



Making Labor Markets Work for the Youth

Guiding Principles



The Global South is home to a large number of youth – but labor markets are not ready to absorb them

- In 2033 there will be **1.2 bn youth (15-24) in the Global South**, up from 1.1 bn in 2023
- Of these, 480 mil will be in school, 420 mil will be employed (many in precarious jobs) and, without action, **300 million will remain inactive**

Solid education and a good first job are the basis to climb the jobs ladder



- A good education gives the skills and knowledge to adapt and thrive in the workplace
- A good first job – formal or informal – adds to education by providing job-specific skills
- Combined, they determine where youth start off
- **A good start helps youth climb the jobs ladder all along their working life**

Inactivity early in life can have strong scarring effects:



IMMEDIATE NEGATIVE EFFECTS

- Lack of work experience
- Limited skills formation
- Discouragement
- Lower physical & mental health

TRANSMISSION CHANNELS

- Negative signal to employers
- Less active job search
- Skills depreciation
- Low chances of getting & keeping job
- Poor quality jobs & income

LONG-TERM EFFECTS IN ADULTHOOD

- Higher adult unemployment
- Lower lifetime income
- Mental health problems, antisocial behavior
- Lower life satisfaction



Youth inactivity is costly economically and socially, up to 1-2% of GDP



ECONOMIC GROWTH
AND PROSPERITY

- Youth idleness costs 10-30% of life earnings vs. being constantly employed/in education
- Governments forego tax revenues and face higher spending on social protection
- Lack of jobs prospects may fuel migration



SOCIAL AND
POLITICAL COSTS

- Lack of jobs affects trust in institutions, reduces political participation
- Fertile ground for populism, social unrest/crime, and political upheaval
- Unemployment reduces social mobility and fosters inequality

