



REVISITING THE YOUTH EMPLOYMENT CHALLENGE IN DEVELOPING COUNTRIES

Expert meeting on national strategies and global responses for youth well-being

Alexandre Kolev
OECD Development Centre
Paris, 17 October 2017



This project is co-funded by
the European Union



Key questions

1. What are the key trends on the supply and demand side that feed the youth employment challenge in developing countries?
2. What are the employment preferences of young men and women? How likely will young people be able to meet their job aspirations ?
3. How much hope shall policy makers place on youth entrepreneurship?
4. What are the employment opportunities for rural youth?
5. What kind of policy package could best address the many youth employment challenges that lie ahead?



Sources of information

Based on lessons learned and new evidence accumulated through country studies and global research and policy work on:

- ✓ Youth entrepreneurship
- ✓ Youth aspirations and the reality of jobs
- ✓ The role of local value chains to support rural youth livelihoods
- ✓ Country reviews on youth well-being
- ✓ Analysis of gender-based discrimination in social institutions



There is a massive employment challenge, particularly severe for youth in the developing world

- As many as 600 million jobs will need to be created worldwide over the next 15 years to keep employment rates at their current level
- Youth employment challenges mirror both demand side factors (insufficient formal job creation) and supply side factors (demographic pressure and mismatch in different areas).



Insufficient formal job creation is a major barrier to access productive employment

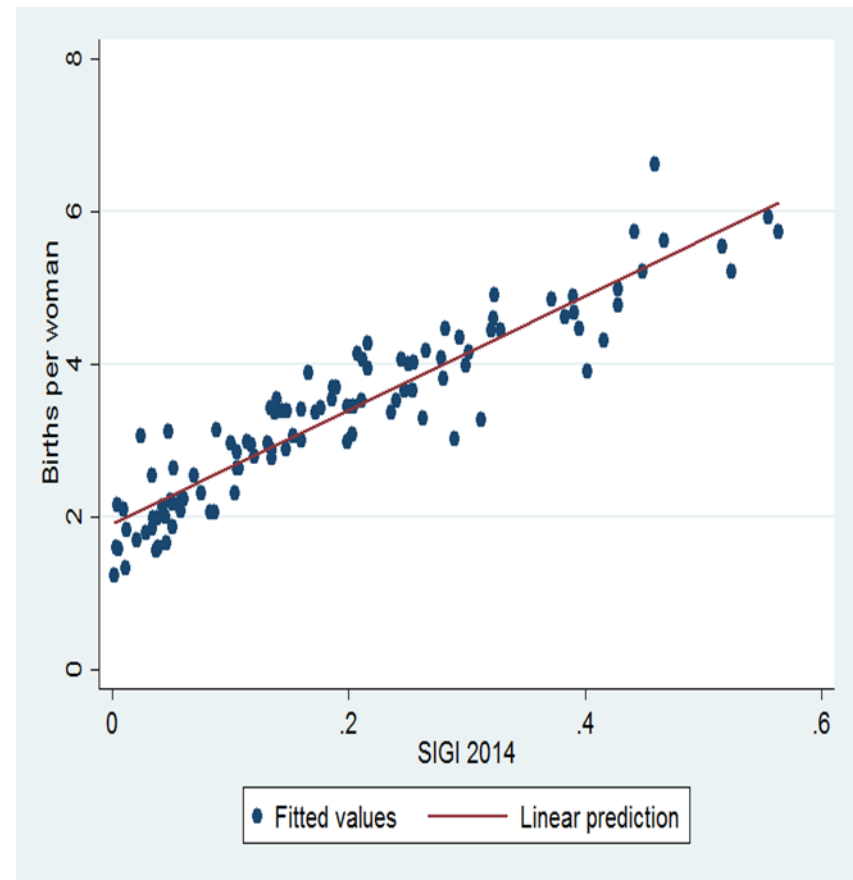
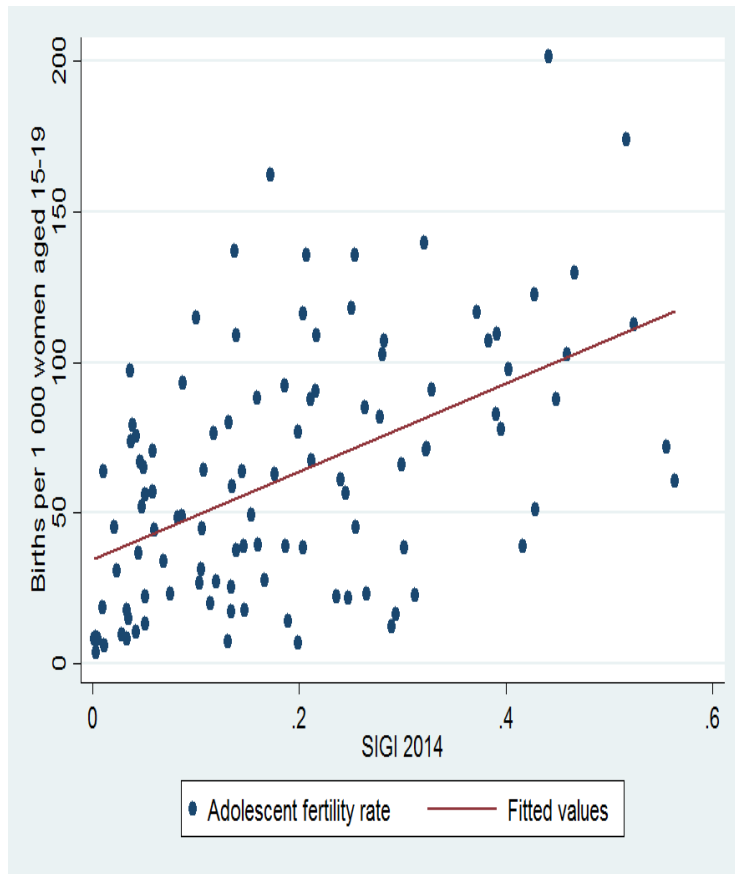
Most developing countries have a high share of informal employment as a proportion of both total and non-agriculture employment





Demographic pressure exacerbates the employment challenge, gender inequality matters...

