OECD Report Investing in Youth: PERU

Launch of report
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Ministerio de Relaciones Exteriores

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Outline of presentation

1) Placing this report in the broader context of the relations between Peru and the OECD
2) Key challenges for effective labour and social policies targeting the youth generations
3) An integrated policy approach in 3 policy areas
4) Key policy insights
PLACING THIS REPORT IN THE BROADER CONTEXT OF THE RELATIONS BETWEEN PERU AND THE OECD
The OECD and its work

• Substantive activities at the OECD are carried out by 23 Committees including experts from members & non-member countries to exchange information and ideas and adopt common standards
  o For example, Peru adheres to 41 legal Instruments of the OECD
• The Employment Labour and Social Affairs (ELSA) Directorate serves two Committees:
  o ELSA Committee (ELSAC) & Health Committee
  o Each Committee meets twice a year & brings together senior officials & experts from every member country
  o Each Committee is supported by Working Parties & expert group meetings
• Trade unions and employers are important partners for ELSAC and the OECD
  o Both provide an essential reality check on our public policy discussions
Recent OECD studies and analysis for Peru

16 published studies within OECD - Peru Country Programme, including:

- Driving Performance at Peru’s Energy and Mining Regulator- 2019
- Multidimensional Study Volume 1 and 2 - 2015, 2016
- Environmental Performance Study - 2017
- Health Study - 2017
- Public Procurement Study - 2017
- Study of Public Governance– 2016
The OECD has a longer than 20-year experience on youth policy challenges and in 2013 launched the OECD Action Plan for Youth, which provides a framework for consolidating this experience.

Building on this framework, the OECD was requested to:

- Carry out an in-depth analysis of the obstacles to improve labour market outcomes for Peruvian youth and to discuss the most promising labour market and social policies to remove them;
- Put forward an integrated policy framework to support inclusive labour markets for Peruvian youth, based on the practices and reforms that have worked well in other countries;
- Propose viable policy strategies for promoting employment and employability among young people under-represented in the labour market, notably school drop outs, women and indigenous and Afro-Peruvian youth.

Our work was informed by two very fruitful missions to Lima in early 2017 and early 2018.

It benefitted of numerous in-depth discussions with ministries, high level officials, social partners, stakeholders, and researchers.

Investing in Youth review process with ELSA
KEY CHALLENGES AND BARRIERS FOR EFFECTIVE LABOUR AND SOCIAL POLICIES TARGETING THE YOUTH GENERATIONS
Taken on aggregate Peruvian youth do not perform badly in the labour market

Youth employment rates¹

Youth Inactivity rates¹

1. As a percentage of the population aged 15-24, 2017
Source: OECD Employment Database and ILO.
However, the aggregate figures mask challenges...

Youth employment rates¹

Youth Inactivity rates¹

Differences across levels of education

Gender gaps

Regional disparities

Source: OECD calculations from ENAHO 2017.

1. As a percentage of population aged 15-24
...which appears confirmed by the youth own perception of their economic and well-being status

34% of Peruvian youth find it difficult to get by with their present household income...

...which translates into comparatively low levels of self reported well-being

Source: OECD calculations based on Gallup World Poll.
Informality hinders the transition to better quality jobs and better paid jobs

Informality rates, Peru and selected Latin American countries

As a percentage of all dependent workers (legal definition) and of all workers (productive definition) aged 15-64, 2015

<table>
<thead>
<tr>
<th>Country</th>
<th>Legal definition</th>
<th>Productive definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peru</td>
<td>60%</td>
<td>65%</td>
</tr>
<tr>
<td>LAC</td>
<td>50%</td>
<td>55%</td>
</tr>
<tr>
<td>Ecuador</td>
<td>40%</td>
<td>45%</td>
</tr>
<tr>
<td>Colombia</td>
<td>30%</td>
<td>35%</td>
</tr>
<tr>
<td>Argentina</td>
<td>20%</td>
<td>25%</td>
</tr>
<tr>
<td>Costa Rica</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Dominican</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Republic</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Brazil</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Chile</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Uruguay</td>
<td>10%</td>
<td>15%</td>
</tr>
<tr>
<td>Average</td>
<td>40%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Notes: Legal definition: A worker is considered informal if (s)he does not have the right to a pension when retired. Productive definition: A worker is considered informal if (s)he is a salaried workers in a small firm, a non-professional self-employed, or a zero-income worker. The LAC average is the unweighted average of the 15 countries shown in the figures. Data for Argentina are only representative of urban areas and wage workers.