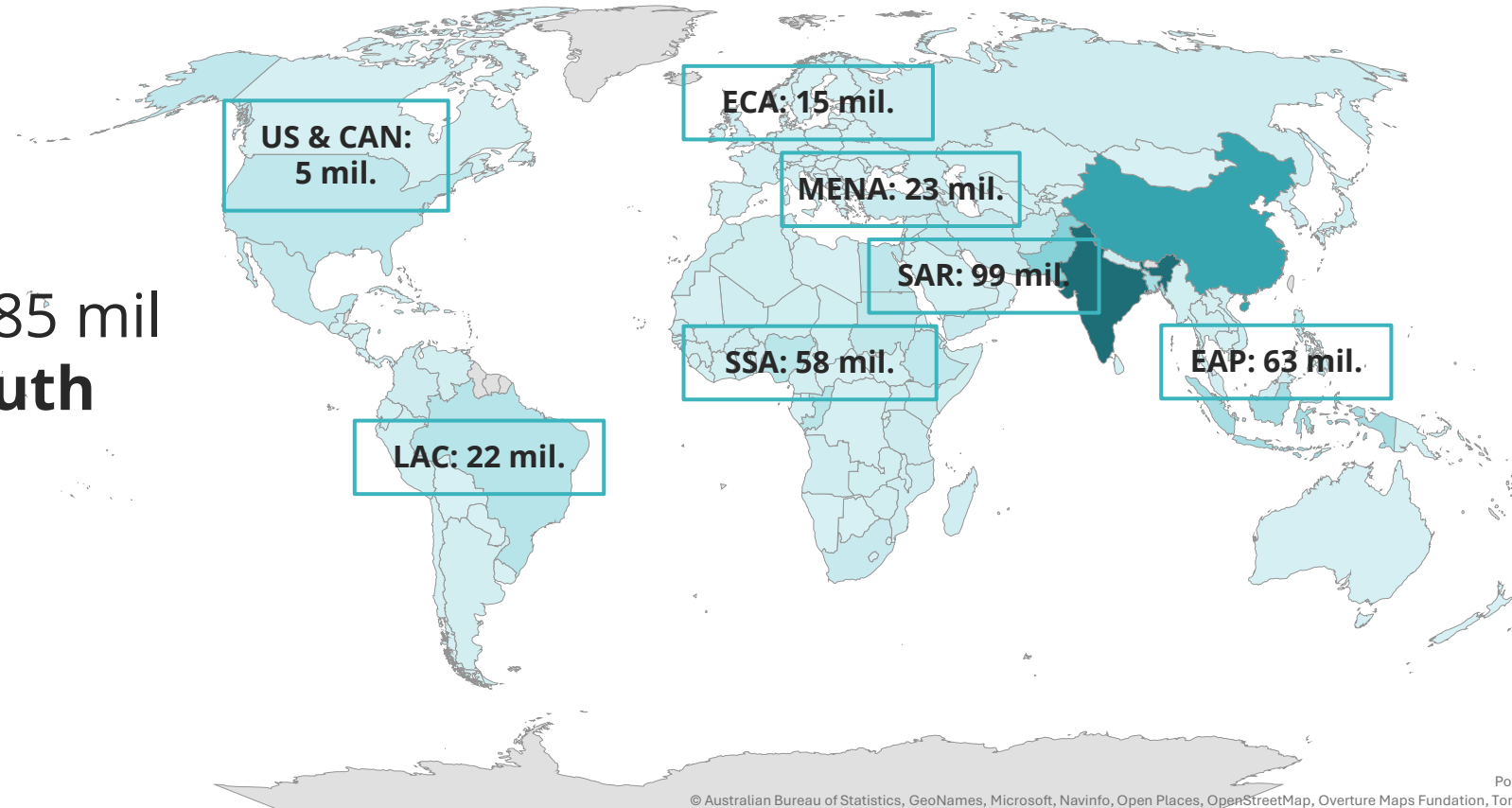


The global context

Youth employment is a challenge across the Global South

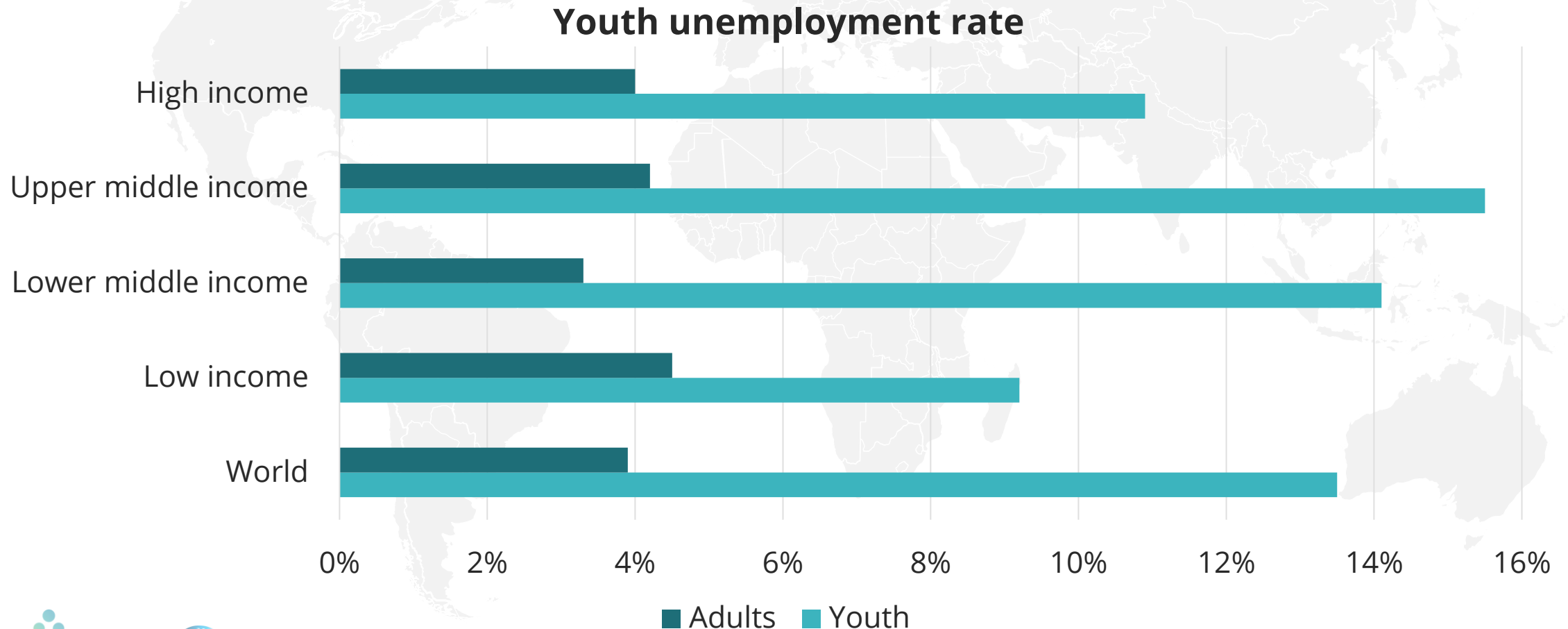
2023 Total NEETs*: 285 mil
270 mil in Global South

