca to Kabul, the statistics are stunning. Well over half the populations of Egypt, Syria, Saudi Arabia, Iran and Iraq are under 25 years old. . . . In Pakistan, the number is 61 percent; in Afghanistan, 62 percent. The boom in young people coming of age in a broad swath of territory where terrorists recruit might seem to pose one of the United States’ most daunting national security threats.11

However, rather than focusing on young people as potential terrorists or threats, the U.N. secretary-general’s panel chooses to focus on the positive and creative potential of young people: “Young people are an asset in building a better world today, not a problem. In the next 10 years 1.2 billion young women and men will enter into the working age population, the best educated and trained generation of young people ever, a great potential for economic and social development.”

Also, the panel presents youth as a creative force today—and not only tomorrow. In other words, it avoids speaking of young people as “tomorrow’s” leaders, but rather as today’s partners: “Young people are now asking that their voices be heard, that issues affecting them be addressed and that their roles be recognized. Rather than being viewed as a target group for which employment must be found, they want to be accepted as partners for development, helping to chart a common course and shaping the future for everyone.”

**The Four “E”s**

The panel’s recommendations can be summarized in four principles:

- Employability: Invest in education and vocational training for young people, and improve the impact of those investments.
• Equal opportunities: Give young women the same opportunities as young men.

• Entrepreneurship: Make it easier to start and run enterprises to provide more and better jobs for young women and men.

• Employment creation: Place employment creation at the center of macroeconomic policy.

Although the panel was concerned to deliver a technically anchored message, first and foremost, it wanted to deliver a political message—a simple, understandable message formulated so as to influence policymakers.

This paper touches on each of these four principles and analyzes their implications for countries at various levels of development. First, employability. The panel calls for breaking the vicious circle of poor education and training, poor jobs, and poverty. All countries need to review, rethink, and reorient their education, vocational training, and labor market policies to facilitate the school-to-work transition and to give young people—particularly those who are disadvantaged because of disabilities or who face discrimination because of race, religion, or ethnicity—a head start in working life. Each country is invited to set objectives and targets based on best practices or best performance for investment in education and training and other employability-strengthening measures, leading to jobs and social justice for the young.

Employability of Educated Youth

Here it is useful to discuss the implications for employability in developing countries. Typically, in industrial countries, one associates high levels of education with low levels of youth unemployment. However, there is an apparent anomaly in many developing countries where high levels of formal education, particularly secondary and higher education, may be

associated with high levels of unemployment—as well as with high levels of frustration among these unemployed youth. Educated youth in developing countries tend to come from better-off sections of the population and have correspondingly high levels of expectations.

Policymakers working on youth employment may find inspiration in the increasing body of research linking economics and psychology. It would be unwise to develop economic policies for youth employment without integrating the psychological elements of young people’s expectation, aspirations, and frustrations. Policymakers should be ready to at least partially take these factors into account, rather than single-mindedly expecting youth to adapt to the realities of the labor market.

An International Labor Office report states that in many developing countries “only the better educated can afford to be unemployed.”\(^\text{12}\) In most of the industrial countries that make up the Organization for Economic Cooperation and Development, there appears a strong correlation between education, employment, and decent work. But in most developing countries, unemployment rates for the more educated exceed those of the least educated. Therefore, the challenge is to better utilize the precious resource of growing numbers of educated young people in the developing world—a resource that is being wasted at great cost to the young people and to society at large. And the other side of the same coin is the challenge of upgrading the employment opportunities of those without adequate education and training that work in dead-end jobs in the informal economy.

As for the educated—and frustrated—young people in developing countries, the trick is not just to reorient public education and training policies away from expectations of employment in the public sector but also to implement public policies that stimulate employment growth in

\(^{12}\text{International Labor Office (1999, 7).}\)
the private sector. For many developing countries, this means policies to create a vibrant, employment-intensive, and productivity-enhancing domestic private sector.

The word “employability” has been at times criticized as implying that if job seekers are unemployed, this situation is their own fault. However, the panel’s recommendations on employability combine both the responsibility of the individual with that of society. The individual is responsible for taking initiative and seeking out new opportunities. However, society is responsible for providing these opportunities and an environment in which discrimination is not allowed to become an obstacle.

Therefore, the message of employability is a message of not just individual responsibility, but also one of social justice, of the right of young people to education and training that will lead them to what the ILO director-general calls “decent work”: employment in which race, religion, ethnicity, or disabilities do not get in the way of employment. This recommendation thus takes a stand in favor of the high road to employment, the type of employment that requires a young person to be well educated and endowed with skills relevant to the labor market. Employability is also closely linked to information and communications technologies, to making these more widely available and accessible, and to closing the digital divide.

With regard to the second principle, equal opportunities for young women and men, the panel provides two sets of arguments to underpin its recommendation. One is based on a moral imperative, and the other as a means to boost productivity. The recommendation reads:

Eliminating the gender gap in educational, training and job opportunities is not only a moral imperative, but furthermore, a means to increase productivity and quality of employment. In many countries, where boys and girls have equal access to education, girls are doing better than boys at school. In a great many countries, girls are not getting the same education opportunities
as boys, with serious gender gaps in literacy as a consequence. The panel argues that all countries need to review, rethink, and reorient their policies to ensure that there are equal opportunities for young women when they enter the workforce and throughout their working lives. Each country should set objectives and targets to rectify the gender disparities in access to education, training, and labor markets, and to develop and implement the necessary gender-sensitive policies in these areas.