Source: SEDLAC database by CEDLAS and the World Bank.

Based on conventional international definitions, the productive and legal definitions, respectively, the rate of informality ranges between 60 and 65% in Peru. This is higher than the average for a selected sample of Latin American countries.
Portraits of Peruvian youth at high risk of marginalisation

NEET rates among youth in OECD and LAC countries
As a percentage of the population aged 15-29

- Approximately 1 in 5 PERUVIAN youth are NEETs, which compares to 15% for the OECD average.
- NEETs rate has increased in PERU since 2010.

NEET rates by socio-demographic characteristics, Peru 2015

Significantly higher NEETs rates among:
- WOMEN;
- LOW SKILLED;
- LOW INCOME;
- NEETs more Concentrated in URBAN areas

Source: OECD calculations based on national labour force surveys, except for Australia, Korea and New Zealand for which data come from OECD Education Database and Bolivia, Ecuador, Mexico, Paraguay and Uruguay for which data come from OECD and World Bank tabulations of SEDLAC (CEDLAS and the World Bank). Microdata used to calculates the rates for Peru are ENAHO 2010 and 2015.
Why is it important to address these challenges now?

More than 1/4 of PERU’s population is young, compared with less than 1/5 in the OECD.

Although the share of youth in PERU is expected to remain higher than in the OECD by 2050, it is set to decline (to around 20%).
AN INTEGRATED POLICY FRAMEWORK TO SUPPORT INCLUSIVE LABOUR MARKETS FOR PERUVIAN YOUTH
Key elements of the integrated policy framework

A framework built on the OECD Youth Action Plan (2013):

- Focus on 3 dimensions;
- View on implementation, governance and coordination of stakeholders.

1. Employment and social policies: These include the actions that can have effects on youth employment, such as the improvement of the efficiency of the public employment services and the implementation of active labour market policies.

2. Policies to make youth employment more attractive: The previously mentioned policies may need to be reinforced by measures to remove structural barriers in the labour market and social barriers that prevent young people from accessing productive and interesting jobs.

3. Policy Targeting: Furthermore, the complementary measures to address particularly vulnerable youth have also an important role to play.
KEY POLICY INSIGHTS
Using employment and social policies to improve the employability of youth by:

- Expanding and increasing the efficiency of the Centro de Empleo. In parallel, tackling administrative barriers that may hamper the engagement of the Peruvian business sector in on-the-job training programmes would also be important.

- Re-designing the unemployment benefit scheme, possibly combining a system of individual saving accounts with a common solidarity fund and including elements that encourage job search.

- Improving social assistance programmes, gearing them better to the needs of jobless youth deprived of unemployment benefit, while at the same time making recipiency conditional upon active job search.

- Strengthening the role of policy co-ordination to achieve better outcomes through expanding horizontal collaborations among ministries and vertical collaborations across levels of government. (This is particularly important when it comes to educational and vocational training policies to raise skills outcomes.)
Making youth employment more attractive through:

Strengthening social dialogue to improve labour market policies, including with a view to reduce the dualism of the labour market between permanent and temporary contracts.

Ensuring that incentives to the firm sector do not alter economic activity in unintended ways, particularly by exacerbating the effects of strong sized-based thresholds.

Ensuring that the minimum wage remains attractive to Peruvian youth job seekers but also that the minimum wage is set in a way that does not create a disincentive for employers to hire workers formally.
<table>
<thead>
<tr>
<th>Providing effective support to the most vulnerable youth by:</th>
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<tbody>
<tr>
<td><strong>Continuing the efforts to increase the enrolment and learning performance of students of disadvantaged background.</strong> For example, the programme Decidiendo para un futuro mejor could be scaled up.</td>
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<td><strong>Engaging in ambitious policies to tackle the vulnerability of young Peruvian women.</strong> It could be desirable for example to reinforce the willingness of female adolescents to stay in education, through efforts to strengthen the conditionality of Juntos.</td>
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<td><strong>Continuing to combat discrimination against indigenous and Afro-Peruvian youth.</strong> For example, a particular emphasis could be devoted to improving the implementation of the Educación Intercultural Bilingüe programme (Intercultural Bilingual Education).</td>
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<tr>
<td><strong>Boosting job opportunities for rural indigenous youth</strong> by implementing a nationally co-ordinated strategy to help rural populations engage in new and more profitable entrepreneurial activities, such as, for example, tourism, fish farming and organic farming.</td>
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Thank you

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