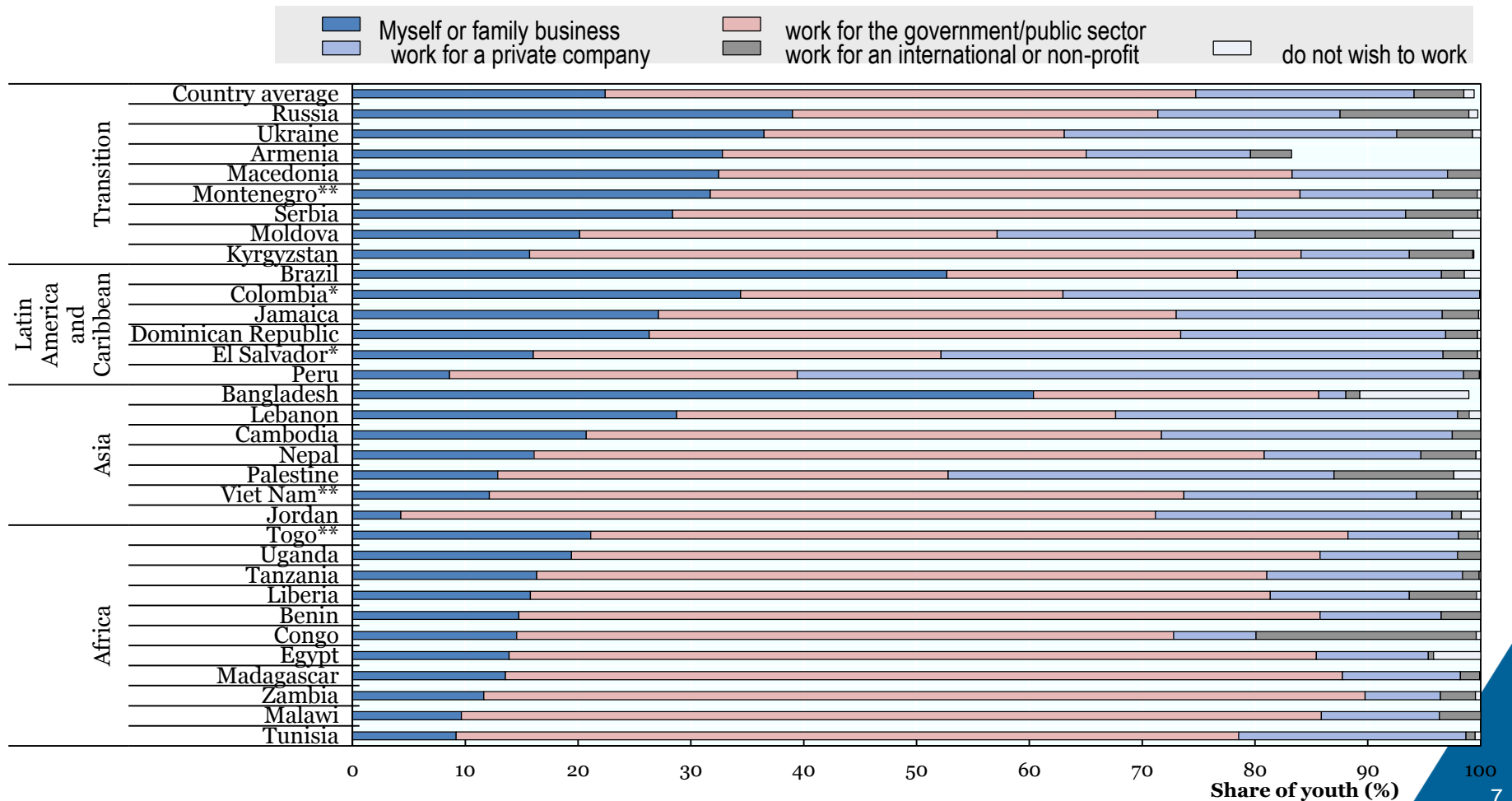
Higher fertility rates are linked to greater gender inequality in social norms





Young people enter the labour market with high career aspirations

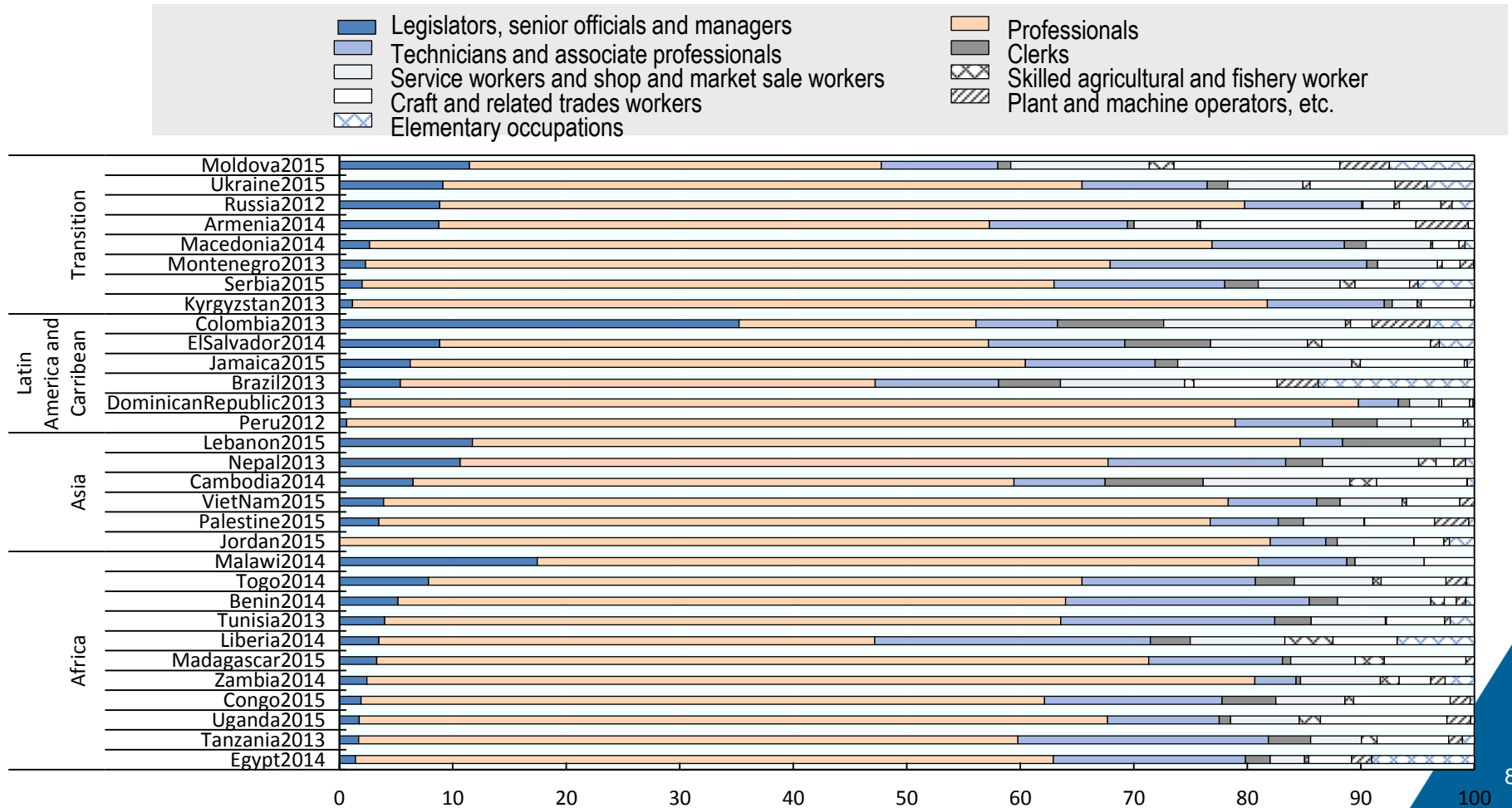
Most young people want to work in the public sector...





Young people enter the labour market with high career aspirations

...and to become professionals.