* *NEET: Not in Education, Employment, or Training*

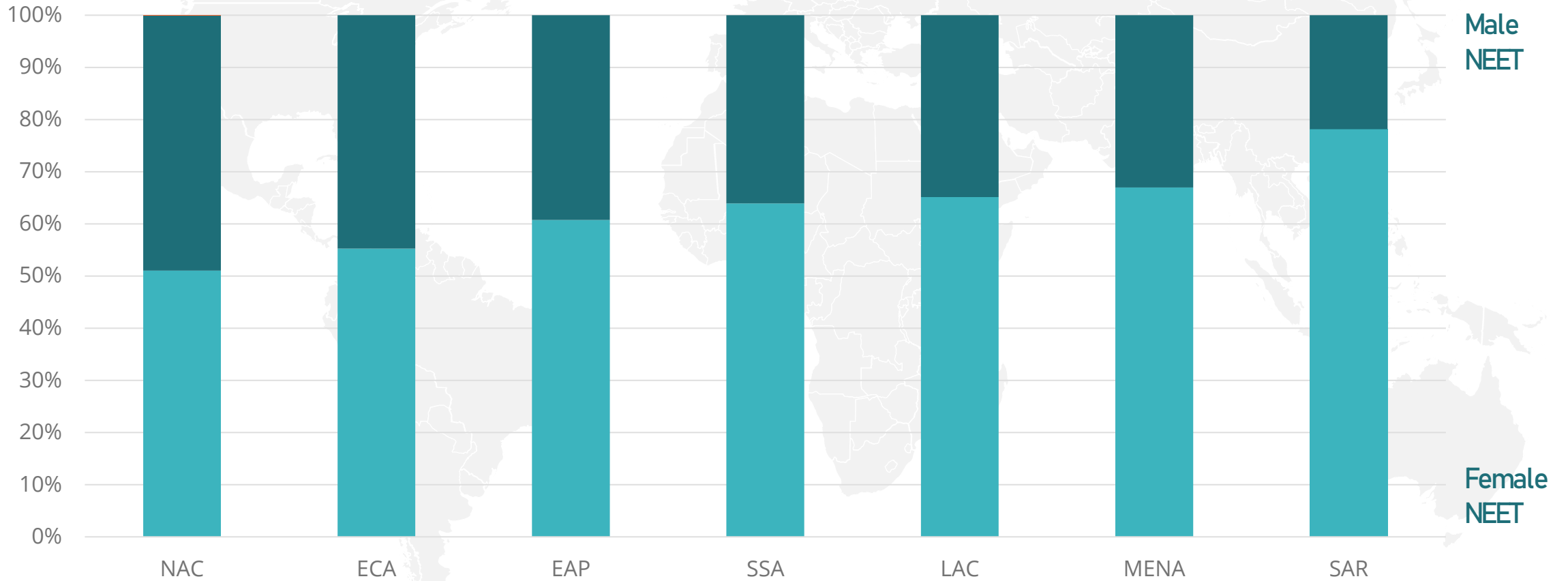


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Poor labor markets disproportionately affect youth...



...and young women



What drives poor youth labor market transitions?

**POOR YOUTH LABOR MARKET
TRANSITIONS**

Not Enough Opportunities For Youth
(Low Demand for Youth Workers)

Weak Education & Skills Development Sector
(Youth Unprepared for Labor Markets)

Labor Markets Frictions and Costs
(Youth Excluded from Labor Markets)

Employment challenges cumulate and reinforce one another along the transition towards employment

YOUTH INACTIVITY



Not Enough Opportunities For Youth

- Lack of opportunities for work-based learning
- Low demand for school leavers
- Lack of work experience
- Lack of access to capital for young entrepreneurs
- Low demand for entry level workers
- Low quality first job
- Limited flexible work arrangements

Weak Education Outcomes

- Quantity & quality of education
- Skills not aligned with demand needs
- Lack of technical skills
- Lack of soft skills
- Skills mismatches
- No opportunities to upskill
- Lack of mentorship and guidance
- Lack of continued re-skilling and training
- Lack of 'second-chance' programs