As was mentioned above, there is much concern with the social consequences of youth unemployment. The need to seriously address youth employment is taking on new urgency in light of the deteriorating security situation throughout the world. However, worries about the destructive behavior of young people can result in a policy bias in favor of young men as opposed to young women. Young men with little to lose may adopt behavior that is destructive to society, whereas young women in a similar situation tend to rather become self-destructive. By focusing explicitly on equality of opportunities, policymakers can correct such a bias.

The third principle, entrepreneurship, is not just about self-employment and helping young people start their own business. It is also not just about encouraging the private sector to create employment. Certainly, these are key pieces of the puzzle. But in calling for strengthened entrepreneurship, the panel is calling for a renewed sense of initiative for all young people, whether they are workers or employers, and whether they work in the private or public sector.

Hernando de Soto, one of the panel members, makes a strong plea to review the many cumbersome regulations that keep poor people from starting their own business. All countries need to review, rethink, and reorient the legal and institutional framework to make it easier to start and run a business. Governments and international organizations should make it a top priority to obtain reliable and relevant data on the informal economy and on the rules and
procedures required to set up and operate a new business within a legal framework. On the basis of a better understanding of institutional obstacles, policies should be developed to allow this part of the economic system to be integrated into the mainstream economy and raise its productivity through legal facilitation. This review should be combined with respect for labor standards, which should be seen as a basic element in achieving productivity and prosperity.

Governments, on both national and local levels, need to encourage a broad and dynamic concept of entrepreneurship to stimulate both personal initiative and initiatives in a broad variety of organizations that include, but reach beyond, the private sector: small and large enterprises, social entrepreneurs, cooperatives, the public sector, the trade union movement, and youth organizations. Countries also need to strengthen policies and programs so that small enterprises can flourish and create decent work within an enabling environment. Each country should set objectives and targets for a broad reform program, based on best practices, a process that can offer more flexibility for enterprises and more security for workers.

With regard to the fourth principle, employment creation, a cross-country analysis of youth employment carried out by the ILO in 1997 concluded that general macroeconomic conditions have an overwhelming importance in determining the level of youth employment. However, youth unemployment is more sensitive than is adult unemployment to changes in aggregate demand. This is one of the reasons that, overall, youth unemployment rates tend to be two to three times higher than the rate of adult unemployment. One of the many reasons that youth are disproportionately affected by changes in macroeconomic conditions is related to levels of acquired training. The opportunity costs to firms of firing young people is lower than for older workers because youth represent lower levels of acquired skills and human capital.

Although youth are hurt more than adults by economic downturns, macroeconomic policies, which stimulate aggregate demand, also carry the potential of benefiting youth disproportionately. In fact, the fourth principle of employment creation underpins all the others, namely employability, equal opportunities, and entrepreneurship. For example, employability requires not just appropriate skills and training but also public policies that lead to new employment opportunities where these skills can be used. Investing in youth requires not just better skilled youth but also a commitment by public- and private sector partners alike to keep job creation as a central concern of their investment strategies. Equality of opportunities implies following a high road toward employment, linking rights and labor standards, leading to increased opportunities for both women and men. And entrepreneurship should be supported not only through structural measures but also through growth-oriented macroeconomic policies so that enterprises can sustain themselves.

The Milestones Ahead

In conclusion, it is worthwhile to point to a few key milestones ahead to build momentum for youth employment. First of all, the General Assembly in its latest Resolution on Programmes and Policies for Youth\textsuperscript{14} has called on Governments to prepare National Reviews and Action Plans on youth employment by September 2004. During this same month, the African Union will hold an Extraordinary Summit on Employment Creation and Poverty Reduction. It is hoped that this Summit will provide an opportunity to highlight African political leadership and commitment in the field of youth employment, as well as to demonstrate action on the ground.

\textsuperscript{14} United Nations General Assembly Resolution A/RES/58/133.
In addition, a growing number of countries have joined on as “lead countries” for the Youth Employment Network. These countries will be meeting in the months ahead, in order to share and compare their policies and programmes on youth.

Following its visit to West African in July 2003, youth employment in on the agenda of the UN Security Council, and there is increasing recognition that youth employment is a key to national and collective security.

The International Labour Organization has put youth employment high on its political agenda and within its programmatic areas of work. Youth Employment will be on the Agenda of its 2005 International Labour Conference. The outcome of this discussion will then be positioned to feed into the five-year review of the implementation of the Millennium Declaration, which the United Nations will undertake later that same year.

In conclusion, the UN’s system’s High-Level Committee on Programmes noted that the Youth Employment Network provides the United Nations system with an opportunity to influence the international development agenda and policy debate with a positive message in support of the aspirations of the world’s young people.

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15 Azerbaijan, Brazil, Egypt, Indonesia, Iran, Mali, Namibia, Rwanda, Senegal and Sri Lanka.
References


United Nations, Letter from the Secretary-General, Document A/56/422.