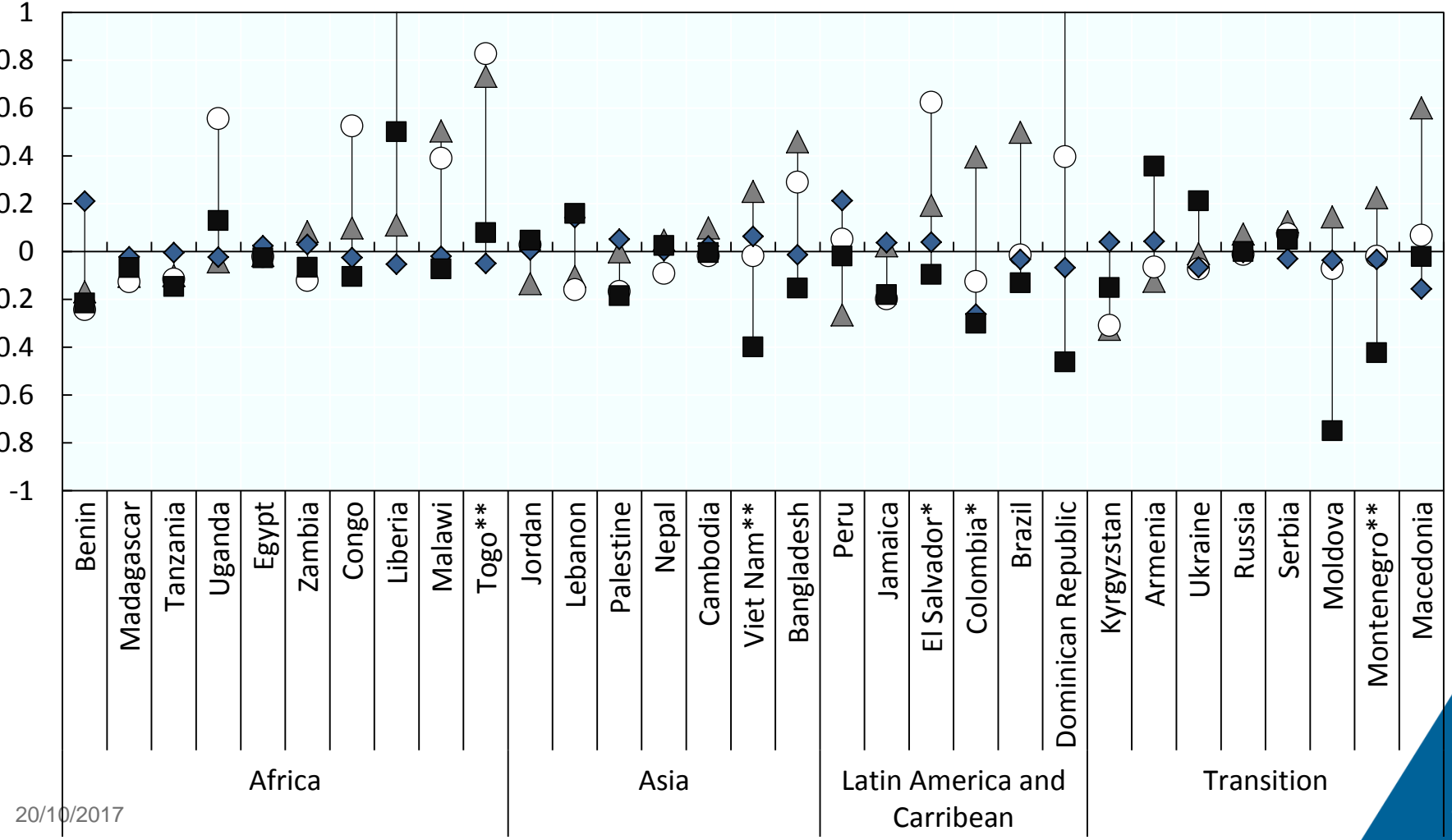




Career aspirations are not necessarily linked to salary incentives.

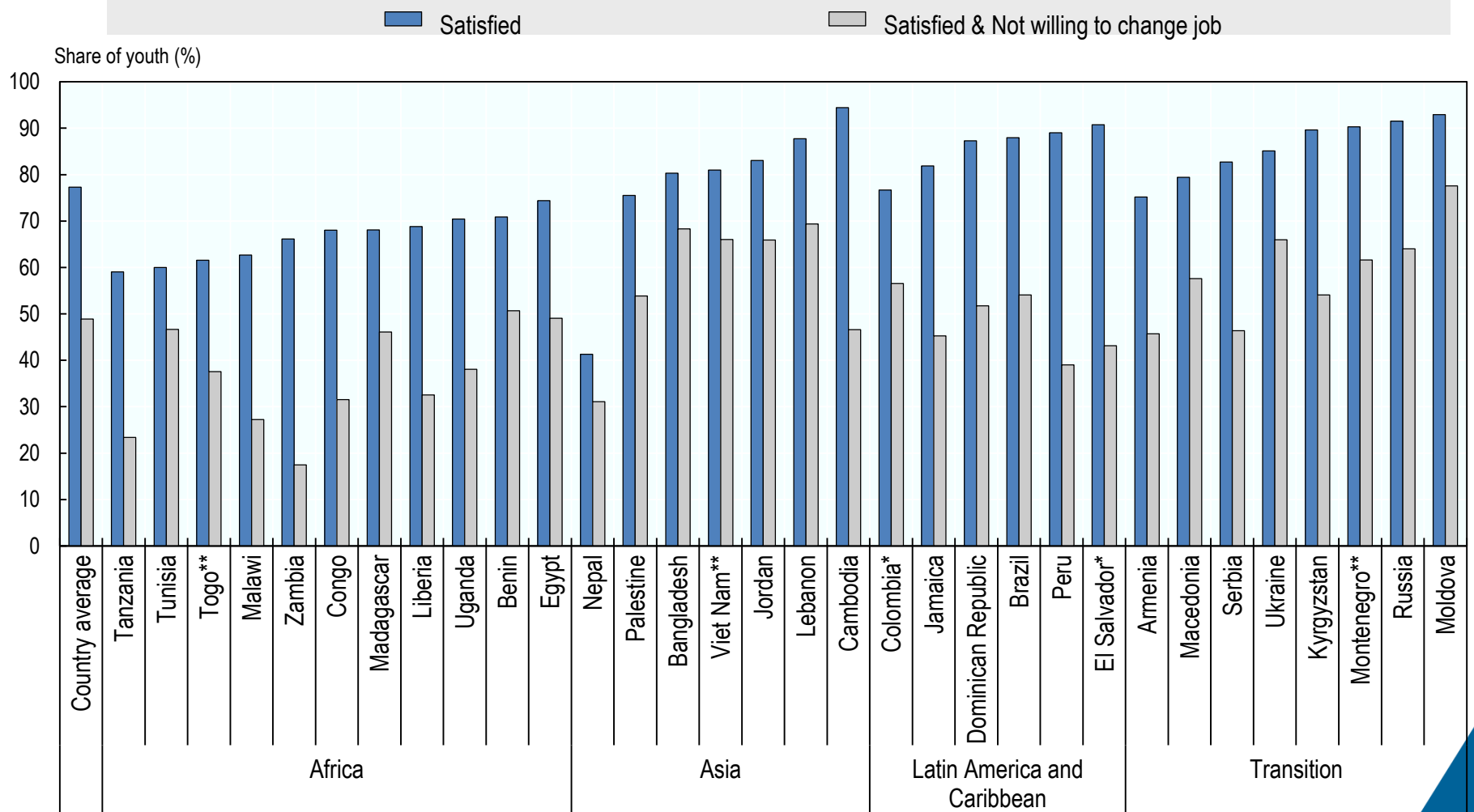
Standard deviation of monthly income within country (country average = 0)

High skilled
 Medium-high skilled
 Medium-low skilled
 Low skilled





Looking at the drivers of adjusted measures of job satisfaction can yield useful insights





Young people value specific job characteristics and employment conditions

Adjusted measures of job satisfaction tell us what makes a good job for young people:

- Self-employment brings higher satisfaction than wage employment, but only when it is by choice and not by default.
- Job security is a key determinants of satisfaction for wage employees.
- Low-skilled jobs, skills mismatch, informality and working in agriculture drive down job satisfaction