Labor Markets Frictions

- Lack of career guidance and preparation for job search methods
- Unrealistic wage expectations
- Limited aspiration due to social norms
- Poor matching instruments
- Lack of networks
- Lack and poor signaling of certifications
- High hiring and wage costs
- Lack of mobility across sectors, location, and occupations
- Lack of information and preparedness for global opportunities (migration)
- Segmentation between standard and non-standard forms of employment
- Social norms
- Household responsibilities and lack of care facilities





Supporting successful transitions into the labor market

Guiding principles

There is ample room to support youth across the Global South

- Employment opportunities for youth depend on their education and the overall macro-economic environment
- Yet, even within these limits, there is room to enhance youths' transition into the labor market
 - Training programs can cover critical skill gaps
 - Employment programs can help address some of the labor market constraints faced by youth

A simple policy framework to support youth labor market transitions

Creating Opportunities for Youth

Boosting productivity and demand for young workers and entrepreneurs

- Small-scale entrepreneurship
- Work-based training programs
- Hiring incentives for youth
- New generation public works
- Global mobility programs
- Platform work

Preparing Youth for the Labor Market

Technical Education and Training

- Apprenticeships
- TVET
- Higher Education
- Short-term training programs
- Second chance training programs
- Re-certification, recognition of prior learning

Facilitating Youth Placement

Reducing frictions and rigidities, changing expectations and social norms

- School to work transition programs
- Intermediation services
- Youth-friendly labor regulation
- Facilitation of labor participation and mobility support
- Social norms

Adapting to the local and economic context

Tailoring to youths' profile

Enabling private sector initiative

Tailoring interventions to local context and youth profiles is key for success

Principle 1: Local Context Matters

Jobs opportunities for youth

Youth skills are relevant for the labor market

Regulation, frictions and social norms exclude youth

Optimal Policy and Program Mix

Principle 2: Youth profiles matter

In School or Out of School

Urban or Rural Youth

Skilled or Unskilled Youth

The private sector role needs to extend beyond job creation

The private sector plays an important role all along the transition process:

- Facilitating on-the-job training (apprenticeships, internships, etc.)
- Designing workplace relevant curricula
- Providing private training opportunities and intermediation services

...and when wage employment opportunities are scarce, self-employment and small-scale entrepreneurship is the most likely transition



Nepal: Training and matching services to meet local demand

INCREASING FEMALE YOUTH EMPLOYMENT AND EARNINGS BY STRENGTHENING TRAINING AND JOB PLACEMENT

- Recruitment: Information + Social Norms + Referrals interventions
- Training: Vocational + Life-skills interventions
- Training providers selected through a competitive bidding process
- Incentives schemes for referral and training providers

KEY RESULTS

- Training increased non-farm employment by 15-16 pp (**50%**)
- Average monthly earnings gain of about **72%**



Niger and Senegal: Promoting income-generating activities

ECONOMIC INCLUSION PACKAGE TO ENHANCE POOR HOUSEHOLDS' WELLBEING AND PROMOTE PRODUCTIVE ACTIVITIES

- Group coaching
- Community-based savings and loan groups
- Community outreach on social norms and aspirations
- Life skills training
- Micro-entrepreneurship training
- Cash grant

KEY RESULTS

- Increase in consumption by 15% (Niger) and 6% (Senegal)
- Increase in revenues for women by 107% (Niger) and 22% (Senegal)
- Improvements in psychosocial well-being in Niger



Kenya: Tailoring interventions to youths' profiles

INCREASING YOUTH EMPLOYMENT AND EARNINGS

- Initial assessment to direct youth to different tracks
- Trainings + internships for master craftsmen
- Business start-up grants and coaching on running a business
- Support the development of a one-stop-shop for access to LMI by strengthening Kenya's Labor Market Information System (LMIS)

KEY RESULTS

- About 86% of youth earned a wage or were self-employed
- 20% of those employed prior to interventions saw income increase
- 48% of the recipients of business support created jobs for others



Mexico

Supporting school-to-work transition

SUPPORTING SCHOOL-TO-WORK TRANSITION

- Labor market information workshop for high school seniors
- Formal employment incentive to employees (~20% of wages) if they held on to a formal job for 6 months
- High-frequency SMS-based monitoring exercise

Key results

- Formal employment up 4.2 pp (14.5%) over the first two years driven by a 5 pp (25%) increase in permanent formal jobs