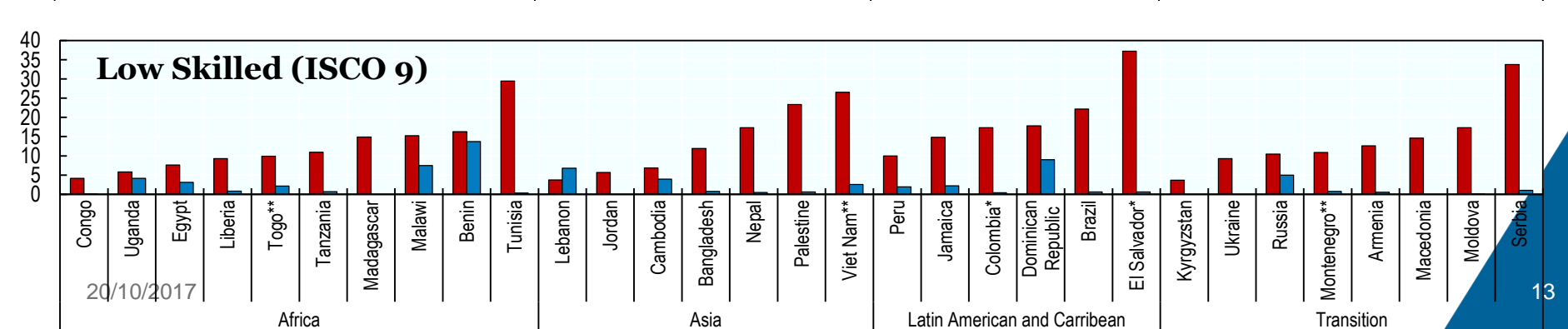
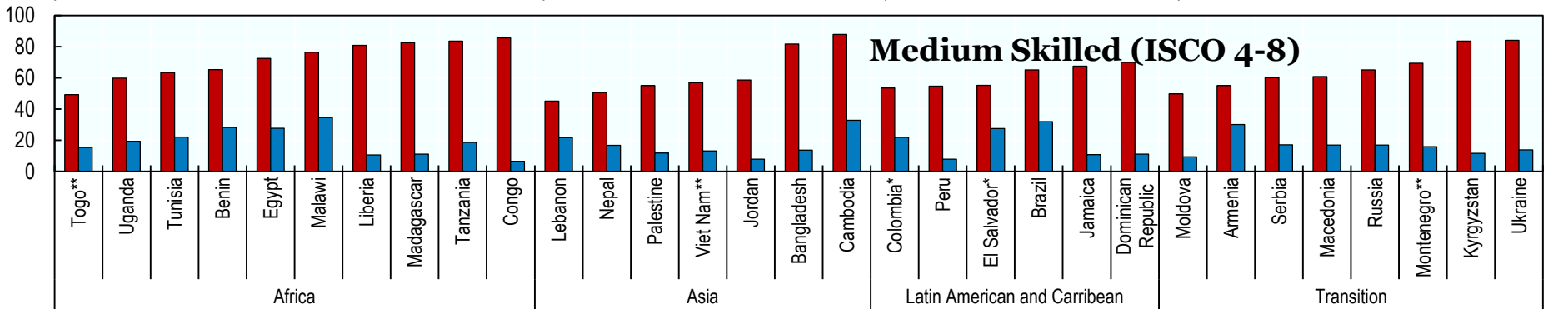
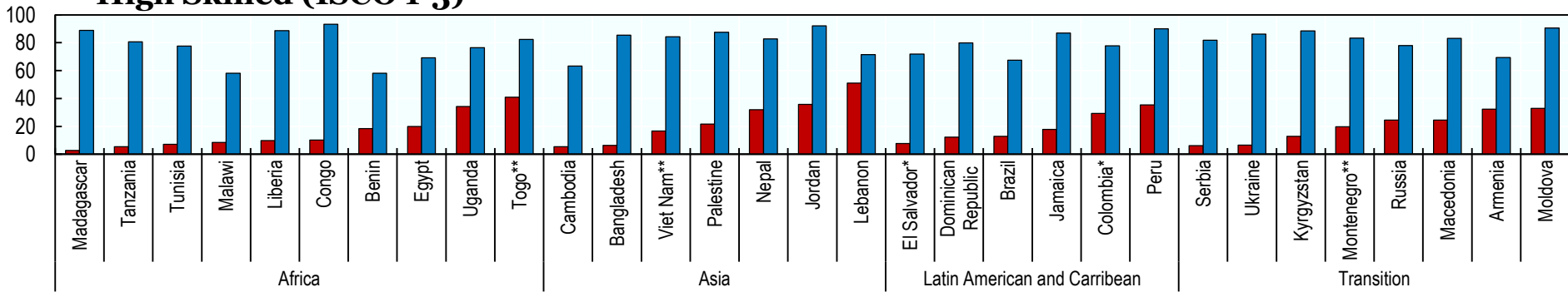
From youth employment preferences to job reality

- ❑ Better understanding the employment preferences of young men and women in the light of the reality of jobs in developing world is key
 - ❑ Young people that can fulfil their career aspirations and find jobs that bring about greater satisfaction at work are likely to be better off, but also more productive in the workplace and in society at large.
 - ❑ In contrast, failing to shape such preferences in the light of the reality of the world of work can have serious economic, social and political consequences, including social unrest and large migration outflows.
- ❑ Existing jobs in developing countries do not live up to youth aspirations and this shall be taken more seriously by policy makers and development partners.



Large gaps between youth career aspirations and actual occupations...

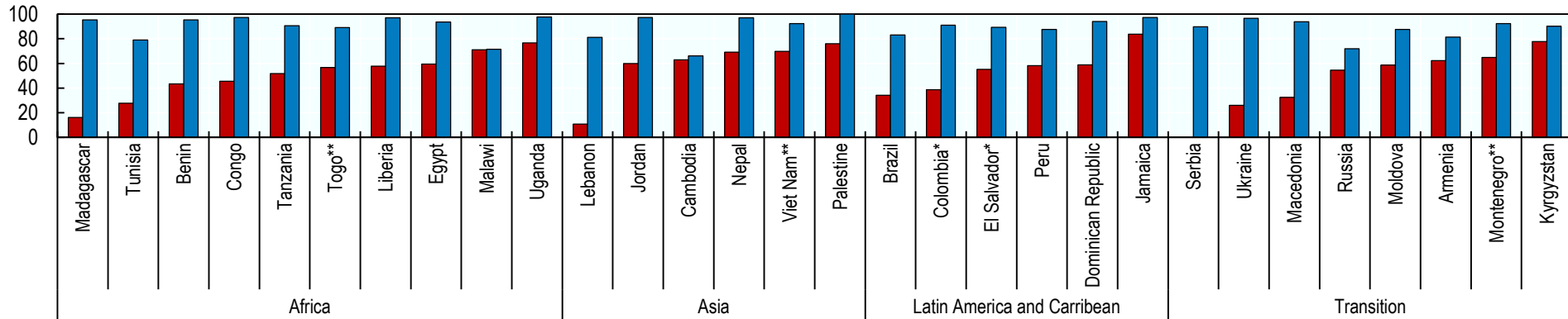
High Skilled (ISCO 1-3)



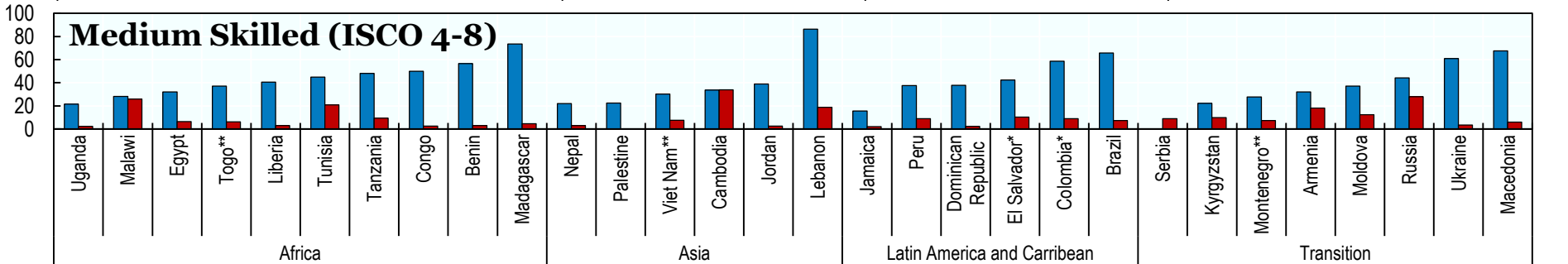


Gaps between aspirations and occupations remain for Tertiary Educated youth

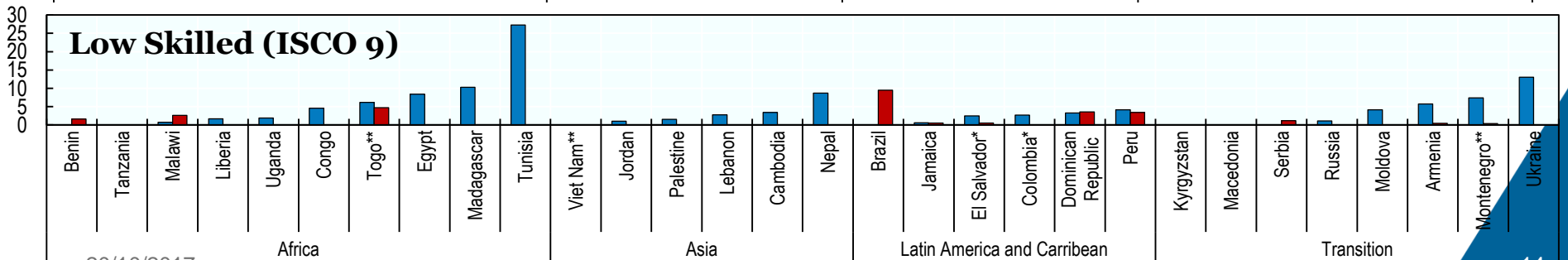
High Skilled (ISCO 1-3)



Medium Skilled (ISCO 4-8)

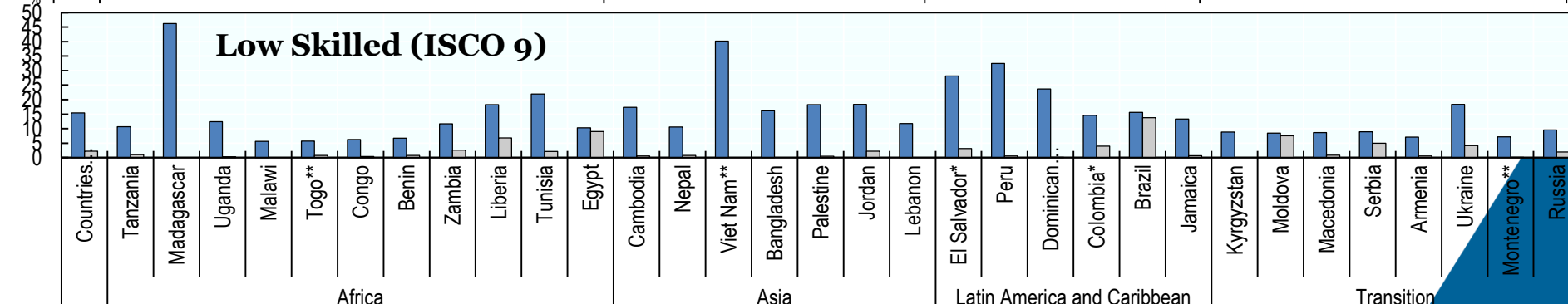
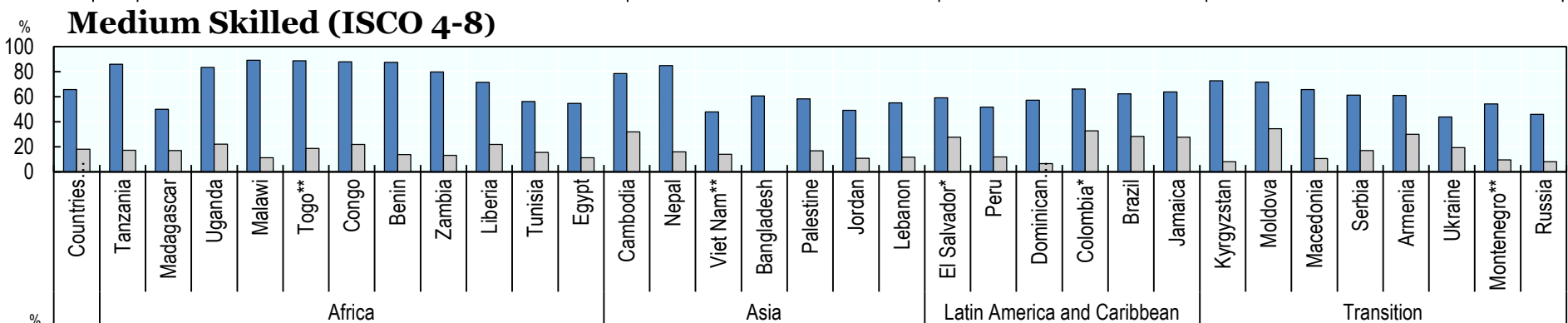
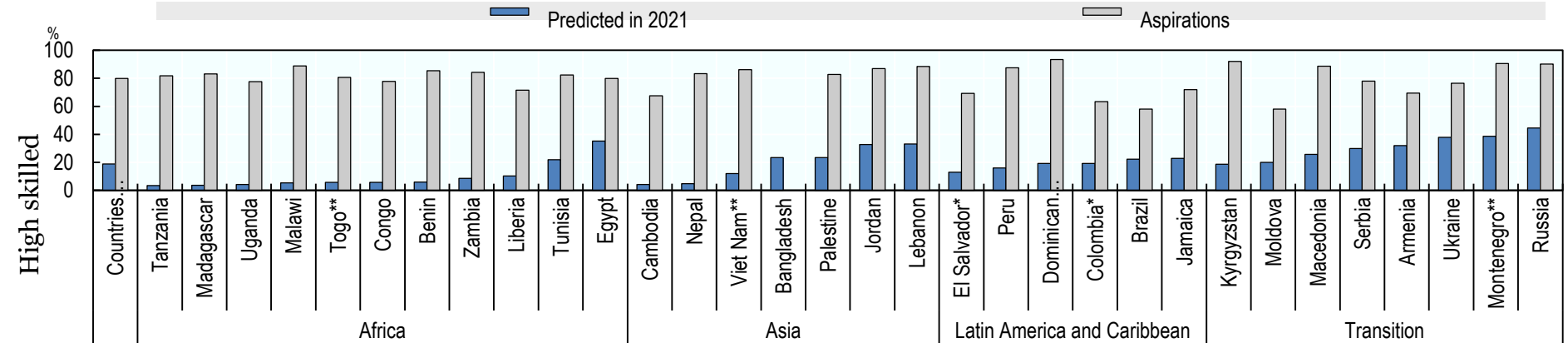


Low Skilled (ISCO 9)