Nigeria: Partnering with the private sector to provide internships

ENHANCING URBAN YOUTH EMPLOYABILITY THROUGH PUBLIC-PRIVATE PARTNERSHIP DRIVEN SKILLS TRAINING

- Life skills + vocational/sector-specific skills + entrepreneurship skills training in growth sectors
- Six-months subsidized internships and apprenticeships with private sector organizations, followed by a certification of skills

KEY RESULTS

- 28,185 graduated from internship programs
- Around 72% of participants were in wage- or self-employment post-intervention (vs. 21% pre-intervention)



Saudi Arabia: Increasing Female Labor Force Participation Through Enhanced Training

REFORMING LEGISLATION, POLICIES, AND INVESTING IN TRAINING TO REMOVE EMPLOYABILITY BARRIERS AND RESTRICTIONS FOR SAUDI WOMEN

- Reforms to women's rights and promotion of mobility
- Training programs focused on training and upskilling women in nontraditional sectors
- Creation of female-dedicated TVET centers
- Nationwide STEM competition and "Socialthon" events

KEY RESULTS

- Increase in FLFP from 17% in 2016 to 35% in 2024
- Female enrollment in TVET doubled from 2018 to 2021

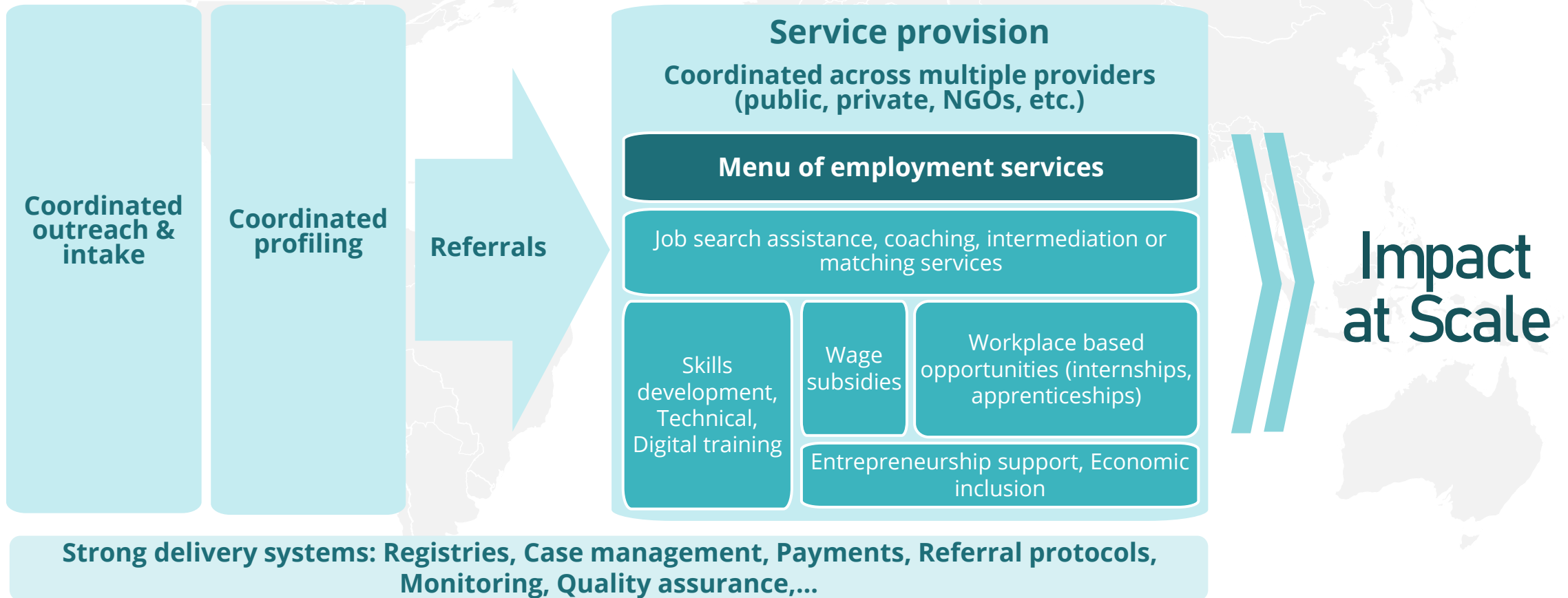




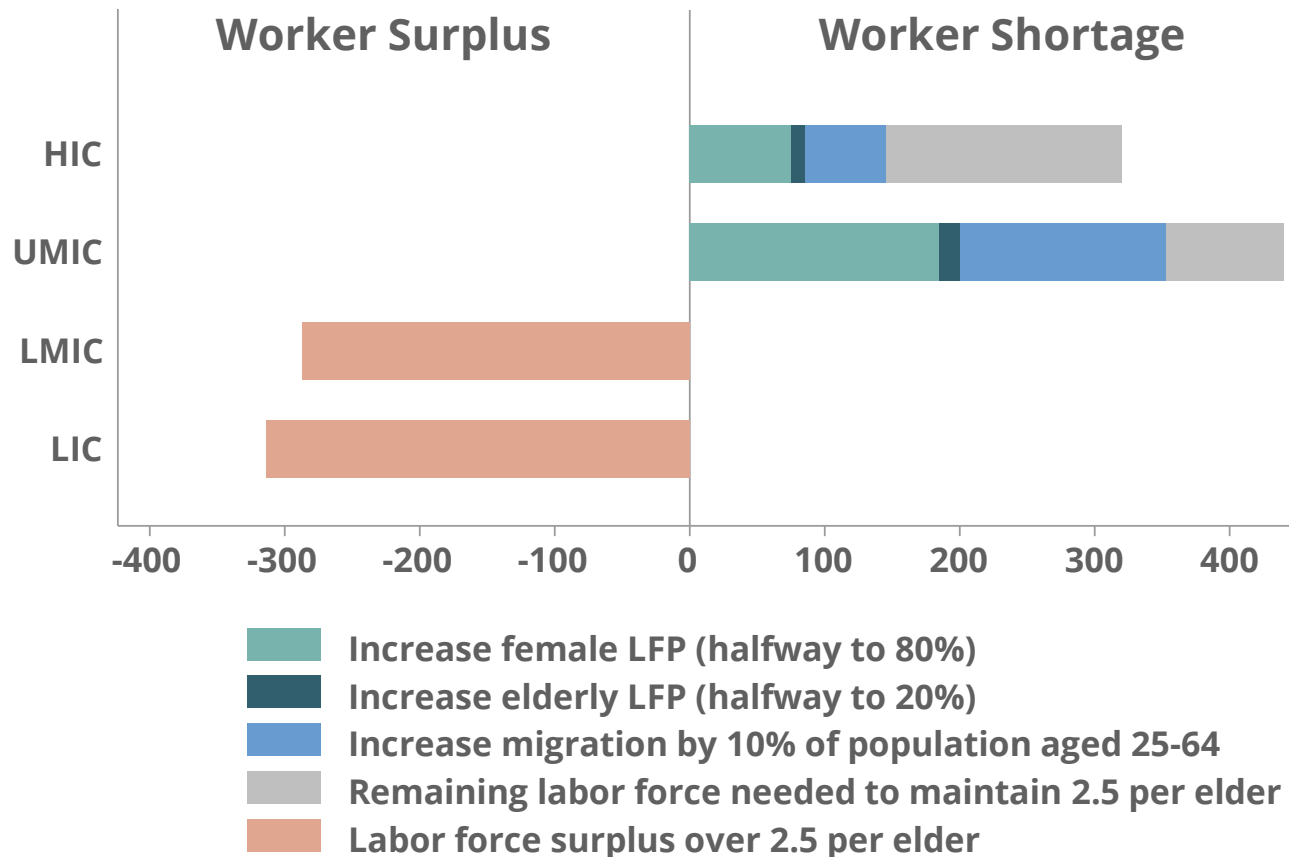
Looking Ahead

Delivering at scale and
adapting to a changing labor
landscape

Strengthening systems is key to deliver at scale



Harnessing the potential of migration can deliver win-win solutions



By 2050, higher income countries may face a 750 million worker shortage

This gap could be filled by youth from low- and middle-income countries, but significant investments in human capital will be necessary

The new kid in town: local and global platform work

- Gig work can help youth access better employment opportunities domestically and abroad, without the need to physically move
- Web scraping and website traffic analysis estimate the online gig workforce at 154 million globally – as a minimum
- Gig work is a growing phenomenon across the globe
 - A review identified 545 online gig work platforms, with headquarters in 63 countries and clients located in 186 countries

Effective support to vulnerable youth requires better integration with social protection

- Social protection cushions those falling off the employment ladder, and supports those who never reach it
- Without a minimum of income support, it may not be even possible to look for a better job
- Social protection also supports human capital accumulation
- Integrating SP and labor policies would lead to substantially greater impacts



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Thank you!



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