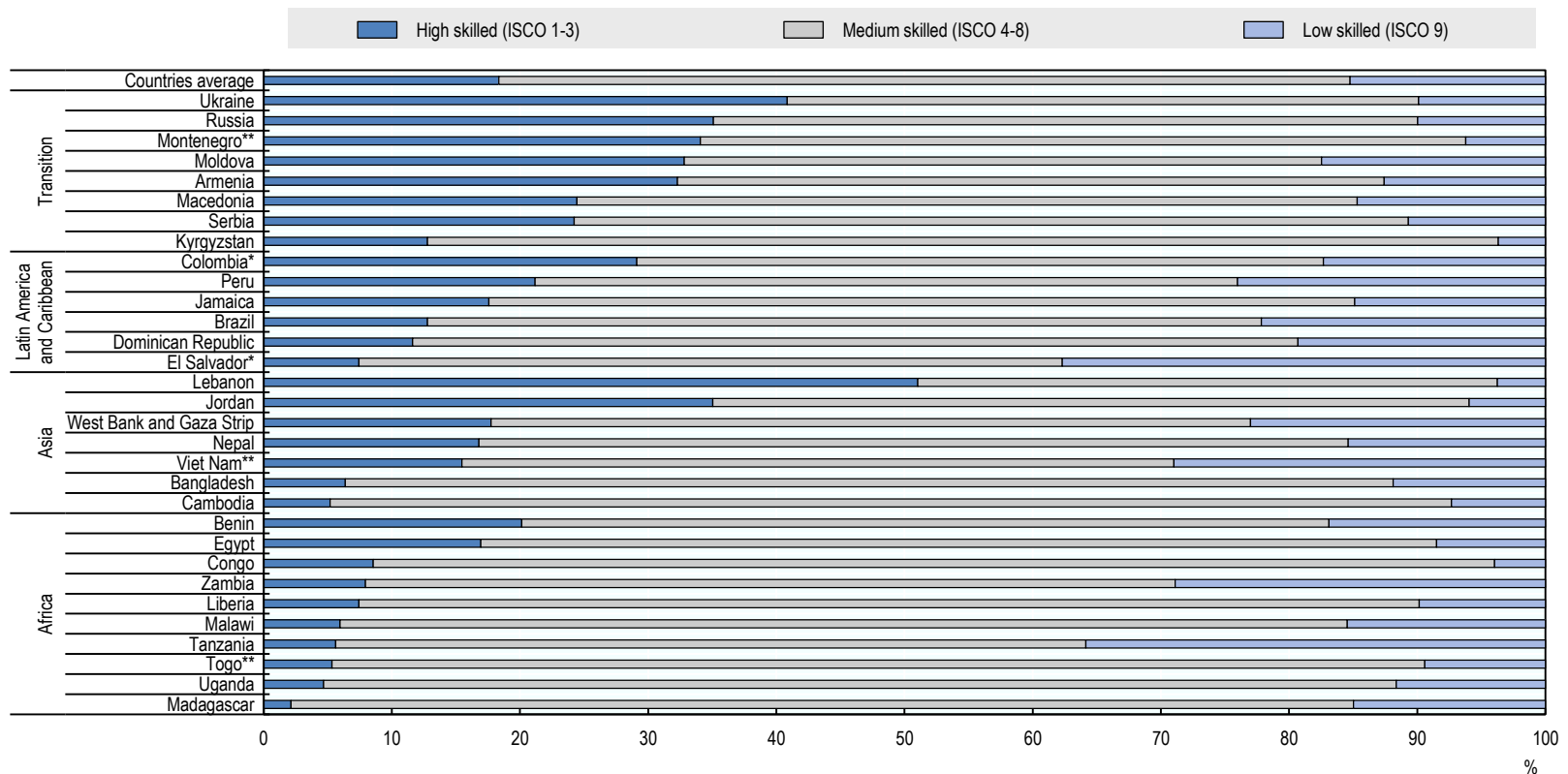
...and when we consider the predicted repartition of occupations in 2021





A number of job characteristics that drive job satisfaction down are relatively common

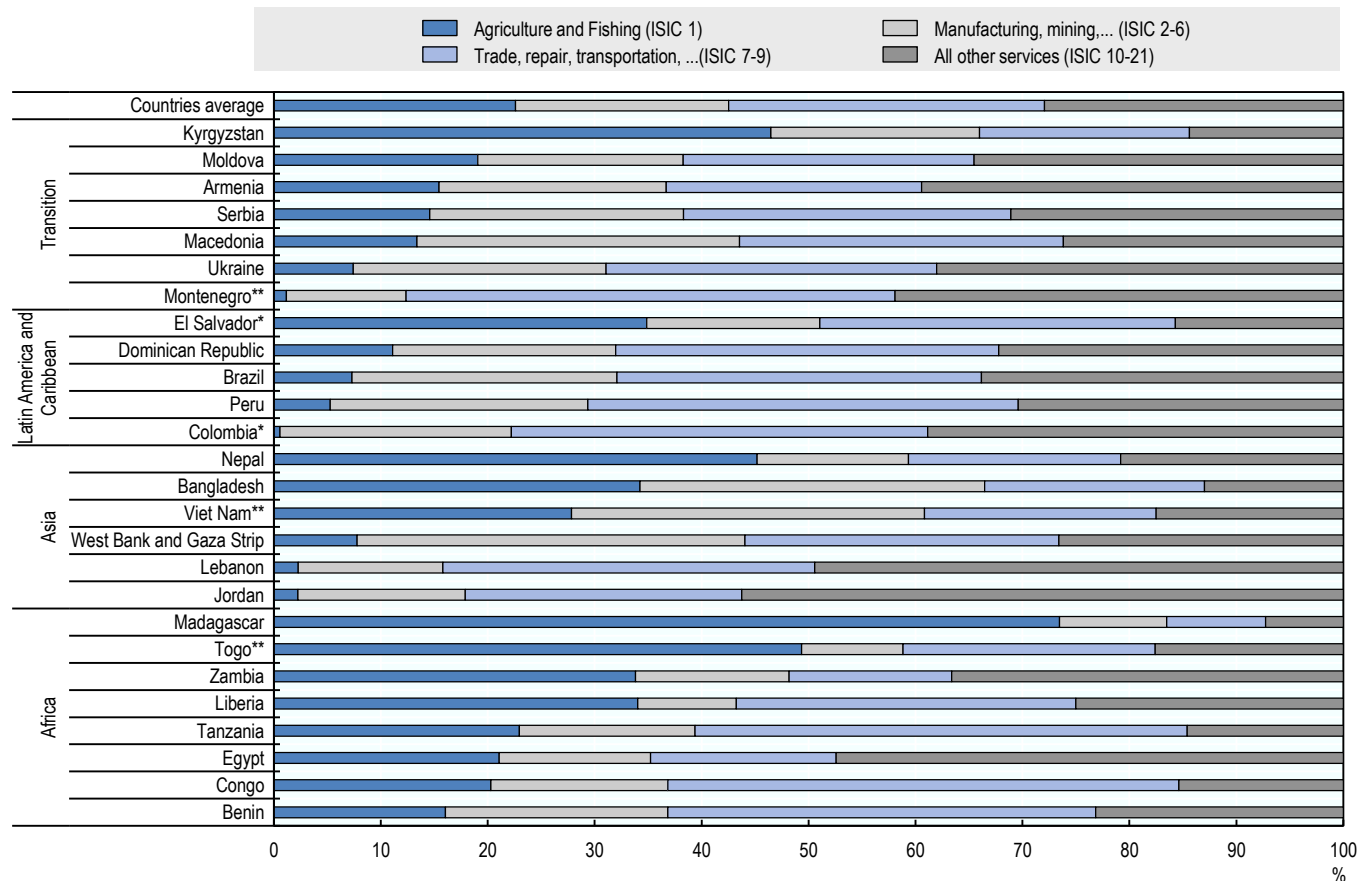
- While high skilled jobs bring about greater job satisfaction, few young people in Africa are able to take on such jobs





A number of job characteristics that drive job satisfaction down are relatively common

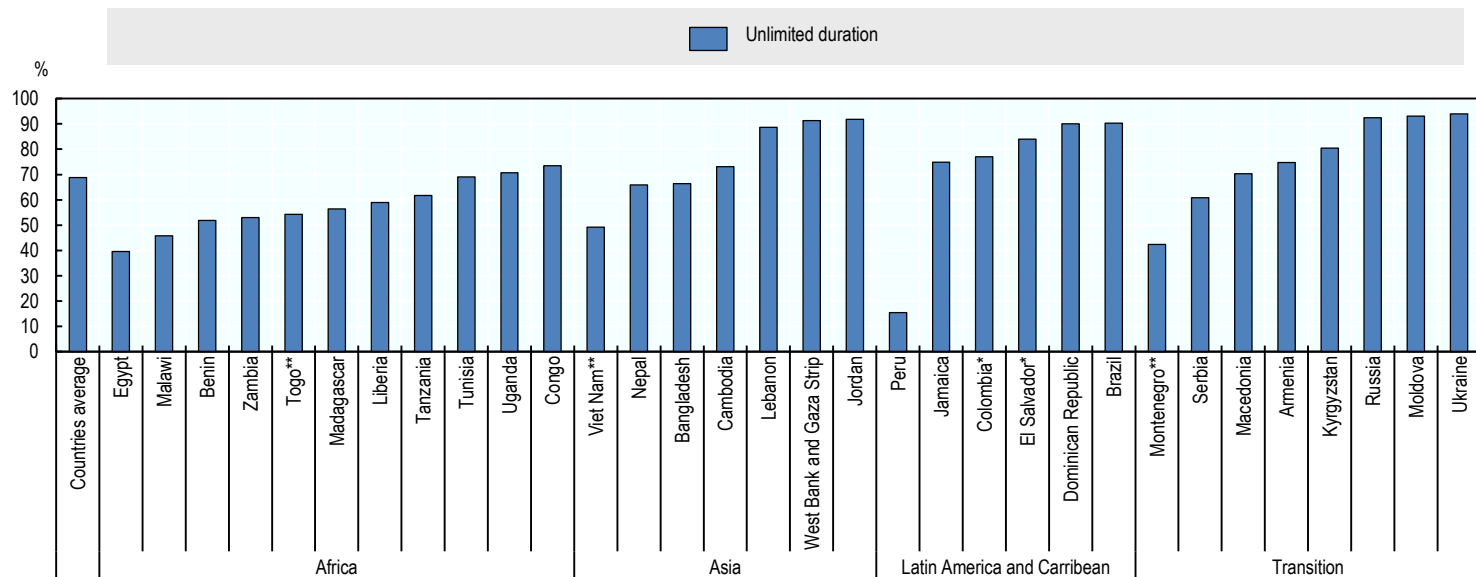
- Agriculture is the main source of jobs for an important segment of youth but is not attractive for young people





A number of job characteristics that drive job satisfaction down are relatively common

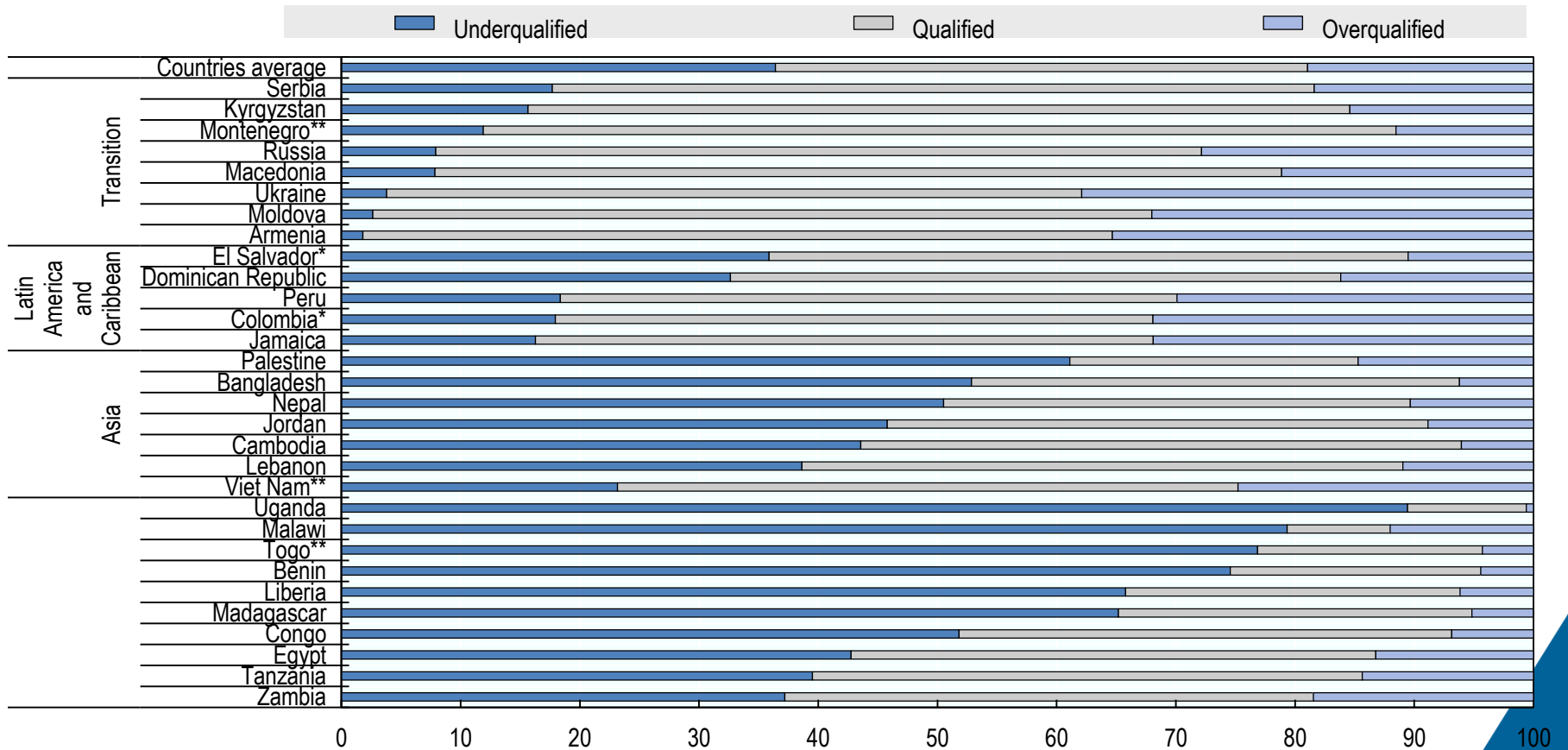
- Job security is a key driver of job satisfaction, yet not all youth wage employees have unlimited duration contracts, especially in Africa.





A number of job characteristics that drive job satisfaction down are relatively common in Africa

- Skills mismatch that make young workers unhappy are especially high in Asia and Africa





In response to the youth employment challenge, entrepreneurship has gained importance in the global and national policy agenda.

- Yet, only a tiny portion of youth entrepreneurs in developing countries succeed and the vast majority are confined to subsistence activities.
- Top performing entrepreneurs have distinct profiles:
 - possess business and managerial skills
 - have higher level of education (tertiary)
 - are in favourable physical operating conditions (dedicated premises, basic infrastructure services, and ICT)
 - have access to finance and social networks
 - operate formally (as registered businesses) and are better integrated in the market (greater and more diverse connections with buyers and suppliers)



There is a need to reconsider the role of youth entrepreneurship in strategies to promote decent work for youth.

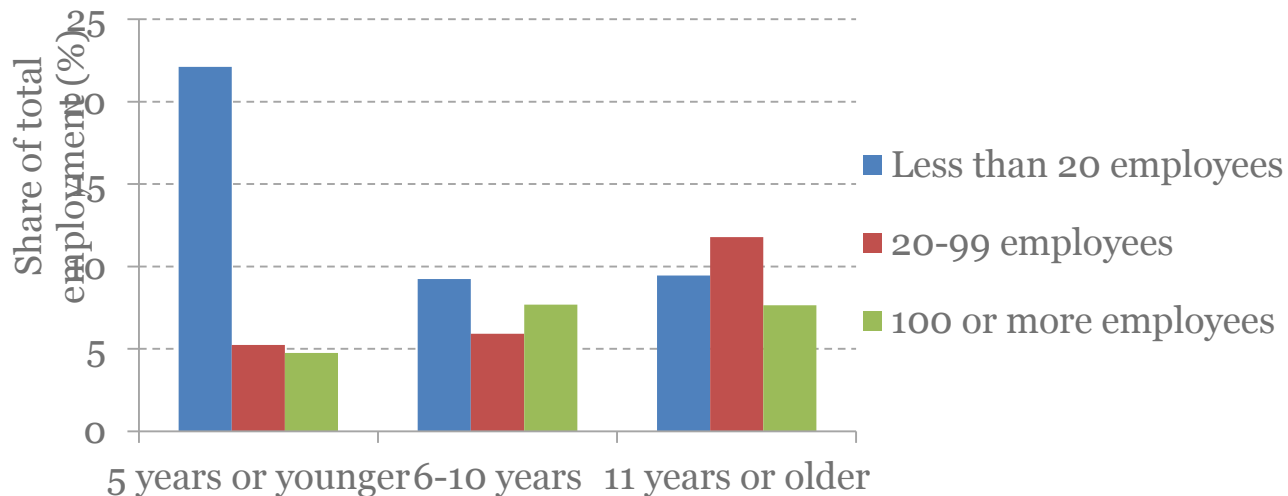
- Few young entrepreneurs in developing countries succeed. Unlocking their potential is possible but complex and will unlikely be a scalable solution that could address the massive employment and poverty challenges of youth.
- The vast majority of youth entrepreneurs are low-educated (early school dropouts) and low-skilled, and engaged in subsistence activities. They have little chance of becoming successful entrepreneurs.
- Entrepreneurship programmes should target those with the highest potential and be refocused on business development services as well as a package of training and access to finance that have proven to work best.



Policy support to local private sector development is key to create jobs.

- In Africa SMEs create the most jobs.
- Their main constraint to growth is the lack of skilled workers, poor business clusters and low access to finance.
- But how to enhance African firms' incentives to contribute to youth skills development systems remains an open question...

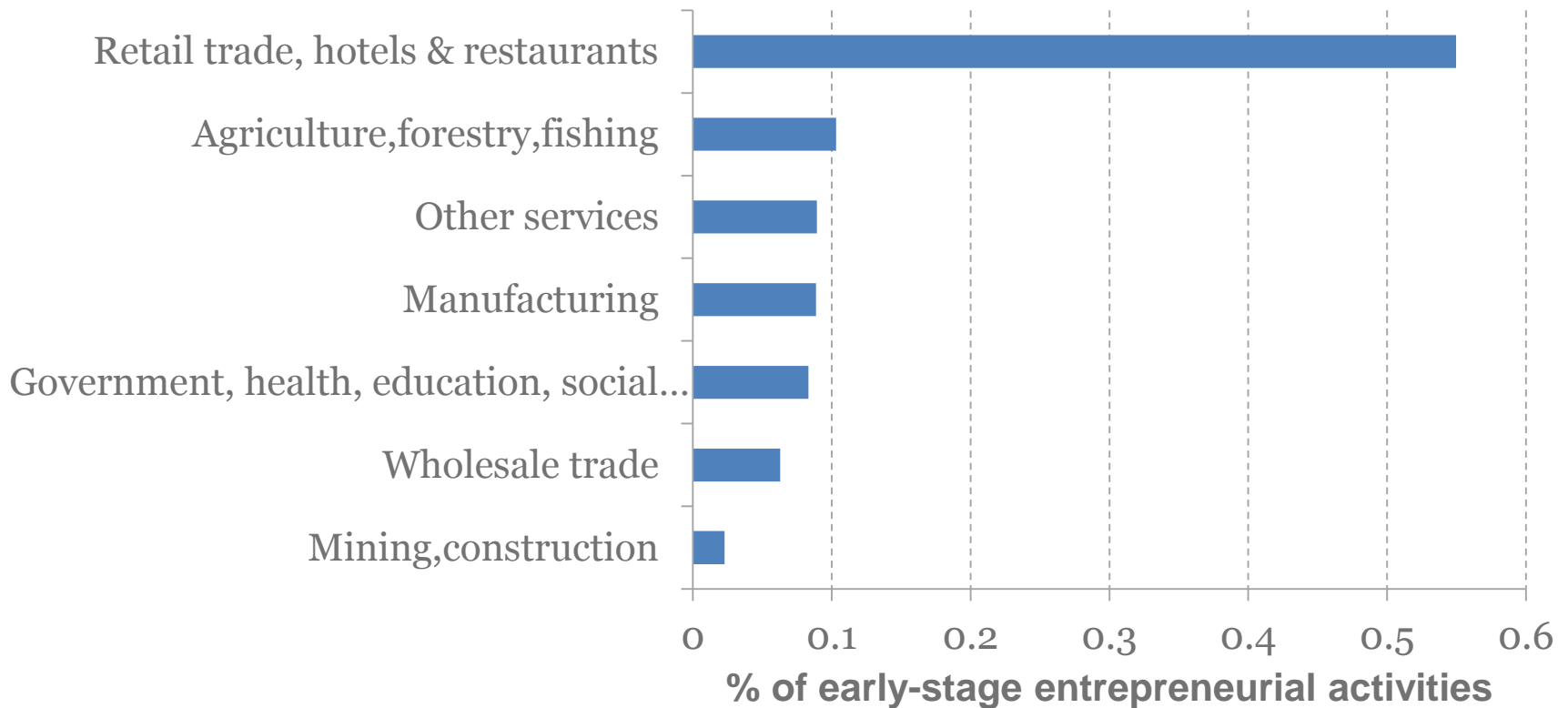
Sizes and ages of formal enterprises in 38 African countries





Africa has the world's highest ratio of new entrepreneurs, but mostly in non-tradable services

Sectoral composition of early-stage entrepreneurship in Africa, 2012-16





There is room to create new jobs in the food sector

Agriculture is currently the biggest employer in most developing countries

Untapped opportunities exist for rural youth linked to **growing demand** for food and **changing consumer preferences** due to rising population, income growth and urbanisation

These changes provide great opportunities for food and agriculture systems in developing countries to become more attractive to youth and to create new job opportunities throughout the agriculture value chain.



The role of local value chains needs greater policy attention

Tapping the potential of rural youth requires a more strategic and youth-sensitive approach to food systems that make local value chains more central in national development strategies

- A number of structural and policy constraints continue to threaten the ability of developing countries to seize the opportunities associated with the burgeoning of food demand and changing consumption patterns.
- Too many agriculture value chains remain plagued by poor coordination, underdeveloped marketing and transport infrastructure, or erratic energy supplies, and are too often insufficiently connected to consumer needs in secondary towns. As a result, retailers and wholesalers often revert to imports to meet urban demand.
- Smallholders can take advantage of the growing demand if they increase their productivity and can access local and national markets in particular through farmer organizations and out-grower schemes.
- The development of local agro-processing businesses can create employment for low and medium skilled jobs while it can also attract educated young entrepreneurs to invest and/or manage these enterprises.



A youth employment lens needs to be applied to analyse local value chains

Agriculture and rural development-related programmes needs to be more youth-oriented in their design and analysis, and to have a more explicit employment objective.

- Youth will engage in agriculture under certain conditions including a modernization of agriculture, improved productivity and revenues, reduced burden, along with improved rural and market infrastructures.
- Based on the needs of local and national markets and consumers, policies and programmes can support the strengthening of smallholders and small and medium agro businesses and create specific incentives for youth
- Directing investments to reconnect secondary towns and rural communities can create new markets for commercial family farming/local productions, contributing to the creation of farm and off-farm employment for youth in rural and semi-rural areas.